

United Way for Southeastern Michigan

Financial Report
June 30, 2015

United Way for Southeastern Michigan

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LIVE UNITED



**United Way
for Southeastern Michigan**

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Management Certifications

I hereby certify that:

1. I have reviewed the audited financial statements of United Way for Southeastern Michigan for the year ended June 30, 2015.
2. Based on my knowledge, these financial statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the financial statements, in light of the circumstances under which such statements were made, not misleading.
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of United Way for Southeastern Michigan as of and for the year ended June 30, 2015.

Kristen L. Holt
Chief Operating Officer

Date

Ulli Raak
Interim Chief Financial Officer

Date

Independent Auditor's Report

To the Board of Directors
United Way for Southeastern Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of United Way for Southeastern Michigan (the "Organization"), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way for Southeastern Michigan as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
United Way for Southeastern Michigan

Emphasis of Matter

As described in Note 9 to the financial statements, effective December 31, 2009, United Way for Southeastern Michigan (UWSEM) withdrew from participation in the multiple-employer defined benefit pension plan and filed for a distress termination of the plan with the Pension Benefit Guaranty Corporation (PBGC). During the year ended June 30, 2012, the PBGC approved the distress termination, became the trustee of the plan, and assumed the role of plan administrator. During the year ended June 30, 2014, UWSEM received communications from the PBGC requesting payment for UWSEM's portion of the plan's unfunded benefit obligation and certain other amounts. During the year ended June 30, 2015, a final settlement was reached with the PBGC for \$2,250,000 to satisfy UWSEM's portion of the unfunded benefit obligation. A liability of \$250,000 was previously accrued as of June 30, 2014; for the year ended June 30, 2015, an additional \$2,000,000 of expense was recorded. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015 on our consideration of United Way for Southeastern Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way for Southeastern Michigan's internal control over financial reporting and compliance.

Plante & Morse, PLLC

November 6, 2015

United Way for Southeastern Michigan

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Annual campaigns	\$ 36,991,322	\$ 1,050,000	\$ -	\$ 38,041,322	\$ 38,490,472	\$ 1,655,000	\$ -	\$ 40,145,472
Less donor designations	(8,561,537)	-	-	(8,561,537)	(10,047,836)	-	-	(10,047,836)
Less provision for uncollectible pledges	(1,162,330)	-	-	(1,162,330)	(1,753,541)	-	-	(1,753,541)
Net assets released from campaign restrictions	540,000	(540,000)	-	-	535,925	(535,925)	-	-
Net campaign results	27,807,455	510,000	-	28,317,455	27,225,020	1,119,075	-	28,344,095
Administrative fees and fee for service	3,941,350	-	-	3,941,350	1,873,335	-	-	1,873,335
Federal grants	2,263,029	-	-	2,263,029	1,806,549	-	-	1,806,549
State grants	859,929	-	-	859,929	3,887,900	-	-	3,887,900
County grants	2,090,259	-	-	2,090,259	1,344,874	-	-	1,344,874
Foundation grants	3,500	2,752,750	-	2,756,250	1,708	3,529,277	-	3,530,985
Other contributions and bequests	237,720	11,036,874	-	11,274,594	3,407,643	5,867,633	-	9,275,276
In-kind gifts revenue	1,502,132	-	-	1,502,132	575,003	-	-	575,003
Interest and dividend income	931,680	2,390	-	934,070	809,851	-	-	809,851
Net unrealized and realized (losses) gains on marketable securities	(1,190,237)	(3,581)	-	(1,193,818)	1,672,557	-	-	1,672,557
Miscellaneous income	510,893	-	-	510,893	302,206	-	-	302,206
Net assets released from restrictions	9,581,754	(9,581,754)	-	-	9,630,733	(9,630,733)	-	-
Total non-campaign support and revenue	20,732,009	4,206,679	-	24,938,688	25,312,359	(233,823)	-	25,078,536
Total public support and revenue	48,539,464	4,716,679	-	53,256,143	52,537,379	885,252	-	53,422,631
Expenses								
Program services:								
Gross grants to community impact partners	31,219,794	-	-	31,219,794	36,121,408	-	-	36,121,408
Less donor designations	(8,561,537)	-	-	(8,561,537)	(10,047,836)	-	-	(10,047,836)
Net funds awarded	22,658,257	-	-	22,658,257	26,073,572	-	-	26,073,572
Other program services	15,431,776	-	-	15,431,776	12,118,125	-	-	12,118,125
Total program services	38,090,033	-	-	38,090,033	38,191,697	-	-	38,191,697
Support services:								
Management and general	3,074,777	-	-	3,074,777	3,058,433	-	-	3,058,433
Fundraising	4,861,020	-	-	4,861,020	4,636,308	-	-	4,636,308
Total expenses	46,025,830	-	-	46,025,830	45,886,438	-	-	45,886,438
Increase in Net Assets - Before other changes to net assets	2,513,634	4,716,679	-	7,230,313	6,650,941	885,252	-	7,536,193
Pension Benefit Guarantee Corporation Settlement (Note 9)	(2,000,000)	-	-	(2,000,000)	-	-	-	-
Increase in Net Assets	513,634	4,716,679	-	5,230,313	6,650,941	885,252	-	7,536,193
Net Assets - Beginning of year	42,976,769	10,981,026	287,855	54,245,650	36,325,828	10,095,774	287,855	46,709,457
Net Assets - End of year	\$ 43,490,403	\$ 15,697,705	\$ 287,855	\$ 59,475,963	\$ 42,976,769	\$ 10,981,026	\$ 287,855	\$ 54,245,650

United Way for Southeastern Michigan

Statement of Functional Expenses

	Year Ended June 30, 2015						2015 Total
	Program Services			Support Services			
	2-1-1 Program	Community Investment and Other Programs	Total	Management and General	Fundraising	Total	
Allocations/Awards	\$ -	\$ 31,219,794	\$ 31,219,794	\$ -	\$ -	\$ -	\$ 31,219,794
Less donor designations	-	(8,561,537)	(8,561,537)	-	-	-	(8,561,537)
Net allocations/awards	-	22,658,257	22,658,257	-	-	-	22,658,257
Salaries	605,002	6,590,115	7,195,117	1,629,361	1,875,399	3,504,760	10,699,877
Employee benefits	125,981	1,372,271	1,498,252	339,285	390,518	729,803	2,228,055
Payroll taxes and insurance	43,430	473,068	516,498	116,964	134,625	251,589	768,087
Total salaries and related expenses	774,413	8,435,454	9,209,867	2,085,610	2,400,542	4,486,152	13,696,019
Printing and publications	42,252	414,104	456,356	78,660	151,906	230,566	686,922
Occupancy	35,694	345,853	381,547	85,509	98,422	183,931	565,478
Supplies	97,563	256,737	354,300	10,839	31,070	41,909	396,209
Professional fees	595,279	1,242,240	1,837,519	389,606	435,920	825,526	2,663,045
Employee travel and training	73,716	409,250	482,966	48,654	141,521	190,175	673,141
Meeting and event cost	9,441	93,829	103,270	10,060	278,885	288,945	392,215
Insurance	3,728	40,610	44,338	10,041	51,194	61,235	105,573
Communication	47,584	132,976	180,560	27,039	32,767	59,806	240,366
Equipment expenses	20,402	216,490	236,892	53,497	61,789	115,286	352,178
Postage and shipping	109,876	22,896	132,772	676	24,641	25,317	158,089
Dues	34,287	368,157	402,444	90,319	108,016	198,335	600,779
Miscellaneous	5,135	222,546	227,681	10,922	13,578	24,500	252,181
In-kind expenses	-	615,782	615,782	-	831,247	831,247	1,447,029
Depreciation	64,366	701,116	765,482	173,345	199,522	372,867	1,138,349
Total functional expenses before Pension Benefit Guaranty Corporation settlement	1,913,736	36,176,297	38,090,033	3,074,777	4,861,020	7,935,797	46,025,830
Pension Benefit Guaranty Corporation settlement	113,086	1,231,811	1,344,897	304,557	350,546	655,103	2,000,000
Total functional expenses after Pension Benefit Guaranty Corporation settlement	\$ 2,026,822	\$ 37,408,108	\$ 39,434,930	\$ 3,379,334	\$ 5,211,566	\$ 8,590,900	\$ 48,025,830

United Way for Southeastern Michigan

Statement of Functional Expenses (Continued)

	Year Ended June 30, 2014						2014 Total
	Program Services			Supporting Services			
	2-1-1 Program	Community Investment and Other Programs	Total	Management and General	Fundraising	Total	
Allocations/Awards	\$ -	\$ 36,121,408	\$ 36,121,408	\$ -	\$ -	\$ -	\$ 36,121,408
Less donor designations	-	(10,047,836)	(10,047,836)	-	-	-	(10,047,836)
Net allocations/awards	-	26,073,572	26,073,572	-	-	-	26,073,572
Salaries	763,886	5,238,466	6,002,352	1,639,411	2,146,823	3,786,234	9,788,586
Employee benefits	153,676	1,053,858	1,207,534	329,811	431,891	761,702	1,969,236
Payroll taxes and insurance	50,134	343,800	393,934	107,593	140,896	248,489	642,423
Total salaries and related expenses	967,696	6,636,124	7,603,820	2,076,815	2,719,610	4,796,425	12,400,245
Printing and publications	47,214	346,400	393,614	100,899	135,541	236,440	630,054
Occupancy	49,397	316,871	366,268	99,168	129,860	229,028	595,296
Supplies	13,014	115,324	128,338	8,009	13,919	21,928	150,266
Professional fees	489,670	948,554	1,438,224	308,042	286,356	594,398	2,032,622
Employee travel and training	73,580	280,350	353,930	35,602	88,532	124,134	478,064
Meeting and event cost	4,731	69,627	74,358	5,343	160,147	165,490	239,848
Insurance	5,169	35,450	40,619	11,095	33,948	45,043	85,662
Communication	124,719	82,163	206,882	24,034	32,905	56,939	263,821
Equipment expenses	35,600	213,269	248,869	63,342	82,946	146,288	395,157
Postage and shipping	34,644	23,427	58,071	4,407	8,038	12,445	70,516
Dues	46,461	316,796	363,257	98,287	131,490	229,777	593,034
Miscellaneous	6,679	48,197	54,876	8,439	11,634	20,073	74,949
In-kind expenses	-	-	-	-	519,901	519,901	519,901
Depreciation	100,157	686,842	786,999	214,951	281,481	496,432	1,283,431
Total functional expenses	<u>\$ 1,998,731</u>	<u>\$ 36,192,966</u>	<u>\$ 38,191,697</u>	<u>\$ 3,058,433</u>	<u>\$ 4,636,308</u>	<u>\$ 7,694,741</u>	<u>\$ 45,886,438</u>

United Way for Southeastern Michigan

Statement of Cash Flows

	Year Ended	
	June 30, 2015	June 30, 2014
Cash Flows from Operating Activities		
Increase in net assets	\$ 5,230,313	\$ 7,536,193
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	1,138,349	1,283,431
Gain on sale of fixed assets	-	(18,082)
Unrealized loss (gain) on marketable securities	1,285,096	(419,137)
Realized gain on marketable securities	(91,278)	(1,253,420)
Provision for uncollectible pledges	1,162,330	1,753,541
Changes in operating assets and liabilities which (used) provided cash:		
Pledges receivable	(1,806,300)	(4,459,389)
Grants and other receivable	3,222,589	(3,612,950)
Prepaid and other assets	(195,437)	72,177
Accounts payable and accrued liabilities	1,178,973	298,641
Undistributed grants to community impact partners	(990,427)	1,630,462
Undistributed donor designations	271,194	1,053,025
Net cash provided by operating activities	10,405,402	3,864,492
Cash Flows from Investing Activities		
Purchases of capital assets	(263,170)	(224,627)
Proceeds from sale of capital assets	-	26,052
Purchases of marketable securities	(11,704,056)	(19,435,945)
Proceeds from sales of marketable securities	10,159,461	18,627,060
Net cash used in investing activities	(1,807,765)	(1,007,460)
Net Increase in Cash and Cash Equivalents	8,597,637	2,857,032
Cash and Cash Equivalents - Beginning of year	20,232,037	17,375,005
Cash and Cash Equivalents - End of year	\$ 28,829,674	\$ 20,232,037

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Organization - In March 2005, the Boards of Directors of United Way of Oakland County (UWOC) and United Way Community Services (UWCS) agreed to consolidate their operations. The consolidation was accomplished when UWOC and UWCS formed a new entity, United Way for Southeastern Michigan (UWSEM) and each contributed their net assets as of the legal inception date of UWSEM, which was October 15, 2005. Both UWOC and UWCS ceased to operate as of that date and each was dissolved.

During the fiscal year ending June 30, 2015, UWSEM became the sole member of Linked Learning Detroit, L3C (LLD). LLD's purpose is to support and promote educational programs, which integrate academics and career-based learning objectives to improve academic performance. There was no activity related to LLD for the year June 30, 2015.

Mission - UWSEM is a Michigan nonprofit corporation dedicated to mobilizing the caring power of Detroit and Southeastern Michigan to improve communities and individual lives in measurable and lasting ways.

Significant accounting policies are as follows:

Basis of Presentation - The financial statements of UWSEM have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash - UWSEM places its cash and certain investments with high-quality credit financial institutions. UWSEM's cash balances include bank balances on deposit which exceed FDIC limits.

Receivables - UWSEM's receivables consist of pledge and grant receivables.

Pledge receivables are associated with UWSEM's annual campaign fundraising for UWSEM and other partnering agencies. A provision for uncollectible pledges is estimated based on an assessment of the prior year annual campaign pledges, which remain unpaid, and current market observations. All amounts deemed uncollectible are charged against the provision for uncollectible pledges in the period that determination is made.

Grants receivable include receivables for services rendered by UWSEM in accordance with grant contracts and reimbursements that have not been received as of year end. Grants receivable also include contributions made to UWSEM outside of the annual campaign, including corporate and foundation gifts. An allowance for doubtful accounts has not been established as all receivables are deemed collectible.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investments - Investments in readily marketable securities are stated at current quoted market values or other observable inputs. The collective trust fund is recorded at fair value, based on the net asset value (or its equivalent) per unit.

Capital Assets - Capital assets are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 10 years. Costs of maintenance and repairs are charged to expense when incurred.

UWSEM reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as restricted support. Absent explicit donor stipulations about how long the capital assets must be maintained, UWSEM reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired capital assets.

Classification of Net Assets - Net assets of UWSEM are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting UWSEM's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets - Board-designated net assets are unrestricted net assets designated by the board for various purposes. These designations are based on board actions, which can be altered or revoked at a future time by the board of directors. See Note 5.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Annual campaigns, foundation grants, and other contributions and bequests are revenue items reported on the statement of activities using these revenue recognition principles.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed time or purpose restrictions are reported as temporarily or permanently restricted support. Restricted contributions are reported as restricted support and restricted net assets when received and reclassified to unrestricted net assets when the restrictions expire.

Concentration Risks - A significant portion of UWSEM's campaign revenue and pledges receivable is derived from employee contributions and firm gifts from the "Big Three" automotive manufacturers. This amount is approximately \$15.1 and \$14.2 million of gross revenue for the year ending June 30, 2015 and 2014, respectively, and \$6.9 and \$6.8 million of gross pledges receivable at June 30, 2015 and 2014, respectively. The current and future economic health of the domestic automotive industry impacts collection of these revenue and future contribution levels and could result in a severe near-term impact to UWSEM.

Grants and Fee for Service Revenue - Federal, state, and county grants and fee for service revenue are exchange transactions and are recognized as services are provided. Amounts received in excess of that earned are recorded as deferred revenue. Administrative fees and fee for service, federal grants, state grants, and county grants are revenue items reported on the statement of activities and changes in net assets using these revenue recognition principles.

Agent Transactions - UWSEM follows standards for accounting for transfers of assets to a non-for-profit organization that raises or holds contributions for others. These standards set standards for transactions in which UWSEM accepts contributions from a donor and transfers those assets to another entity that is specified by the donor. UWSEM refers to such funds as donor designations. Agency transactions are reported as an obligation to the specified beneficiary, rather than annual campaign revenue to UWSEM. Amounts due to beneficiary organizations are reported as undistributed donor designations on the statement of financial position.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Contributed Services - UWSEM receives services from a large number of volunteers who give significant amounts of their time to UWSEM's programs, fundraising campaigns, and management. Such services may include those that (a) create or enhance nonfinancial assets, or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not contributed. No amounts have been reflected for types of donated services which do not meet these requirements. The value of recorded contributed services is determined based on the estimated fair values of such services.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Federal Income Taxes - UWSEM is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Upcoming Accounting Change - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for UWSEM's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. UWSEM has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 6, 2015, which is the date the financial statements were available to be issued.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 2 - Receivables

Receivables as of June 30 consist of pledges receivable and grants receivable.

Included in pledges receivable are unconditional promises to give generated from the annual campaign. Pledges receivable are as follows:

	<u>2015</u>	<u>2014</u>
Gross promises to give before allowance for doubtful accounts	\$ 18,772,938	\$ 18,806,818
Less allowance for doubtful accounts	<u>(4,220,505)</u>	<u>(4,898,355)</u>
Net pledges receivable	<u>\$ 14,552,433</u>	<u>\$ 13,908,463</u>
Amounts due in:		
Less than one year	\$ 18,672,938	\$ 18,541,818
One to five years	<u>100,000</u>	<u>265,000</u>
Total	<u>\$ 18,772,938</u>	<u>\$ 18,806,818</u>

Included in grants and other receivables are unconditional promises to give generated from foundation and corporate gifts, outside of the annual campaign, other grants receivable, and bequests. They are as follows:

	<u>2015</u>	<u>2014</u>
Promises to give	\$ 972,563	\$ 1,800,000
Grants and fee for service receivable	2,411,048	2,186,152
Bequest receivable	<u>79,952</u>	<u>2,700,000</u>
Grants and other receivables	<u>\$ 3,463,563</u>	<u>\$ 6,686,152</u>
Amounts due in:		
Less than one year	\$ 3,463,563	\$ 5,786,152
One to five years	<u>-</u>	<u>900,000</u>
Total	<u>\$ 3,463,563</u>	<u>\$ 6,686,152</u>

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value on the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about UWSEM's assets measured at fair value on a recurring basis at June 30, 2015 and 2014 and the valuation techniques used by UWSEM to determine those fair values.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Fair Value Measurements (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that UWSEM has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. UWSEM's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	Level 1	Level 2	Level 3	Balance at June 30, 2015
Investments:				
Money market, certificates of deposit, and other short-term investments	\$ 9,640,346	\$ -	\$ -	\$ 9,640,346
Equity securities:				
Mutual funds	10,364,770	-	-	10,364,770
Domestic stock	832,838	-	-	832,838
Foreign stock	72,989	-	-	72,989
Collective trust fund	-	1,038,029	-	1,038,029
Other equity securities	68,376	-	-	68,376
Debt securities:				
Mutual funds	6,032,968	-	-	6,032,968
Municipal bonds	-	835,000	-	835,000
U.S. government obligations	-	578,742	-	578,742
Collateralized mortgage obligations	-	9,425	-	9,425
Asset-backed securities	-	126,091	-	126,091
Corporate bonds	-	522,671	-	522,671
Foreign bonds	-	46,281	-	46,281
Private placements	-	19,997	-	19,997
Total investments	<u>\$ 27,012,287</u>	<u>\$ 3,176,236</u>	<u>\$ -</u>	<u>\$ 30,188,523</u>

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	Level 1	Level 2	Level 3	Balance at June 30, 2014
Investments:				
Money market, certificates of deposit, and other short-term investments	\$ 8,635,488	\$ -	\$ -	\$ 8,635,488
Equity securities:				
Mutual funds	10,185,799	-	-	10,185,799
Domestic stock	824,083	-	-	824,083
Foreign stock	61,401	-	-	61,401
Collective trust fund	-	967,837	-	967,837
Other equity securities	47,931	-	-	47,931
Debt securities:				
Mutual funds	5,992,475	-	-	5,992,475
Municipal bonds	-	1,965,000	-	1,965,000
U.S. government obligations	-	350,466	-	350,466
Collateralized mortgage obligations	-	39,654	-	39,654
Asset-backed securities	-	203,918	-	203,918
Corporate bonds	-	491,213	-	491,213
Foreign bonds	-	57,347	-	57,347
Private placements	-	15,134	-	15,134
Total investments	<u>\$ 25,747,177</u>	<u>\$ 4,090,569</u>	<u>\$ -</u>	<u>\$ 29,837,746</u>

The fair value of the collective trust fund, municipal bonds, U.S. government obligations, collateralized mortgage obligations, asset-backed securities, corporate and foreign bonds, and private placements at June 30, 2015 and 2014 were determined based on Level 2 inputs. UWSEM estimates the fair value of these investments by using a reliable third-party investment custodian and multiple investment managers. Valuation methods used are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other economic measures.

Investments in Entities that Calculate Net Asset Value per Share

UWSEM holds shares or interests in investment companies whereby the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Fair Value Measurements (Continued)

Certain investments measured at net asset value per share (or equivalent) are classified within Level 2 of the fair value hierarchy, as the investment can be redeemed at or within one year of the measurement date. If the investment holdings cannot be redeemed at one year or within one year of the measurement date due to redemption restrictions or other factors, then the investment is classified within Level 3 of the fair value hierarchy.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible
				Redemption Notice Period
Collective trust fund	\$ 1,038,029	\$ 967,837	\$ -	Daily

The collective trust fund is designed to provide investment results that correspond to the price and yield performance of publicly traded common stocks of large-sized domestic companies as represented by the Standard & Poor's 500 Growth Index. The trust invests approximately 97 percent in equities and 3 percent in short-term investments as of June 30, 2015 and 2014. Net asset value of the trust is determined daily and units are issued and redeemed at the calculated net asset value.

Note 4 - Capital Assets

The cost of capital assets is summarized as follows:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 3,520,022	\$ 3,449,022
Furniture and equipment	4,653,075	4,460,904
Total cost	8,173,097	7,909,926
Accumulated depreciation	6,412,725	5,274,375
Net property and equipment	<u>\$ 1,760,372</u>	<u>\$ 2,635,551</u>

Depreciation expense was \$1,138,350 for 2015 and \$1,283,431 for 2014.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 5 - Board-designated Net Assets

Board-designated net assets at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Board-designated net assets:		
Emergency and stabilization	\$ 5,307,426	\$ 5,306,415
Funds functioning as endowment	<u>19,596,145</u>	<u>22,525,433</u>
Total	<u>\$ 24,903,571</u>	<u>\$ 27,831,848</u>

Note 6 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets constitute grant fund net assets, which contain donor-imposed restrictions as to purpose and time, until those donor-imposed restrictions are satisfied.

	<u>2015</u>	<u>2014</u>
Time-restricted pledges	\$ 565,000	\$ 805,000
Contributions restricted for specific program use	<u>15,132,705</u>	<u>10,176,026</u>
Total temporarily restricted net assets	<u>\$ 15,697,705</u>	<u>\$ 10,981,026</u>

Permanently restricted net assets constitute contributions whereby the principal is permanently restricted and the income may have donor-imposed restrictions. Income from permanently restricted net assets is reclassified to the unrestricted or temporarily restricted categories when donor-imposed restrictions are met. Total permanently restricted net assets are \$287,855 at June 30, 2015 and 2014.

Note 7 - Donor-restricted and Board-designated Endowments

UWSEM's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The board of directors of UWSEM has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UWSEM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UWSEM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UWSEM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of UWSEM and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of UWSEM
- (7) The investment policies of UWSEM

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 287,855	\$ 287,855
Board-designated endowment funds	19,596,145	-	-	19,596,145
Total funds	<u>\$ 19,596,145</u>	<u>\$ -</u>	<u>\$ 287,855</u>	<u>\$ 19,884,000</u>

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets -				
Beginning of year	\$ 22,525,433	\$ -	\$ 287,855	\$ 22,813,288
Investment return:				
Investment income	925,781	-	-	925,781
Net depreciation (realized and unrealized)	(1,191,438)	-	-	(1,191,438)
Total investment loss	(265,657)	-	-	(265,657)
Transfers to create board- designated endowment funds	174,224	-	-	174,224
Appropriation of endowment assets for expenditure	(2,837,855)	-	-	(2,837,855)
Endowment net assets - End of year	<u>\$ 19,596,145</u>	<u>\$ -</u>	<u>\$ 287,855</u>	<u>\$ 19,884,000</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 287,855	\$ 287,855
Board-designated endowment funds	22,525,433	-	-	22,525,433
Total funds	<u>\$ 22,525,433</u>	<u>\$ -</u>	<u>\$ 287,855</u>	<u>\$ 22,813,288</u>

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets -				
Beginning of year	\$ 17,865,820	\$ -	\$ 287,855	\$ 18,153,675
Investment return:				
Investment income	801,577	-	-	801,577
Net appreciation (realized and unrealized)	<u>1,671,887</u>	<u>-</u>	<u>-</u>	<u>1,671,887</u>
Total investment return	2,473,464	-	-	2,473,464
Appropriation of endowment assets for expenditure	(848,800)	-	-	(848,800)
Transfers to create board- designated endowment funds	<u>3,034,949</u>	<u>-</u>	<u>-</u>	<u>3,034,949</u>
Endowment net assets - End of year	<u>\$ 22,525,433</u>	<u>\$ -</u>	<u>\$ 287,855</u>	<u>\$ 22,813,288</u>

Return Objectives and Risk Parameters

UWSEM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding in general support of UWSEM while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UWSEM must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the board of directors, UWSEM has established a total return objective to provide an average rate of return of approximately 8 percent annually over time. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, UWSEM 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). UWSEM targets a diversified asset allocation of equity-based and fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

UWSEM has a policy of appropriating for distribution each year 3 percent of its endowment fund's average fair value. According to the policy, additional earnings may be used over time with the total of annual support and additional spending limited to the cumulative earnings over a trailing five-year period. In establishing this policy, UWSEM considered the long-term expected return on its endowment. This is consistent with UWSEM's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The board of directors approved a withdrawal of \$2,250,000 from the endowment fund earnings to cover the final settlement with the Pension Benefit Guaranty Corporation (PBGC) for the pension liability. This was in compliance with the above spending policy.

Note 8 - Undistributed Grants to Community Impact Partners

Unconditional grants are recognized as an expense at the time the grant is awarded.

The following summarizes the changes in undistributed grants to community impact partners:

	<u>2015</u>	<u>2014</u>
Undistributed grants to community impact partners -		
Beginning of year	\$ 7,055,484	\$ 5,425,022
Grants approved	8,443,440	13,462,843
Payments made	<u>(9,433,867)</u>	<u>(11,832,381)</u>
Undistributed grants to community impact partners -		
End of year	<u>\$ 6,065,057</u>	<u>\$ 7,055,484</u>

Undistributed grants to community impact partners at June 30, 2015 are scheduled for payment in 2016.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 9 - Multiple-employer Defined Benefit Pension Plan

UWSEM acted as the plan sponsor of a multiple-employer defined benefit pension plan (the "multiple-employer plan") that involved approximately 18 participating agencies. The multiple-employer plan was frozen as of March 15, 2005. A number of eligible employees of UWSEM continue to participate in the plan.

The pension benefits under the multiple-employer plan are based on years of service and the employee's compensation over the last three years of employment ending as of the date the multiple-employer plan was frozen. UWSEM's funding policy was to contribute an amount equal to at least the actuarially determined minimum funding requirement for the multiple-employer plan year under the Internal Revenue Code.

As indicated above, the multiple-employer plan was frozen effective March 15, 2005, with respect to benefits and participation in accordance with provisions of the official plan document. Effective December 31, 2009, UWSEM withdrew from the multiple-employer plan as a participating employer, but maintained the role of plan sponsor and administrator.

In 2009, UWSEM, acting as the plan administrator, filed for a distress termination of the multiple-employer plan with the Pension Benefit Guarantee Corporation (PBGC) with a specified elective date of March 1, 2010.

The distress termination was subsequently approved by the PBGC with the PBGC becoming the trustee of the multiple-employer plan. Over the next several years, settlement negotiations between the PBGC and UWSEM followed. In fiscal year 2013, \$250,000 was recorded as a potential pension liability.

On February 3, 2015, UWSEM reached a settlement agreement with the PBGC. The agreement required UWSEM to make a one-time \$2,250,000 lump-sum payment in order to settle all liabilities. Accordingly, a \$2,250,000 payment was made to the PBGC on February 9, 2015. UWSEM has recorded \$2 million PBGC settlement expense during the year ended June 30, 2015.

Note 10 - Postretirement Benefit Plan

As a result of the merger discussed in Note 1, UWSEM assumed a UWOC defined benefit plan (the "UWOC plan") covering substantially all former full-time UWOC employees. Benefits are based on years of service and the employee's compensation during the final year of employment. UWSEM's funding policy is to make the minimum annual contribution required by applicable regulations.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 10 - Postretirement Benefit Plan (Continued)

Information pertaining to the UWOC plan is as follows for the years ended June 30, 2015 and 2014:

Obligations and Funded Status

	Pension Benefits	
	2015	2014
Projected benefit obligation	\$ 1,042,683	\$ 1,113,593
Fair value of plan assets	810,903	857,854
Funded status at end of year	<u>\$ (231,780)</u>	<u>\$ (255,739)</u>

Amounts recognized in the balance sheet consist of the following:

	Pension Benefits	
	2015	2014
Current liabilities	<u>\$ 231,780</u>	<u>\$ 255,739</u>

The net periodic benefit cost of the defined benefit pension plan, which is included in the functional expenses of UWSEM, includes the following components for the years ended June 30, 2015 and 2014:

	Pension Benefits	
	2015	2014
Service cost	\$ 12,008	\$ 21,641
Interest cost	38,732	48,879
Expected return on plan assets	(59,569)	(65,653)
Loss (gain) recognized due to settlement	466	(4,826)
Total net periodic benefit cost	<u>\$ (8,363)</u>	<u>\$ 41</u>

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 10 - Postretirement Benefit Plan (Continued)

	Pension Benefits	
	2015	2014
Change in Benefit Obligation:		
Benefit obligation - Beginning of year	\$ 1,113,593	\$ 1,216,359
Service cost	12,008	21,641
Interest cost	38,732	48,879
Change due to assumption change	2,027	26,125
Actuarial (gain) loss	(796)	42,290
Expense charges	(12,008)	(21,641)
Annuities purchased or benefits paid	(110,873)	(220,060)
Benefit obligation - End of year	<u>\$ 1,042,683</u>	<u>\$ 1,113,593</u>
Change in Plan Assets:		
Fair value of plan assets - Beginning of year	\$ 857,854	\$ 958,359
Actual return on plan assets	51,730	134,546
Employer contributions	24,200	6,650
Expense charges	(12,008)	(21,641)
Annuities purchased or benefits paid	(110,873)	(220,060)
Fair value of plan assets - End of year	<u>\$ 810,903</u>	<u>\$ 857,854</u>

Assumptions

The following assumptions were used in developing the net pension cost and funded status information for the years ended June 30, 2015 and 2014:

	Pension Benefits	
	2015	2014
Discount rate (benefit obligations)	3.50 %	3.50 %
Discount rate (net periodic benefit cost)	3.50	3.90
Postretirement interest rate	5.50	5.50
Long-term rate of return on plan assets	7.00	7.00

Weighted-average asset allocations by asset categories are as follows for years ended June 30, 2015 and 2014:

	Pension Benefits	
	2015	2014
Equity	92.80 %	81.10 %
General account	7.20	18.90

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 10 - Postretirement Benefit Plan (Continued)

For the years ended June 30, 2015 and 2014, the expected long-term rate of return on plan assets assumption of 7.0 percent 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*. 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. An average inflation rate within the range equal to 3.25 and 3.75 percent as of June 30, 2015 and 2014, respectively, was selected and added to the real rate of return range to arrive at a best estimate range of 6.50 to 8.63 percent as of June 30, 2015 and 6.63 to 8.78 percent as of June 30, 2014. A rate within the best estimate range of 7.0 percent was selected as of June 30, 2015 and 2014.

The fair values of the Organization's pension plan assets at June 30, 2015 and 2014 by major asset classes are as follows:

Fair Value Measurements at June 30, 2015

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Pooled separate account - Equity (a)	\$ 752,220	\$ -	\$ 752,220	\$ -
Unallocated contract (b)	58,683	-	58,683	-
Total	\$ 810,903	\$ -	\$ 810,903	\$ -

Fair Value Measurements at June 30, 2014

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Pooled separate account - Equity (a)	\$ 695,677	\$ -	\$ 695,677	\$ -
Unallocated contract (b)	162,177	-	162,177	-
Total	\$ 857,854	\$ -	\$ 857,854	\$ -

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 10 - Postretirement Benefit Plan (Continued)

- (a) This class represents investments in an actively managed pooled separate account that invests in a diversified portfolio of common stocks and is valued at quoted market value. This class seeks to outperform the S&P 500 Index and achieve a high level of total return through appreciation of capital. At year end, there were no unfunded commitments or redemption restrictions related to this pooled separate account.
- (b) This class represents an unallocated contract with Mutual of America. This class invests in the general assets of Mutual of America and, as there are no underlying investments of the unallocated contract, the investment is valued based on contract value. Contract value represents deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees. Contract value approximates fair value.

The above tables present information about the pension plan assets measured at fair value at June 30, 2015 and 2014 and the valuation techniques used by UWSEM to determine those fair values.

Fair values are determined as described in Note 3.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2016	\$ 196,000
2017	26,000
2018	26,000
2019	157,000
2020	26,000
2021-2025	365,000

Note 11 - United Way Worldwide

UWSEM pays annual dues for use of the trademark, nationwide marketing, and training services to United Way Worldwide (UWW), which is a separate and autonomous organization from UWSEM. The annual dues are based on the preceding year's campaign and are payable during the next calendar year. As of June 30, 2015 and 2014, \$191,620 and \$208,494, respectively, was payable to UWW based on the respective campaigns.

Note 12 - Operating Leases

UWSEM leases its main administrative headquarters under a 10-year noncancelable operating lease expiring in November 2018 and leases various office equipment under two leases that expire in September 2017 and July 2019.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - Operating Leases (Continued)

UWSEM also entered into a contingent lease agreement expiring in November 2018 for the use of parking within the City of Detroit. This lease is contingent upon the number of spaces used during a monthly period and is calculated at \$90 per space. Due to the contingent nature of this lease, these payments are not included in the future minimum rental payment schedule below. Rental expense under this lease for the year ended June 30, 2015 and 2014 was \$153,221 and \$69,921, respectively.

The following is a schedule of the future minimum rental payments under the above lease for fiscal years ended June 30:

2016	\$	407,524
2017		407,524
2018		381,163
2019		173,205
2020		<u>2,578</u>
Total	\$	<u>1,371,994</u>

Total rent expense on noncontingent lease agreements was approximately \$402,000 and \$408,000 for the years ended June 30, 2015 and 2014, respectively.

Note 13 - Employee Benefit Plan

UWSEM's employees participate in a tax-deferred annuity plan. Under the terms of the thrift plan, employees can elect to contribute a percentage of their annual compensation. Through March 2009, UWSEM contributed 3 percent of the employees' compensation on behalf of the employees, plus an amount up to 100 percent of the employees' contribution to the plan, not to exceed 2 percent of the employees' compensation. UWSEM suspended the matching contribution of 2 percent, effective April 1, 2009, for non-union employees, but reinstated it effective January 1, 2015. Employer contributions to the thrift plan amounted to \$352,439 and \$264,818 for the years ended June 30, 2015 and 2014, respectively.

United Way for Southeastern Michigan

Notes to Financial Statements June 30, 2015 and 2014

Note 14 - Related Party Transactions

Related party expenses include payments to entities that are affiliated with UWSEM board members for approximately \$82,000 and \$65,000 during the years ended June 30, 2015 and 2014, respectively, related to legal, consulting, and advertising services provided to UWSEM.

Members of UWSEM's board serve as executive directors for partnering nonprofit agencies. Total payments to these agencies were approximately \$1,250,000 and \$285,000 during the years ended June 30, 2015 and 2014, respectively. Included within accounts payable were payments due to the agencies of approximately \$97,000 and \$0 as of June 30, 2015 and 2014, respectively. Executive directors excuse themselves from discussions and votes regarding agency funding.

Additionally, members of UWSEM's executive management serve on the boards of different nonprofit agencies that are either partnering agencies or agencies that provide programmatic services to UWSEM. Payments totaling approximately \$0 and \$75,000 during the years ended June 30, 2015 and 2014, respectively, were made to agencies during the executives' tenure on the boards. In the case of each agency, the executives have no influence on funding decisions related to the agencies and, in their director role at the agency, each executive excuses himself or herself from votes regarding UWSEM.

Note 15 - Commitments

UWSEM has employees who operate under a collective bargaining agreement that dictates salary, pension benefits, and funding, as well as working conditions and other terms. The employees are members of the UAW Technical, Office and Professional Union for which an agreement is in effect until November 6, 2015.