
United Way for Southeastern Michigan

Consolidated Financial Report
June 30, 2018

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Independent Auditor's Report

To the Board of Directors
United Way for Southeastern Michigan

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Way for Southeastern Michigan (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018 and 2017 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Prior Period Adjustment

As described in Note 17 to the consolidated financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way for Southeastern Michigan as of June 30, 2018 and 2017 and the changes in its net assets, functional expenses, and 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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 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 & Moran, PLLC

October 22, 2018

United Way for Southeastern Michigan

Consolidated Statement of Financial Position

June 30, 2018 and 2017

	2018	2017 (as restated)
Assets		
Cash	\$ 21,129,413	\$ 23,034,678
Marketable securities (Note 5)	33,428,089	33,034,285
Receivables - Net: (Note 3)		
Pledges	15,552,191	15,105,915
Grants and other	2,594,538	3,059,734
Beneficial interest (Notes 5 and 6)	1,188,080	1,165,857
Prepaid expenses and other assets	604,318	732,964
Capital assets - Net (Note 7)	700,609	1,078,134
	<u>75,197,238</u>	<u>77,211,567</u>
Total assets	<u>\$ 75,197,238</u>	<u>\$ 77,211,567</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 7,357,989	\$ 4,829,594
Undistributed grants to community impact partners (Note 11)	9,888,776	10,039,104
Undistributed donor designations	7,500,120	9,082,314
	<u>24,746,885</u>	<u>23,951,012</u>
Total liabilities	24,746,885	23,951,012
Net Assets (Deficit)		
Unrestricted:		
Undesignated - Unreserved	(3,958,756)	2,075,169
Undesignated - Reserved for future program allocations	7,892,193	8,661,250
Board designated (Note 8)	31,308,166	29,936,706
Temporarily restricted (Note 9)	14,420,895	11,799,575
Permanently restricted (Note 9)	787,855	787,855
	<u>50,450,353</u>	<u>53,260,555</u>
Total net assets	50,450,353	53,260,555
	<u>\$ 75,197,238</u>	<u>\$ 77,211,567</u>
Total liabilities and net assets	<u>\$ 75,197,238</u>	<u>\$ 77,211,567</u>

United Way for Southeastern Michigan

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2018 and 2017

	2018				2017 (as restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Annual campaigns	\$ 33,681,509	\$ 12,163,493	\$ -	\$ 45,845,002	\$ 38,593,518	\$ 8,436,860	\$ -	\$ 47,030,378
Less donor designations	(8,183,709)	-	-	(8,183,709)	(11,399,377)	-	-	(11,399,377)
Less provision for uncollectible pledges	(1,326,980)	-	-	(1,326,980)	(1,024,796)	-	-	(1,024,796)
Net assets released from campaign restrictions	9,909,461	(9,909,461)	-	-	4,951,635	(4,951,635)	-	-
Net campaign results	34,080,281	2,254,032	-	36,334,313	31,120,980	3,485,225	-	34,606,205
Administrative fees and fee for service	875,563	-	-	875,563	3,383,878	-	-	3,383,878
Federal grants	3,945,422	-	-	3,945,422	4,248,575	-	-	4,248,575
State grants	6,042,324	-	-	6,042,324	812,251	-	-	812,251
County grants	1,167,031	-	-	1,167,031	1,295,050	-	-	1,295,050
Foundation grants	7,500	1,783,130	-	1,790,630	-	2,225,000	-	2,225,000
Other contributions and bequests	323	101,500	-	101,823	162,410	107,100	-	269,510
In-kind gifts revenue	606,930	-	-	606,930	609,127	-	-	609,127
Miscellaneous income	929,918	-	-	929,918	407,936	-	-	407,936
Change in value of beneficial interest	74,343	-	-	74,343	136,767	-	-	136,767
Net realized and unrealized gains and losses on marketable securities	253,937	9,148	-	263,085	1,192,795	32,965	-	1,225,760
Interest and dividend income	1,076,223	37,768	-	1,113,991	785,518	30,552	-	816,070
Net assets released from restrictions	1,564,258	(1,564,258)	-	-	3,485,358	(3,485,358)	-	-
Total noncampaign support and revenue	16,543,772	367,288	-	16,911,060	16,519,665	(1,089,741)	-	15,429,924
Total public support and revenue	50,624,053	2,621,320	-	53,245,373	47,640,645	2,395,484	-	50,036,129
Expenses								
Program expenses:								
Gross grants to community impact partners	35,950,545	-	-	35,950,545	38,186,963	-	-	38,186,963
Less donor designations	(8,183,709)	-	-	(8,183,709)	(11,399,377)	-	-	(11,399,377)
Net funds awarded	27,766,836	-	-	27,766,836	26,787,586	-	-	26,787,586
Other program services	18,006,502	-	-	18,006,502	19,010,875	-	-	19,010,875
Total program expenses	45,773,338	-	-	45,773,338	45,798,461	-	-	45,798,461
Support services:								
Management and general	3,759,353	-	-	3,759,353	4,053,024	-	-	4,053,024
Fundraising	6,522,884	-	-	6,522,884	5,287,839	-	-	5,287,839
Total expenses	56,055,575	-	-	56,055,575	55,139,324	-	-	55,139,324
(Decrease) Increase in Net Assets	(5,431,522)	2,621,320	-	(2,810,202)	(7,498,679)	2,395,484	-	(5,103,195)
Net Assets - Beginning of year	40,673,125	11,799,575	787,855	53,260,555	48,171,804	9,404,091	787,855	58,363,750
Net Assets - End of year	\$ 35,241,603	\$ 14,420,895	\$ 787,855	\$ 50,450,353	\$ 40,673,125	\$ 11,799,575	\$ 787,855	\$ 53,260,555

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services			Support Services			2018 Total
	2-1-1 Program	Community Investment and Other Programs	Total	Management and General	Fundraising	Total	
Allocations/Awards	\$ -	\$ 35,950,545	\$ 35,950,545	\$ -	\$ -	\$ -	\$ 35,950,545
Less donor designations	-	(8,183,709)	(8,183,709)	-	-	-	(8,183,709)
Net allocations/awards	-	27,766,836	27,766,836	-	-	-	27,766,836
Salaries	1,223,319	7,560,350	8,783,669	2,213,885	2,641,945	4,855,830	13,639,499
Employee benefits	269,203	1,663,769	1,932,972	487,199	581,400	1,068,599	3,001,571
Payroll taxes and insurance	88,498	546,926	635,424	160,155	191,122	351,277	986,701
Total salaries and related expenses	1,581,020	9,771,045	11,352,065	2,861,239	3,414,467	6,275,706	17,627,771
Printing and publications	30,856	193,113	223,969	52,645	153,411	206,056	430,025
Occupancy	37,556	721,206	758,762	30,031	60,071	90,102	848,864
Supplies	5,902	327,988	333,890	7,952	48,883	56,835	390,725
Professional fees	235,941	2,605,781	2,841,722	295,894	1,241,239	1,537,133	4,378,855
Employee travel and training	7,068	72,858	79,926	292	10,227	10,519	90,445
Meeting and event cost	38,633	569,357	607,990	28,361	852,959	881,320	1,489,310
Insurance	6,176	38,166	44,342	11,176	51,913	63,089	107,431
Communication	24,815	114,684	139,499	22,634	36,165	58,799	198,298
Equipment expenses	54,957	345,141	400,098	98,806	118,685	217,491	617,589
Postage and shipping	1,595	41,945	43,540	2,606	26,854	29,460	73,000
Dues	1,084	245,703	246,787	236,224	239,339	475,563	722,350
Miscellaneous	3,823	33,152	36,975	5,572	12,030	17,602	54,577
In-kind expenses	-	476,690	476,690	-	130,240	130,240	606,930
Depreciation	58,529	361,718	420,247	105,921	126,401	232,322	652,569
Total functional expenses	\$ 2,087,955	\$ 43,685,383	\$ 45,773,338	\$ 3,759,353	\$ 6,522,884	\$ 10,282,237	\$ 56,055,575

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017 (as restated)

	Program Services			Support Services			2017 Total
	2-1-1 Program	Community Investment and Other Programs	Total	Management and General	Fundraising	Total	
Allocations/Awards	-	38,186,963	38,186,963	-	-	-	38,186,963
Less donor designations	-	(11,399,377)	(11,399,377)	-	-	-	(11,399,377)
Net allocations/awards	-	26,787,586	26,787,586	-	-	-	26,787,586
Salaries	\$ 1,337,304	\$ 7,259,458	\$ 8,596,762	\$ 2,558,673	\$ 2,325,453	\$ 4,884,126	\$ 13,480,888
Employee benefits	283,969	1,541,503	1,825,472	543,319	493,796	1,037,115	2,862,587
Payroll taxes and insurance	94,096	510,791	604,887	180,034	163,624	343,658	948,545
Total salaries and related expenses	1,715,369	9,311,752	11,027,121	3,282,026	2,982,873	6,264,899	17,292,020
Printing and publications	65,484	304,078	369,562	98,577	176,726	275,303	644,865
Occupancy	45,531	632,346	677,877	50,944	59,277	110,221	788,098
Supplies	9,016	1,094,424	1,103,440	14,506	42,460	56,966	1,160,406
Professional fees	267,673	3,293,241	3,560,914	314,400	593,073	907,473	4,468,387
Employee travel and training	21,459	129,758	151,217	2,482	29,275	31,757	182,974
Meeting and event cost	23,001	648,785	671,786	28,272	512,540	540,812	1,212,598
Insurance	6,548	35,607	42,155	12,528	19,711	32,239	74,394
Communication	24,765	154,727	179,492	24,993	32,369	57,362	236,854
Equipment expenses	49,842	243,151	292,993	85,675	77,866	163,541	456,534
Postage and shipping	1,079	53,859	54,938	1,170	28,247	29,417	84,355
Dues	2,703	14,763	17,466	4,029	386,723	390,752	408,218
Miscellaneous	1,206	29,829	31,035	2,206	12,725	14,931	45,966
In-kind expenses	-	365,660	365,660	-	214,718	214,718	580,378
Depreciation	68,581	396,638	465,219	131,216	119,256	250,472	715,691
Total functional expenses	\$ 2,302,257	\$ 43,496,204	\$ 45,798,461	\$ 4,053,024	\$ 5,287,839	\$ 9,340,863	\$ 55,139,324

United Way for Southeastern Michigan

Consolidated Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017 (as restated)
Cash Flows from Operating Activities		
Decrease in net assets	\$ (2,810,202)	\$ (5,103,195)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	652,569	715,691
Realized and unrealized gain on marketable securities	(263,085)	(1,225,760)
Change in beneficial interest	(74,343)	(136,767)
Provision for uncollectible pledges	1,326,980	1,024,796
Changes in operating assets and liabilities which (used) provided cash:		
Pledges receivable	(1,773,256)	(2,716,361)
Grants and other receivable	465,196	1,133,312
Prepaid expenses and other assets	128,646	(36,371)
Accounts payable and accrued liabilities	2,528,395	(1,138,218)
Undistributed grants to community impact partners	(150,328)	8,160,134
Undistributed donor designations	(1,582,194)	2,125,819
Net cash (used in) provided by operating activities	(1,551,622)	2,803,080
Cash Flows from Investing Activities		
Purchases of capital assets	(275,044)	(242,899)
Purchases of marketable securities	(9,778,050)	(21,230,717)
Proceeds from sales of marketable securities	9,647,331	19,831,496
Distributions from beneficial interest	52,120	54,368
Net cash used in investing activities	(353,643)	(1,587,752)
Net (Decrease) Increase in Cash	(1,905,265)	1,215,328
Cash - Beginning of year	23,034,678	21,819,350
Cash - End of year	\$ 21,129,413	\$ 23,034,678

Note 1 - Nature of Business

United Way for Southeastern Michigan (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.

During the fiscal year ended 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. All activity related to LLD for the years ended June 30, 2018 and 2017 is included in the accompanying consolidated financial statements. All intercompany balances and activity between UWSEM and LLD have been eliminated.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of UWSEM have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of consolidated 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 consolidated 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 that exceed FDIC limits.

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.

Receivables

UWSEM's receivables consist of pledge and grant receivables.

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

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.

Note 2 - Significant Accounting Policies (Continued)

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 8).

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, other contributions, and bequests are revenue items reported on the consolidated statement of activities and changes in net assets using these revenue recognition principles.

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 \$18.2 and \$17.8 million of gross revenue for the years ended June 30, 2018 and 2017, respectively, and \$10.7 and \$9.3 million of gross pledges receivable at June 30, 2018 and 2017, respectively. The current and future economic health of the domestic automotive industry impacts collection of this revenue and future contribution levels and could result in a severe near-term negative 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 those 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 consolidated statement of activities and changes in net assets using these revenue recognition principles.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 2 - Significant Accounting Policies (Continued)

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 affect 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 consolidated statement of financial position.

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 recorded 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 consolidated 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.

Income Taxes

UWSEM is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Reclassifications

Certain items in the 2017 consolidated statement of financial position and consolidated statement of activities and changes in net assets have been reclassified to conform to classifications used in 2018. These reclassifications had no effect on the June 30, 2017 net assets, changes in net assets, or cash flows, as previously reported.

A total of \$7,436,860 of amounts previously classified as temporarily restricted corporate grants in 2017 are now included in temporarily restricted annual campaign revenue. A total of \$4,375,461 of related releases of net assets are now included in net assets released from campaign restrictions.

In addition, \$446,140 of grants and other receivables were reclassified to pledges receivable on the consolidated statement of financial position.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) 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. Management is in the process of determining which application method it will use. Management does not expect the new standard to significantly impact the amount or timing of revenue recognized; however, there will be substantial new disclosures required once UWSEM adopts the new rules.

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for UWSEM's year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Upon adoption of the new standard, UWSEM expects to record long-term assets and lease liabilities of approximately \$14-\$17 million. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by UWSEM, including required disclosures about the liquidity and availability of resources. The new standard is effective for UWSEM's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization believes the primary impact of the new standard will be increased disclosures regarding liquidity and the combination of temporarily and permanently restricted net assets into one donor restricted category.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including October 22, 2018, which is the date the consolidated financial statements were available to be issued.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 3 - 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:

	2018	2017 (as restated)
Gross promises to give before allowance for doubtful accounts	\$ 18,850,577	\$ 18,381,424
Less allowance for doubtful accounts	<u>(3,298,386)</u>	<u>(3,275,509)</u>
Net pledges receivable	<u>\$ 15,552,191</u>	<u>\$ 15,105,915</u>
Amounts due in:		
Less than one year	\$ 18,800,577	\$ 18,106,424
One to five years	<u>50,000</u>	<u>275,000</u>
Total	<u>\$ 18,850,577</u>	<u>\$ 18,381,424</u>

Included in grants and other receivables are unconditional promises to give generated from foundation gifts outside of the annual campaign and other grants receivable. All amounts are expected to be collected within one year. They are as follows:

	2018	2017 (as restated)
Promises to give	\$ 977,069	\$ 1,369,833
Grants and fee for service receivables	<u>1,617,469</u>	<u>1,689,901</u>
Grants and other receivables	<u>\$ 2,594,538</u>	<u>\$ 3,059,734</u>

Note 4 - Conditional Promise to Give

During the year ended June 30, 2016, UWSEM received a \$4,000,000 conditional promise to give that was not recognized as an asset in the consolidated statement of financial position. To satisfy the conditions of the promise, UWSEM needed to complete specific milestones and benchmarks, as described in the agreement with the donor. Completing these milestones and benchmarks directly impacts whether future payments will be made. For the years ended June 30, 2018 and 2017, revenue of \$1,325,000 has been recognized within the consolidated statement of activities and changes in net assets due to completion of these milestones and benchmarks. All amounts have been collected as of June 30, 2018.

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide 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, 2018 and 2017 and the valuation techniques used by UWSEM to determine those fair values.

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

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 5 - Fair Value Measurements (Continued)

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, 2018

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2018
Assets					
Investments -					
Money market, certificates of deposit, and other short-term investments	\$ 9,692,147	\$ -	\$ -	\$ -	\$ 9,692,147
Equity securities:					
Mutual funds	13,602,523	-	-	-	13,602,523
Collective trust fund	-	-	-	1,968,866	1,968,866
Debt securities:					
Mutual funds	8,029,553	-	-	-	8,029,553
Municipal bonds	-	135,000	-	-	135,000
Total marketable securities	31,324,223	135,000	-	1,968,866	33,428,089
Beneficial interest	-	-	1,188,080	-	1,188,080
Total assets	\$ 31,324,223	\$ 135,000	\$ 1,188,080	\$ 1,968,866	\$ 34,616,169

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 5 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2017				Net Asset Value	Balance at June 30, 2017
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Assets						
Investments -						
Money market, certificates of deposit, and other short-term investments	\$ 10,529,500	\$ -	\$ -	\$ -	\$ -	\$ 10,529,500
Equity securities:						
Mutual funds	12,460,443	-	-	-	-	12,460,443
Domestic stock	4,398	-	-	-	-	4,398
Collective trust fund	-	-	-	1,805,796	-	1,805,796
Debt securities:						
Mutual funds	5,101,328	-	-	-	-	5,101,328
Municipal bonds	-	265,000	-	-	-	265,000
U.S. government obligations	-	1,258,421	-	-	-	1,258,421
Mortgage-backed securities	-	12,709	-	-	-	12,709
Collateralized mortgage obligations	-	127,308	-	-	-	127,308
Asset-backed securities	-	116,310	-	-	-	116,310
Corporate bonds	-	1,259,699	-	-	-	1,259,699
Foreign bonds	-	72,838	-	-	-	72,838
Private placements	-	20,535	-	-	-	20,535
Total marketable securities	28,095,669	3,132,820	-	1,805,796	-	33,034,285
Beneficial interest	-	-	1,165,857	-	-	1,165,857
Total assets	<u>\$ 28,095,669</u>	<u>\$ 3,132,820</u>	<u>\$ 1,165,857</u>	<u>\$ 1,805,796</u>	<u>\$ -</u>	<u>\$ 34,200,142</u>

The fair values of municipal bonds, U.S. government obligations, mortgage-backed securities, collateralized mortgage obligations, asset-backed securities, corporate and foreign bonds, and private placements at June 30, 2018 and 2017 were determined primarily 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.

UWSEM measures the beneficial interest in funds held at the Community Foundation for Southeastern Michigan (CFSEM) at fair value on a recurring basis. The fair value of the beneficial interest was determined primarily based on Level 3 inputs. UWSEM estimates the fair value of these investments based upon UWSEM's relative share of assets held and reported by CFSEM, unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 5 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2018 and 2017 are as follows:

	Beneficial Interest
Balance at July 1, 2017	\$ 1,165,857
Distributions	(52,120)
Net change in value	74,343
	<u>\$ 1,188,080</u>
Balance at June 30, 2018	<u>\$ 1,188,080</u>
	Beneficial Interest
Balance at July 1, 2016	\$ 1,083,458
Distributions	(54,368)
Net change in value	136,767
	<u>\$ 1,165,857</u>
Balance at June 30, 2017	<u>\$ 1,165,857</u>

The net change in value of the beneficial interest is recognized in the consolidated statement of activities and changes in net assets. See further discussion in Note 6.

Investments in Entities that Calculate Net Asset Value per Share

UWSEM holds shares or interests in investment companies at year end whereby the fair value of the investment held is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

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

	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2018
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible
				Redemption Notice Period
Collective trust fund	\$ 1,968,866	\$ 1,805,796	\$ -	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 95 percent in equities and 5 percent in short-term investments as of June 30, 2018 and 99 percent in equities and 1 percent in fixed income as of June 30, 2017. Net asset value of the trust is determined daily, and units are issued and redeemed at the calculated net asset value.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 6 - Community Foundation Endowment Fund

UWSEM acquired an endowment fund held by the Community Foundation for Southeastern Michigan (CFSEM) as part of a merger between UWSEM and United Way of Oakland County (UWOC). The endowment was created using unrestricted funds and, therefore, is shown as unrestricted net assets on the consolidated financial statements; however, UWSEM does not have the ability to draw on the corpus of the endowment, unless approval is granted by CFSEM. The recorded amount of approximately \$1,188,000 and \$1,166,000 as of June 30, 2018 and 2017, respectively, represents the present value of the estimated future income stream from the underlying endowment assets. The investment is recorded at fair market value. The purpose of the endowment fund is to provide unrestricted operating support for UWSEM from endowment earnings.

In addition, certain funds donated by outside donors for the benefit of UWSEM are held and managed by CFSEM. Such contributions are subject to variance power maintained by CFSEM. The fair market value of these funds is approximately \$11,000 and \$10,000 at June 30, 2018 and 2017, respectively. Earnings are available for distribution to UWSEM at the discretion of CFSEM; therefore, interest and principal balances are not reflected in the consolidated financial statements.

Note 7 - Capital Assets

The cost of capital assets is summarized as follows:

	2018	2017
Leasehold improvements	\$ 3,591,482	\$ 3,558,397
Furniture and equipment	5,558,143	5,316,184
Total cost	9,149,625	8,874,581
Accumulated depreciation	8,449,016	7,796,447
Net property and equipment	<u>\$ 700,609</u>	<u>\$ 1,078,134</u>

Depreciation expense for 2018 and 2017 was \$652,569 and \$715,691, respectively.

Note 8 - Board-designated Net Assets

Board-designated net assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Board-designated net assets:		
Emergency and stabilization	\$ 7,838,602	\$ 7,838,486
Funds functioning as endowment	23,469,564	22,098,220
Total	<u>\$ 31,308,166</u>	<u>\$ 29,936,706</u>

Note 9 - 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.

	2018	2017
Time-restricted pledges	\$ 511,000	\$ 275,000
Contributions restricted for specific program use	13,909,895	11,524,575
Total temporarily restricted net assets	<u>\$ 14,420,895</u>	<u>\$ 11,799,575</u>

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 9 - Temporarily and Permanently Restricted Net Assets (Continued)

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 held by UWSEM are \$787,855 at June 30, 2018 and 2017.

Note 10 - 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.

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:

- The duration and preservation of the fund
- The purpose of UWSEM and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of UWSEM
- The investment policies of UWSEM

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,659	\$ 787,855	\$ 790,514
Board-designated endowment funds	23,469,564	-	-	23,469,564
Total funds	\$ 23,469,564	\$ 2,659	\$ 787,855	\$ 24,260,078

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 22,098,220	\$ 2,659	\$ 787,855	\$ 22,888,734
Investment return:				
Investment income	1,118,113	37,768	-	1,155,881
Net appreciation (realized and unrealized)	253,231	9,148	-	262,379
Total investment gain	1,371,344	46,916	-	1,418,260
Appropriation of endowment assets for expenditure	-	(46,916)	-	(46,916)
Endowment net assets - End of year	<u>\$ 23,469,564</u>	<u>\$ 2,659</u>	<u>\$ 787,855</u>	<u>\$ 24,260,078</u>

	Endowment Net Asset Composition by Type of Fund as of June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,659	\$ 787,855	\$ 790,514
Board-designated endowment funds	22,098,220	-	-	22,098,220
Total funds	<u>\$ 22,098,220</u>	<u>\$ 2,659</u>	<u>\$ 787,855</u>	<u>\$ 22,888,734</u>

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 20,073,960	\$ 2,659	\$ 787,855	\$ 20,864,474
Investment return:				
Investment income	832,279	30,552	-	862,831
Net appreciation (realized and unrealized)	1,191,981	32,965	-	1,224,946
Total investment gain	2,024,260	63,517	-	2,087,777
Appropriation of endowment assets for expenditure	-	(63,517)	-	(63,517)
Endowment net assets - End of year	<u>\$ 22,098,220</u>	<u>\$ 2,659</u>	<u>\$ 787,855</u>	<u>\$ 22,888,734</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 7 percent annually over time. Actual returns in any given year may vary from this amount.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UWSEM has a policy of appropriating for distribution each year up to 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.

Note 11 - 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:

	2018	2017
Undistributed grants to community impact partners - Beginning of year	\$ 10,039,104	\$ 1,836,454
Grants approved	12,926,893	18,072,011
Payments made	(13,077,221)	(9,869,361)
Undistributed grants to community impact partners - End of year	<u>\$ 9,888,776</u>	<u>\$ 10,039,104</u>

Undistributed grants to community impact partners at June 30, 2018 are scheduled for payment in 2019.

Note 12 - Postretirement Benefit Plan

As a result of the merger of UWOC and United Way Community Services in 2005, UWSEM assumed a UWOC defined benefit 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.

Information pertaining to the plan is as follows for the years ended June 30, 2018 and 2017:

Obligations and Funded Status

	Pension Benefits	
	2018	2017
Projected benefit obligation	\$ 1,284,344	\$ 1,165,047
Fair value of plan assets	989,328	884,688
Funded status at end of year	<u>\$ (295,016)</u>	<u>\$ (280,359)</u>

Amounts recognized in the consolidated statement of financial position consist of the following:

	Pension Benefits	
	2018	2017
Accounts payable and accrued liabilities	\$ 295,016	\$ 280,359

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 12 - Postretirement Benefit Plan (Continued)

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, 2018 and 2017:

	Pension Benefits	
	2018	2017
Service cost	\$ 11,378	\$ 11,378
Interest cost	35,705	30,474
Actual return on plan assets	(111,752)	(129,912)
Amortization of unrecognized loss	868	3,519
Asset gain deferred	54,702	79,862
Total net periodic benefit cost	<u>\$ (9,099)</u>	<u>\$ (4,679)</u>

Amounts accumulated and not yet recognized as components of net periodic benefit cost related to net loss as of June 30, 2018 and 2017 total \$169,163 and \$113,407, respectively. There are no amounts expected to be reclassified as net periodic benefit cost in the following fiscal year.

	Pension Benefits	
	2018	2017
Change in Benefit Obligation		
Benefit obligation - Beginning of year	\$ 1,165,047	\$ 1,137,827
Service cost	11,378	11,378
Interest cost	35,705	30,474
Change due to assumption change	81,371	(20,031)
Actuarial loss	29,955	44,955
Expense charges	(11,258)	(11,258)
Annuities purchased or benefits paid	<u>(27,854)</u>	<u>(28,298)</u>
Benefit obligation - End of year	<u>\$ 1,284,344</u>	<u>\$ 1,165,047</u>

Change in Plan Assets

Fair value of plan assets - Beginning of year	\$ 884,688	\$ 761,732
Actual return on plan assets	111,752	129,912
Employer contributions	32,000	32,600
Expense charges	(11,258)	(11,258)
Annuities purchased or benefits paid	<u>(27,854)</u>	<u>(28,298)</u>
Fair value of plan assets - End of year	<u>\$ 989,328</u>	<u>\$ 884,688</u>

Assumptions

The following assumptions used in developing the net pension cost and funded status information for the years ended June 30, 2018 and 2017 are as follows:

	Pension Benefits	
	2018	2017
Discount rate (benefit obligations)	3.75%	3.25%
Discount rate - Net periodic benefit cost	3.25	2.75
Postretirement interest rate	5.50	5.50
Long-term rate of return on plan assets	7.00	7.00

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 12 - Postretirement Benefit Plan (Continued)

All of the plan's assets were held in equity vehicles as of June 30, 2018 and 2017 .

Pension Plan Assets

For the years ended June 30, 2018 and 2017, 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 percent as of June 30, 2018 and 2017 was selected and added to the real rate of return range to arrive at a best estimate range of 6.23 to 8.39 percent as of June 30, 2018 and 6.49 to 8.64 percent as of June 30, 2017. A rate within the best estimate range of 7.0 percent was selected as of June 30, 2018 and 2017.

Pension plan assets of \$989,328 and \$884,688 as of June 30, 2018 and 2017, respectively, are held in a pooled separate account with underlying equity securities, for which fair value is measured at net asset value using the practical expedient. The pooled separate account invests in a diversified portfolio of common stocks and is valued at quoted market value. The investment 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.

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

2019	\$	364,000
2020		28,000
2021		27,000
2022		188,000
2023		42,000
2024-2028		653,000

Note 13 - Operating Leases

UWSEM leases its main administrative headquarters under a 10-year noncancelable operating lease expiring in November 2018, with additional month-to-month provisions added through February of 2019, and additional offsite space under an operating lease expiring in March 2019. A new 11-year administrative headquarters lease will commence on March 1, 2019. Additionally, UWSEM leases various office equipment under three leases that expire in July 2019 and June 2020.

UWSEM entered into a contingent lease agreement expiring in November 2018, with additional month-to-month provisions added through February 2019, 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. UWSEM also has entered into contingent leases with various offsite storage locations that are month-to-month in nature. Rental expense under these contingent leases for the years ended June 30, 2018 and 2017 was \$251,924 and \$235,370, respectively.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 13 - Operating Leases (Continued)

The following is a schedule of the future minimum rental payments for the above noncontingent leases for fiscal years ending June 30:

2019	\$	422,106
2020		591,217
2021		1,100,000
2022		1,100,000
2023		1,100,000
Thereafter		<u>7,333,456</u>
Total	\$	<u>11,646,779</u>

Total rent expense on noncontingent lease agreements was approximately \$476,000 and \$498,000 for the years ended June 30, 2018 and 2017, respectively.

Note 14 - 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. 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. Employer contributions to the thrift plan amounted to \$593,054 and \$557,180 for the years ended June 30, 2018 and 2017, respectively.

Effective January 1, 2016, automatic deferrals apply to all participants and require 2 percent of compensation is deferred, unless a contrary election is made. Effective January 1, 2017, each participant's pretax deferral election is automatically increased by 1 percent annually up to a maximum of 8 percent.

Note 15 - Related Party Transactions

Related party expenses include payments to entities that are affiliated with UWSEM board members for approximately \$9,104,000 and \$3,110,000 during the years ended June 30, 2018 and 2017, respectively. Included within accounts payable were payments due to agencies of approximately \$2,700,000 and \$184,000 as of June 30, 2018 and 2017, respectively. A total of \$9,097,000 and \$3,108,000 of payments made during the years ended June 30, 2018 and 2017, respectively, related to contracted services to support UWSEM's mission. All other amounts related to legal, consulting, and advertising services provided to UWSEM.

Some members of UWSEM's board serve as executive directors for partnering nonprofit agencies. Total payments to these agencies were approximately \$1,029,000 and \$1,255,000 during the years ended June 30, 2018 and 2017, respectively. Included within liabilities were payments due to the agencies of approximately \$548,000 and \$528,000 as of June 30, 2018 and 2017, respectively. Executive directors excuse themselves from discussions and votes regarding agency funding.

Note 16 - 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 June 30, 2020.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 17 - Prior Period Adjustment

The accompanying consolidated financial statements for 2017 have been restated to correct an error in reporting campaign revenue and pledges receivable, along with related designations expense and undistributed donor designations liability, in the proper period. The following financial statement line items for fiscal year 2017 were affected by the change:

Consolidated Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2017

	As Originally Reported	As Restated	Effect of Restatement
Public support and revenue:			
Annual campaigns - Unrestricted	\$ 39,035,739	\$ 38,593,518	\$ (442,221)
Less donor designations	(9,255,329)	(11,399,377)	(2,144,048)
Total effect on net campaign results	<u>\$ 29,780,410</u>	<u>\$ 27,194,141</u>	<u>\$ (2,586,269)</u>
Expenses:			
Gross grants to community impact partners	\$ 36,042,915	\$ 38,186,963	\$ 2,144,048
Less donor designations	(9,255,329)	(11,399,377)	(2,144,048)
Net funds awarded	<u>\$ 26,787,586</u>	<u>\$ 26,787,586</u>	<u>\$ -</u>

**Consolidated Statement of Financial Position
June 30, 2017**

	As Originally Reported	As Restated (prior to reclassifications - See Note 2)	Effect of Restatement
Pledges receivable	\$ 15,101,996	\$ 14,659,775	\$ 442,221
Undistributed donor designations	(6,895,750)	(9,082,314)	(2,186,564)
Unrestricted net assets - Undesignated - Unreserved	(4,703,954)	(2,075,169)	2,628,785

Additionally, unrestricted net assets as of July 1, 2016 were decreased by \$42,516.