Grant Thornton

Financial Statements and Report of Independent Certified Public Accountants

United Way, Inc.

June 30, 2016

(with summarized comparative financial information for June 30, 2015)

Contents

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Report of Independent Certified Public Accountants

The Board of Directors
United Way, Inc.

We have audited the accompanying financial statements of United Way, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way, Inc. at June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2015 summarized comparative information

We have previously audited United Way, Inc.'s 2015 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2015. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Los Angeles, California
December 1, 2016

United Way, Inc.

STATEMENT OF FINANCIAL POSITION
(in thousands)

June 30, 2016, with summarized comparative financial
information as of June 30, 2015

	June 30, 2016	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,848	$ 20,273
Marketable securities	8,462	8,473
Receivables:		
Current portion of pledges, less allowance for uncollectible accounts of $1,322 and $1,573 as of June 30, 2016 and 2015, respectively	13,405	12,217
Other	2,132	2,055
Prepaid expenses	277	274
Total current assets	45,124	43,292
Long-term pledges receivable	150	20
Long-term other receivable	79	79
Prepaid pension plan asset	-	895
Equipment and leasehold improvements, less accumulated depreciation	1,187	1,369
Total assets	$ 46,540	$ 45,655
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,157	$ 4,244
Current portion of capitalized lease obligation	36	31
Designations and liabilities to other charities	9,794	8,851
Total current liablities	12,987	13,126
Long-term portion of capitalized lease obligation	128	164
Deferred rent and lease incentives	1,942	2,123
Pension plan liability	3,442	-
Other postretirement plan obligations	787	685
Total liabilities	19,286	16,098
Net assets:		
Unrestricted		
Board-designated endowment fund	2,955	3,056
Undesignated	15,699	19,149
Total unrestricted	18,654	22,205
Temporarily restricted	8,600	7,352
Total net assets	27,254	29,557
Total liabilities and net assets	$ 46,540	$ 45,655

See the accompanying notes to these financial statements.

United Way, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(in thousands)

Year ended June 30, 2016, with summarized comparative financial information for the year ended June 30, 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Public support and revenue				
Public support:				
Gross campaign results	$ 62,457	$ 9,509	$ 71,966	$ 66,321
Less designations to other charitable organizations	(44,360)	-	(44,360)	(38,268)
Campaign revenue	18,097	9,509	27,606	28,053
Less provision for uncollectible pledges	(1,075)	-	(1,075)	(1,158)
Net campaign revenue	17,022	9,509	26,531	26,895
Other support	731	-	731	819
Total public support	17,753	9,509	27,262	27,714
Administrative fee and expense recovery	1,060	-	1,060	1,094
Investment gains (loss)	(67)	-	(67)	145
Miscellaneous income	166	-	166	116
Net assets released from restrictions	8,261	(8,261)	-	-
Total public support and revenue	27,173	1,248	28,421	29,069
Distributions, program services and expenses				
Program services				
Gross funds awarded/distributed	56,350	-	56,350	50,693
Less donor designations	(44,360)	-	(44,360)	(38,268)
Net funds awarded/distributed	11,990	-	11,990	12,425
Community impact program services	2,871	-	2,871	3,032
Other program services	2,304	-	2,304	2,625
Total program services	17,165	-	17,165	18,082
Support services expenses				
Fund-raising	7,343	-	7,343	7,124
Organizational administration	2,337	-	2,337	2,336
Total support services	9,680	-	9,680	9,460
Total distributions, program services and expenses	26,845	-	26,845	27,542
Changes in net assets before additional pension liability	328	1,248	1,576	1,527
Change in additional pension liability	(3,879)	-	(3,879)	(1,435)
Changes in net assets	(3,551)	1,248	(2,303)	92
Net assets at beginning of year	22,205	7,352	29,557	29,465
Net assets at end of year	$ 18,654	$ 8,600	$ 27,254	$ 29,557

See the accompanying notes to these financial statements.

United Way, Inc.

STATEMENT OF FUNCTIONAL EXPENSES
(in thousands)

Year ended June 30, 2016, with summarized comparative financial information for the year ended June 30, 2015

	2016					
	Program Services		Support Services			
	Community Impact	Other Programs	Fund-Raising	Organizational Administration	2016 Total	2015 Total
Salaries	$ 1,200	$ 1,008	$ 3,367	$ 970	$ 6,545	$ 6,674
Employer benefits	84	155	300	99	638	684
Retirement expense	189	-	357	154	700	331
Payroll taxes	58	91	243	67	459	494
Total salaries and related expenses	1,531	1,254	4,267	1,290	8,342	8,183
Other expenses						
Printing supplies and publications	107	76	300	60	543	770
Occupancy	251	16	453	184	904	896
Depreciation and amortization	49	-	93	40	182	313
Professional fees	326	699	607	341	1,973	2,238
Travel	55	59	160	37	311	288
Postage	8	-	384	11	403	402
Telephone	45	8	98	28	179	195
Rental and maintenance of equipment	40	17	70	22	149	177
Conferences, conventions, and meetings	78	124	162	42	406	479
Miscellaneous	238	51	478	165	932	674
United Way Worldwide dues	143	-	271	117	531	502
Total other expenses	1,340	1,050	3,076	1,047	6,513	6,934
	2,871	2,304	7,343	2,337	14,855	15,117
Net funds awarded/distributed	11,990	-	-	-	11,990	12,425
Total distributions, program services and expenses	$ 14,861	$ 2,304	$ 7,343	$ 2,337	$ 26,845	$ 27,542

See the accompanying notes to these financial statements.

United Way, Inc.

STATEMENT OF CASH FLOWS
(in thousands)

Year ended June 30, 2016, with summarized comparative financial information for the year ended June 30, 2015

	Years ended June 30, 2016	Years ended June 30, 2015
Cash flows from operating activities:		
Net cash received from donors by campaign year:		
2016-2015 campaign year	$ 57,179	$ -
2015-2014 campaign year	11,875	52,825
2014-2013 campaign year	430	13,592
2013-2012 and prior campaign years	59	348
Cash received from bequests	145	389
Cash paid to member agencies and projects	(11,724)	(12,179)
Cash paid to agencies/other charitable organizations for designations and area wide pledges	(43,524)	(38,714)
Cash paid to employees and suppliers	(15,147)	(14,937)
Cash received from investment and miscellaneous income	471	246
Cash paid for interest expense	(27)	(12)
Other cash received net of other cash paid	1,230	1,262
Net cash provided by operating activities	967	2,820
Cash flows from investing activities:		
Purchases of equipment and leasehold improvements	-	(7)
Purchases of marketable securities	(1,266)	(542)
Proceeds from sale and maturities of marketable securities	905	383
Net cash used in investing activities	(361)	(166)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(31)	(52)
Net cash used in financing activities	(31)	(52)
Net increase in cash and cash equivalents	575	2,602
Cash and cash equivalents at beginning of year	20,273	17,671
Cash and cash equivalents at end of year	$ 20,848	$ 20,273
Non-cash transactions		
Capital lease obligation for equipment lease	$ -	$ 205

See the accompanying notes to these financial statements.

United Way, Inc.

STATEMENT OF CASH FLOWS - CONTINUED
(in thousands)

Year ended June 30, 2016, with summarized comparative financial information for the year ended June 30, 2015

	Years ended June 30, 2016	Years ended June 30, 2015
Changes in net assets	$ (2,303)	$ 92
Adjustments to reconciles changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	182	313
Net unrealized (gain) loss on investments	372	(14)
Gain on disposals	-	(1)
Changes in assets and liabilities		
Pledges and other receivables	(1,395)	1,687
Prepaid expenses	(3)	(40)
Prepaid pension plan asset / pension plan liability	4,337	1,644
Accounts payable and accrued expenses	(1,087)	(574)
Designation liabilities	943	(131)
Deferred rent and lease incentives	(181)	(134)
Other postretirement plan obligations	102	(22)
Net cash provided by operating activities	$ 967	$ 2,820

See the accompanying notes to these financial statements.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way, Inc., dba United Way of Greater Los Angeles (United Way or Organization), is a tax-exempt, nonprofit organization under the Internal Revenue Code Section 501(c)(3) that administers an annual fund-raising campaign in Los Angeles County, California, and uses those funds to support a variety of human services programs in the Greater Los Angeles area.

United Way is committed to Creating Pathways Out of Poverty so that everyone who lives in its communities can have a better quality of life. The Organization is focused on providing long-term solutions in the three interconnected areas that are the root causes of poverty:

- Helping people have access to permanent housing with supportive services,
- Helping student graduate from high school prepared for college and the workplace,
- Helping people become financially stable.

United Way's mission is to permanently break the cycle of poverty for most vulnerable neighbors: families, children, veterans and the homeless.

Basis of Presentation

The financial statements of United Way have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Among its principles, the guidance states that the net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

> Unrestricted net assets include all support unless donor stipulations specify how the donated assets must be used.
>
> Temporarily restricted net assets include gifts of cash and other assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net asset as net assets released from restrictions.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation (continued)

As of June 30, 2016 and 2015, total temporarily restricted net assets of $8,600,000 and $7,352,000, respectively, represent unspent grants and donations made by donors that are specifically intended for United Way's programs that benefit the Creating Pathways Out of Poverty plan and multi-year pledges for which time restricted have not expired.

Permanently restricted net assets include gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations and accordance with donor restrictions. United Way does not have any permanently restricted net asset as of June 30, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Campaign Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Campaign contributions arise from a fund-raising campaign conducted by United Way and are included in campaign revenue. Contributions for which United Way has little or no discretion in determining how the funds will be used (e.g., designations and distributions to other United Ways) are excluded from net campaign revenues. The regular annual fund-raising campaign generally commences in the fall and concludes at June 30 each year.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that have donor-imposed or time restrictions are recorded as temporarily restricted net assets until the restrictions have been met or the time has lapsed. Contributions generally include:

1. Cash contributions
2. Pledges (promises to give) received represented by signed pledges or written commitments
3. Employer reports of pledges (promises to give) by employees under payroll deduction plans.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donor Designations to Other Charitable Organizations

Donor organizations and individuals participating in such entities' campaigns may choose to designate all or part of their contributions to specific charitable organizations. These transactions are reported as part of the current year campaign, and are deducted as "Designations to other charitable organizations" to arrive at net campaign revenue. Amounts designated where donation funds are received directly by United Way are recorded as "Designations and liabilities to other charities" until paid to the designated charitable organizations. Processing fees of up to 10% of amounts designated, subject to certain limitations, are recorded as administrative fee revenue and collected through receipt of the designated amounts.

"Designations to other charitable organizations" also include designations that are paid directly to designated charitable organization by the donor organization, another United Way or a third-party processor.

Program Services

Net funds awarded/distributed represent the total amount awarded to other not-for-profit organizations at United Way's discretion. It also includes payments to eligible participants or organizations that enrolled in utility assistance programs or other assistance programs.

Community impact program services consist of the total expenses allocated to United Way's internal operating program activities. Most of these programs are funded through unrestricted contributions.

Other program services are activities that are covered through grants and contracts funded by corporations, private foundations, and government agencies. Most of these programs fall under one of the three interconnected areas that directly support achievement of the Creating Pathways Out of Poverty goals.

Equipment and Leasehold Improvements

Fixed assets are recorded at cost, if purchased. Donated fixed assets are reported at estimated fair value at the date of contribution. Gifts of long-lived assets received without donor-imposed restrictions are reported as unrestricted support. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Equipment and Leasehold Improvements (continued)

Leasehold improvements and equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets. Such amortization is included in depreciation and amortization in the financial statements. Estimated useful lives are as follows:

Leasehold improvements	Shorter of the estimated useful lives or the remaining term of the lease
Furniture and equipment	5 years
Vehicles	4 years
Software	3-5 years

Routine maintenance and repairs are charged to expense as incurred.

United Way reviews the recoverability of its long-lived assets as required by Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. If the sum of the projected undiscounted cash flows is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. As of and for the years ended June 30, 2016 and 2015, no indicators of impairment were identified and no impairment was recorded.

Marketable Securities

Marketable securities received as payments on pledges are sold and the net proceeds recorded as payments on those pledges. Marketable securities purchased by United Way are reported at fair value provided by the custodians using market quoted prices. Realized gains and losses and net investment gains are recognized as earned and are reported in the statement of activities and changes in net assets as changes in unrestricted or temporarily restricted net assets, depending on the donor stipulations on the use of the income. Unrealized gains and losses are reported in the statement of activities and changes in net assets as changes in unrestricted net assets unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The carrying amount of cash and cash equivalents, pledges and other receivables, and accounts payable and accrued expenses approximates fair value due to short-term maturities of these instruments.

ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

United Way considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. United Way maintains its cash balances at several financial institutions located in Southern California. Cash balances held may have at times exceeded the federally insured limits. United Way has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Services

The contribution of services is recognized at fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

United Way also received services from a large number of volunteers who have donated their time in United Way's program services and its fund-raising campaign. No amounts have been reflected for these types of donated services in the financial statements, as they do not meet the criteria outlined above.

Income Taxes

United Way has been recognized by the Internal Revenue Service and Franchise Tax Board as a nonprofit organization exempt from federal and state income tax on its income, other than unrelated business income, under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code, respectively.

ASC Topic No. 740, *Accounting for Uncertainty in Income Taxes*, requires entities to determine whether it is "more likely than not" that a tax position will be sustained upon examination by the appropriate taxing authorities. An uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Organization believes that there are no uncertain tax positions within its financial statements. There have been no material changes in unrecognized benefits as of June 30, 2016, nor are any anticipated in the 12 months following June 30, 2016. There have been no related tax penalties or interest, which would be classified as tax expenses in the statement of activities and changes in net assets. As a result, no provision for income taxes has been recorded in the accompanying financial statements.

The open federal and state tax years are as follows:

Jurisdiction	Open Tax Years
Federal – US	2012 through 2015
California	2011 through 2015

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

Expenses are classified on a functional basis in the statement of activities and changes in net assets. Program services are those related to community impact program services and other program services and include the cost of certain community programs and the expenses associated with the administration and management of these activities. Supporting services are those expense associated with fundraising and organizational administration.

For purposes of the statement of functional expenses, a portion of organizational administration expenses is allocated to all program and supporting services on the basis of full-time employee equivalents.

Summarized Financial Information for Fiscal 2015

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the June 30, 2015, financial statements of United Way, from which the summarized information was derived.

Reclassification of Financial Statements

Certain reclassifications have been made to the financial statements for the year ended June 30, 2015 to confirm to the year ended June 30, 2016 financial statement presentation. Such reclassifications have no effect on net assets as previously reported.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958).* The provisions of this ASU include a change from three classes of net assets to two, *net assets with donor restrictions and net assets without donor restrictions*. Certain enhanced disclosures are also required. The amendments in this update are effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is in the process of evaluating the impact of this ASU on its operations.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable and the allowance for uncollectible accounts on net campaign revenue during the fiscal years ended June 30, are summarized as follows (in thousands):

	2016	2015
Pledges receivable arising from undesignated campaign contributions	$ 9,120	$ 10,019
Pledges receivable arising from designated campaign contributions	5,761	3,792
Total gross pledges receivable	14,881	13,811
Less unamortized discount	(4)	(1)
Subtotal	14,877	13,810
Less allowance for uncollectible accounts	(1,322)	(1,573)
Total net pledges receivable	$ 13,555	$ 12,237

Amounts included in the statements of financial position at June 30, consist of the following (in thousands):

	2016	2015
Current portion of pledges receivable	$ 13,405	$ 12,217
Long-term pledges receivable	150	20
Total net pledges receivable	$ 13,555	$ 12,237

The provision for uncollectible pledges is made on net campaign contributions (undesignated contributions) and is based primarily on recent historical experience as well as other factors anticipated to affect collections.

NOTE 2 – PLEDGES RECEIVABLE - Continued

Total gross pledges receivable at June 30, 2016, are due to be collected in the following fiscal years (in thousands):

Amounts due in:		
Less than one year	$	14,731
One to five years		150
Total gross pledges receivable	$	14,881

Included in pledges receivable at June 30, 2016 and 2015, is a multi-year pledge of approximately $250,000 and $40,000, respectively. The multi-year pledge is discounted using an effective rate range from 0.78% to 1.37%.

United Way received a conditional promise to give in the amount of $7,775,000 over three years beginning in September 2012, to support the Organization's programs under permanent housing. For the year ended June 30, 2016, $1,250,000 of revenue was recognized from this conditional grant when payment conditions were met, including raising matching gifts. The remaining conditional promise to give was $0 at June 30, 2016. Upon the completion of the above conditional grant, a new conditional promise to give in the amount of $6,000,000 over two years was received in September 2015. For the year ended June 30, 2016, $2,000,000 of revenue was recognized from this conditional grand when payment conditions were met, including raising matching gifts. The remaining conditional promise to give was $4,000,000 at June 30, 2016.

United Way also received another conditional promise to give in the amount of $1,000,000 over two years beginning in November 2013 for the Organization's education programs. For the year ended June 30, 2016, $500,000 of revenue was recognized from this conditional grant when payment conditions were met, including raising matching gifts, and the remaining conditional promise amount was $0 at June 30, 2016.

NOTE 3 – MARKETABLE SECURITIES AND FAIR VALUE

The schedules below classify United Way's marketable securities carried at fair value based upon the three-tier hierarchy required by ASC 820 (in thousands):

		Fair Value Measurements at June 30, 2016		
	Total	Quoted Prices in Active Marekts for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 587	$ 559	$ 28	$ -
Mutual funds - fixed income	5,832	5,832	-	-
Mutual funds - equity	2,043	2,043	-	-
Total investments assets at fair value	$ 8,462	$ 8,434	$ 28	$ -

		Fair Value Measurements at June 30, 2015		
	Total	Quoted Prices in Active Marekts for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 519	$ 491	$ 28	$ -
Mutual funds - fixed income	5,694	5,694	-	-
Mutual funds - equity	2,260	2,260	-	-
Total investments assets at fair value	$ 8,473	$ 8,445	$ 28	$ -

The Organization has a certificate of deposit investment and management determined the recorded value approximates fair value, therefor this investment was included in money market funds in the tables above.

Investment gains (losses) included in the following components for the year ended June 30, (in thousands):

	2016	2015
Interest and dividends	$ 184	$ 121
Net realized and unrealized gains (loss)	(251)	24
Total investment gains	$ (67)	$ 145

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvement at June 30 consists of the following (in thousands):

	2016	2015
Vehicles	$ 79	$ 79
Leasehold improvements	1,728	1,728
Furniture, equipment and software	1,171	1,171
Capital leases - equipment	205	385
	3,183	3,363
Less accumulated depreciation	(1,996)	(1,994)
Equipment and leasehold improvements, net	$ 1,187	$ 1,369

Depreciation and amortization expense of equipment and leasehold improvements in total was approximately $182,000 and $313,000 for the years ended June 30, 2016 and 2015, respectively. Included in the amount is amortization expense on the capital lease equipment of approximately $41,000 and $49,000 for the years ended June 30, 2016 and 2015, respectively. Accumulated amortization on the capital lease equipment is approximately $55,000 and $194,000 as of June 30, 2016 and 2015, respectively.

NOTE 5 – ADMINISTRATIVE FEE AND EXPENSE RECOVERY

United Way performs fund-raising and processing services for certain agencies, nonprofit organizations, and a Combined Federal Campaign for which it is reimbursed. Such amounts are reflected as administrative fee and expense recovery and totaled $1,060,000 and $1,094,000 for the years ended June 30, 2016 and 2015, respectively. For the Combined Federal Campaign, United Way distributes to each member charity a percentage of the actual receipts proportionate to the designations donors made to that member charity.

NOTE 6 – RETIREMENT PLANS

United Way has a defined benefit, noncontributory pension plan (the Plan) covering substantially all of its regular employees. The Plan is accounted for in accordance with the provisions of ASC Topic 715, *Compensation – Retirement Benefits* (ASC 715). The benefits are based on years of service and the employee's compensation during the last three years of employment. United Way's funding policy is to contribute annually the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended.

NOTE 6 – RETIREMENT PLANS - Continued

ASC 715 requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position, recognize changes in that funded status in the year in which the changes occur through changes in net assets, and measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year.

The following tables set forth the funded status of the Plan as provided by United Way's consulting actuaries at June 30, (in thousands):

	2016	2015
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 21,403	$ 20,145
Service cost	616	547
Interest cost	866	789
Actuarial loss	1,763	854
Benefits paid	(1,772)	(932)
Projected benefit obligation at end of year	$ 22,876	$ 21,403

	2016	2015
Change in plan assets:		
Fair value of assets at beginning of year	$ 22,298	$ 22,684
Actual return on plan assets	(1,092)	546
Benefits paid	(1,772)	(932)
Fair value of assets at end of year	$ 19,434	$ 22,298
Fair value of assets of the Plan	$ 19,434	$ 22,298
Projected benefit obligation	(22,876)	(21,403)
Funded status	$ (3,442)	$ 895

NOTE 6 – RETIREMENT PLANS - Continued

Net periodic pension cost includes the following components for the year ended June 30, (in thousands):

	2016	2015
Service cost	$ 616	$ 547
Interest cost	866	789
Expected return on plan assets	(1,466)	(1,552)
Amortization of prior service costs	9	9
Amortization of actuarial loss	486	310
Net periodic pension costs	$ 511	$ 103

The net asset (liability) reflected in the accompanying statements of financial position is the excess or deficit of the fair value of Plan assets over (under) the projected benefit obligation, or the "funded status" of the Plan at June 30, 2016 and 2015.

Estimated amounts that will be amortized from additional pension liability over the next fiscal year are as follows (in thousands):

	2016	2015
Prior service cost	$ 9	$ 9
Net loss	$ (839)	$ (486)

Assumptions used to determine benefit obligations at June 30 are as follows:

	2016	2015
Discount rate	3.40%	4.16%
Rate of compensation increases	3.00%	3.00%
Measurement date	6/30/2016	6/30/2015

NOTE 6 – RETIREMENT PLANS - Continued

Assumptions used to determine the net pension cost at June 30, are as follows:

	2016	2015
Discount rate	4.16%	4.02%
Rate of compensation increases	3.00%	3.00%
Long-term rate of return on assets	6.75%	7.00%
Measurement date	6/30/2015	6/30/2014

Additional year-end information at June 30, is as follows (in thousands):

	2016	2015
Projected benefit obligation	$ 22,876	$ 21,403
Accumulated benefit obligation	$ 21,066	$ 19,401
Fair value of Plan assets	$ 19,434	$ 22,298

NOTE 6 – RETIREMENT PLANS - Continued

The following tables set forth by level, within the fair value hierarchy, United Way's plan assets at fair values as of June 30, (in thousands).

		Fair Value Measurements at June 30, 2016		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 442	$ 442	$ -	$ -
Common stock	1,936	1,936	-	-
Mutual funds - fixed income	9,974	9,974	-	-
Mutual funds - equity	7,082	7,082	-	-
Total investment assets fair value	$ 19,434	$ 19,434	$ -	$ -

		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)
Cash and cash equivalents	$ 453	$ 453	$ -	$ -
Common stock	2,259	2,259	-	-
Mutual funds - fixed income	12,292	12,292	-	-
Mutual funds - equity	7,294	7,294	-	-
Total investment assets fair value	$ 22,298	$ 22,298	$ -	$ -

Asset allocations are as follows at June 30:

	2016	2015
Actual asset allocations:		
Equity securities	61%	65%
Fixed income/debt securities	36%	33%
Cash	2%	2%
Total	100%	100%
Target asset allocations:		
Equity securities	65%	65%
Fixed income/debt securities	35%	35%
Total	100%	100%

NOTE 6 – RETIREMENT PLANS - Continued

The policy of the Plan is to provide for growth of principal through diversification in a portfolio of common stock, bonds, cash equivalents, and other investments that may reflect varying rates of return. Although there is no specific allocation to cash equivalents, the percentage of total assets allocated to cash equivalents at any time should be sufficient to ensure enough liquidity to meet benefit disbursements and general operating expenses.

To develop the expected long-term rate of return on assets assumption, United Way considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This results in the selection of the 6.75% long-term rate of return on assets assumption for the fiscal year ended June 30, 2016.

Due to the funded status of the Plan, United Way does not intend to make additional contributions during the year ended June 30, 2017.

Estimated future pension benefit payments for the following fiscal years are as follows (in thousands):

	Benefits Payments
2017	$ 916
2018	982
2019	1,880
2020	1,349
2021	890
2022 through 2026	6,376
Total	$ 12,393

In addition, United Way has a Supplemental Executive Retirement Plan, which was established in 1987. The related liability in the statements of financial position was approximately $326,000 and $341,000 as of June 30, 2016 and 2015, respectively, of which $75,000 is included in accounts payable and accrued expenses for the current portion of the obligation as of June 30, 2016 and 2015. The remaining portion is presented in other postretirement plan obligations in noncurrent liabilities.

In fiscal year 2009, United Way established another Supplemental Executive Retirement Plan for one of its officers. The related liability in the statements of financial position of approximately $536,000 and $419,000 as of June 30, 2016 and 2015, respectively, is presented in other postretirement plan obligations in noncurrent liabilities.

NOTE 6 – RETIREMENT PLANS - Continued

United Way also has a qualified matching employee retirement savings plan (the Savings Plan) under Internal Revenue Code Section 403(b), which was established in 1997. All employees are eligible to participate in the Savings Plan immediately upon employment and may contribute up to 25% of their compensation, subject to IRC annual limitations. After one year of service, United Way makes matching contributions equal to 50% of the first 6% of employee contributions, which contributions vest over a period of two to five years based on years of vesting service. United Way contributions under the Savings Plan totaled approximately $64,000 and $69,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 – CUSTODIAN FUNDS

Custodian funds are held by United Way on behalf of other entities and are disbursed only upon instructions from such entities.

The amounts of custodian funds held for other parties and not commingled by United Way totaled $419,000 and $419,000 as of June 30, 2016 and 2015, respectively, and are not reflected in the accompanying financial statements.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

During fiscal 2015, United Way entered into a capital lease for the leasing of various copiers. The lease is for a term of 60 months expiring in 2020. The lease for the copiers requires aggregate minimum future lease payments of $214,000 including amounts due for the following fiscal year (in thousands):

Years ending June 30:	
2017	$ 58
2018	58
2019	58
2020	40
Total minimum lease payments	$ 214
Less amount representing interest	(50)
Present value of net minimum lease payments	164
Less current portion	(36)
Long-term portion of capital lease obligations	$ 128

NOTE 8 – COMMITMENTS AND CONTINGENCIES - Continued

United Way entered into a 15-year operating lease that commenced in April 2010 and relocated its corporate headquarters during fiscal 2010. Under the terms of the lease, United Way received approximately $2,048,000 as a tenant improvement allowance, which covered most of the relocating and renovation costs. In addition, United Way is entitled to a refurbishment allowance of approximately $79,000 that is to be used by 2017. The refurbishment amount is presented in other receivables in noncurrent assets in the statements of financial position. The deferred rent and lease incentives liability is approximately $1,942,000 and $2,123,000 as of June 30, 2016 and 2015, respectively, and it consists of the tenant improvement allowance, refurbishment allowance, and rent abatement, which are amortized over the lease term.

Total rent expense relating to the corporate headquarters, including operating expense and property tax pass-throughs, amounted to approximately $808,000 and $815,000 for the years ended June 30, 2016 and 2015, respectively. The lease requires aggregate minimum future rental payments of $8,626,000, including amounts due for the following fiscal years (in thousands):

Years ending June 30:	
2017	$ 948
2018	948
2019	948
2020	965
2021	1,014
2022 and thereafter	3,803
	$ 8,626

In addition, United Way has noncancelable operating lease agreements expiring through fiscal year 2020 for equipment and other office space under which the related rental expense was approximately $84,000 and $76,000 for the years ended June 30, 2016 and 2015, respectively, and whose minimum future payments as of June 30, 2016, are as follows (in thousands):

Years ending June 30:	
2017	$ 43
2018	42
2019	31
2020	24
	$ 140

NOTE 8 – COMMITMENTS AND CONTINGENCIES - Continued

Legal Matters

United Way may from time to time become a party to various legal proceedings, arising in the ordinary course of business. United Way investigates these claims as they arise. United Way does not believe, based on current knowledge and advice of legal counsel, that any of the current claims are likely to have a material adverse effect on its financial position, results of activities, or cash flows.

NOTE 9 – LINE OF CREDIT

United Way has a line of credit with a bank that allowed for borrowing of up to $2,000,000 at the bank's referenced rate (LIBOR+2%). The line of credit expires on March 31, 2017. There were no borrowings under the line of credit during the year ended June 30, 2016 and there were no fees paid for the unused line of credit. There are no financial covenants related to the line of credit.

NOTE 10 – RELATED-PARTY TRANSACTIONS

Certain board members and their affiliated organizations provide consulting services for various projects and programs for United Way. Consulting services for the years ended June 30, 2016 and 2015, were approximately $6,000 and $6,000, respectively, and were recorded as professional fees expenses in the accompanying statement of activities and changes in net assets. All transactions were arm's-length and processed in accordance with United Way's purchasing policy. As United Way is an organization that interfaces with many businesses in Los Angeles County, the Board of Directors includes prominent leaders in the community.

NOTE 11 – BOARD-DESIGNATED ENDOWMENT FUND

The Board-Designated Endowment Fund (Endowment Fund) was set up to invest funds and provide security to the future operations of United Way. The Endowment Fund is invested to provide safety of principal through diversification in a portfolio of money market and mutual funds, which may reflect varying risks, and rates of return. The investments are diversified within asset classes (e.g., equities are diversified by economic sector, industry, quality, and size).

NOTE 11 – BOARD-DESIGNATED ENDOWMENT FUND - Continued

The long-term target asset allocation for the investment portfolio is determined by the investment committee of United Way to facilitate the achievement of the Endowment Fund's long-term investment objectives within the established risk parameters. As of June 30, 2016, the target asset allocation was 65% equities and 35% fixed income. The actual asset allocation, which will fluctuate with market conditions, will receive the ongoing scrutiny of the investment committee, which bears the responsibility for making adjustments in order to maintain target ranges.

The investments and related income generated by the Endowment Fund are considered unrestricted assets. The changes in the Endowment Fund net assets for the fiscal years ended June 30, (in thousands) are as follows:

	2016	2015
Board-Designated Endowment Fund, beginning of the year	$ 3,056	$ 2,954
Investment return:		
Investment income	127	68
Net appreciation (depreciation) (realized and unrealized)	(228)	34
Total investment return	(101)	102
Board-Designated Endowment Fund, end of the year	$ 2,955	$ 3,056

The Endowment Fund assets are included in marketable securities in the statement of financial position. The spending policy for the Endowment Fund is 4.5% per year. The spending rate is applied the market value at fiscal year-end wherein market value is defined as a rolling three-year average. No amount was appropriated for expenditure during the fiscal years ended June 30, 2016 and 2015.

NOTE 12 – SUBSEQUENT EVENTS

United Way has evaluated events subsequent to June 30, 2016 to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through December 1, 2016, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.