

CENTRE COUNTY UNITED WAY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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Independent Auditor's Report

Board of Directors
Centre County United Way
Pine Grove Mills, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Centre County United Way, which comprise the statements of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Centre County United Way as of June 30, 2015, were audited by other auditors whose report dated February 9, 2016 expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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

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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 Centre County United Way as of June 30, 2016, and results of its operations, and changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



State College, Pennsylvania
October 17, 2016

CENTRE COUNTY UNITED WAY
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 844,567	\$ 1,108,724
Pledges receivable, net of allowance for uncollected pledges of \$75,745 in 2016 and \$74,132 in 2015.	737,731	626,154
Prepaid expenses and other current assets	2,864	1,000
Total Current Assets	\$ 1,585,162	\$ 1,735,878
Property and Equipment, Net	982	--
Investments - Restricted	1,420,223	320,943
Total Assets	\$ 3,006,367	\$ 2,056,821
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,287	\$ 615
Allocations and designations payable	133,261	189,217
Accrued salaries and wages	3,099	11,622
Accrued expenses	--	3,290
Accrued compensated absences	8,362	5,597
Accrued payroll liabilities	1,352	5,664
Total Liabilities	147,361	216,005
Net Assets:		
Unrestricted		
Board designated	1,356,915	1,668,887
Undesignated	244,307	59,278
Total unrestricted net assets	1,601,222	1,728,165
Temporarily restricted	1,257,784	112,651
Total Net Assets	2,859,006	1,840,816
Total Liabilities and Net Assets	\$ 3,006,367	\$ 2,056,821

See Accompanying Notes to Financial Statements

CENTRE COUNTY UNITED WAY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Changes in Unrestricted Net Assets:		
Revenue and support:		
Contributions	\$ 1,643,930	\$ 1,645,610
Special events, net of expenses of \$49,845 in 2016 and \$51,885 in 2015	168,896	184,025
Miscellaneous	11,864	21,334
Interest income	3,969	2,801
Total revenue and support	<u>1,828,659</u>	<u>1,853,770</u>
Net assets released from restrictions	<u>113,823</u>	<u>138,247</u>
Total revenues and support and assets released from restrictions	<u>1,942,482</u>	<u>1,992,017</u>
Expenses:		
Program Services		
Agency allocations	1,798,447	1,666,994
Other programs	90,507	149,498
Total program services	<u>1,888,954</u>	<u>1,816,492</u>
Supporting Services:		
Administration	32,207	140,976
Fundraising	148,264	247,937
Total supporting services	<u>180,471</u>	<u>388,913</u>
Total expenses	<u>2,069,425</u>	<u>2,205,405</u>
Decrease in unrestricted net assets	<u>(126,943)</u>	<u>(213,388)</u>
Changes in Temporarily Restricted Net Assets		
Contributions	1,146,609	132,488
Grants	15,000	--
Investment income	23,752	--
Unrealized gains/(losses)	73,595	--
Net assets released from restrictions due to payment	<u>(113,823)</u>	<u>(138,247)</u>
Increase/(decrease) in temporarily restricted net assets	<u>1,145,133</u>	<u>(5,759)</u>
Change in Net Assets	1,018,190	(219,147)
Net Assets, beginning of year	<u>1,840,816</u>	<u>2,059,963</u>
Net Assets, end of year	<u>\$ 2,859,006</u>	<u>\$ 1,840,816</u>

See Accompanying Notes to Financial Statements

CENTRE COUNTY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>ALLOCATIONS</u>	<u>PROGRAM OTHER PROGRAMS</u>	<u>TOTAL</u>	<u>ADMINISTRATION</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Agency allocations	\$1,632,288		\$1,632,288			\$ 1,632,288
Program payments	--	\$ 41,250	41,250			41,250
Total agency payments	1,632,288	41,250	1,673,538			1,673,538
Salaries and wages	75,994	18,999	94,993	\$ 7,950	\$ 97,158	200,101
Employee benefits	20,476	5,119	25,595	182	16,679	42,456
Payroll taxes	9,032	2,258	11,290	71	6,486	17,847
Total salaries and benefits	105,502	26,376	131,878	8,203	120,323	260,404
Dues/subscriptions	29,235	7,308	36,543	--	--	36,543
Professional fees	--	--	--	23,335	--	23,335
Campaign	--	--	--	--	10,133	10,133
Occupancy	5,302	1,325	6,627	195	2,924	9,746
Miscellaneous	1,896	474	2,370	52	182	2,604
Advertising	7,698	1,924	9,622	--	9,622	19,244
Equipment rent/maintenance	7,424	1,855	9,279	164	754	10,197
Postage	--	--	--	--	3,464	3,464
Day of caring	--	7,722	7,722	--	--	7,722
Office supplies	2,783	695	3,478	60	277	3,815
Telephone	2,559	639	3,198	57	260	3,515
Insurance	559	139	698	70	--	768
Conference/meetings	2,209	552	2,761	49	224	3,034
Depreciation	24	6	30	1	3	34
Travel	968	242	1,210	21	98	1,329
Total other expenses	60,657	22,881	83,538	24,004	27,941	135,438
Total functional expenses	\$1,798,447	\$ 90,507	\$1,888,954	\$ 32,207	\$ 148,264	\$ 2,069,425

CENTRE COUNTY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	<u>ALLOCATIONS</u>	<u>PROGRAM OTHER PROGRAMS</u>	<u>TOTAL</u>	<u>ADMINISTRATION</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Agency allocations	\$1,624,983		\$1,624,983			\$ 1,624,983
Program payments	--	\$ 133,325	133,325			133,325
Total agency payments	<u>1,624,983</u>	<u>133,325</u>	<u>1,758,308</u>			<u>1,758,308</u>
Salaries and wages	31,816	7,874	39,690	\$ 45,154	\$ 127,265	212,109
Employee benefits	7,572	--	7,572	12,621	30,289	50,482
Payroll taxes	2,623	383	3,006	3,988	10,491	17,485
Total salaries and benefits	<u>42,011</u>	<u>8,257</u>	<u>50,268</u>	<u>61,763</u>	<u>168,045</u>	<u>280,076</u>
Dues/subscriptions	--	--	--	30,482	--	30,482
Professional fees	--	--	--	23,350	--	23,350
Campaign	--	--	--	--	20,991	20,991
Occupancy	--	--	--	5,876	11,931	17,807
Miscellaneous	--	--	--	4,469	9,073	13,542
Advertising	--	2,293	2,293	1,677	8,061	12,031
Equipment rent/maintenance	--	--	--	3,761	7,635	11,396
Loss on disposal of assets	--	--	--	2,922	5,933	8,855
Postage	--	--	--	2,128	4,322	6,450
Supplies	--	5,545	5,545	--	2,556	8,101
Office	--	--	--	1,497	3,040	4,537
Telephone	--	--	--	1,164	2,362	3,526
Insurance	--	--	--	854	1,733	2,587
Conference/meetings	--	--	--	806	1,637	2,443
Travel	--	78	78	227	618	923
Total other expenses	<u>--</u>	<u>7,916</u>	<u>7,916</u>	<u>79,213</u>	<u>79,892</u>	<u>167,021</u>
Total functional expenses	<u>\$1,666,994</u>	<u>\$ 149,498</u>	<u>\$1,816,492</u>	<u>\$ 140,976</u>	<u>\$ 247,937</u>	<u>\$ 2,205,405</u>

CENTRE COUNTY UNITED WAY
STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from benefactors and others	\$ 1,901,173	\$ 2,018,283
Interest received	1,406	2,801
Cash paid to agencies, employees and vendors	(2,165,720)	(2,202,105)
Net cash used in operating activities	(263,141)	(181,021)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments restricted for disaster recovery, net	(1,000,000)	--
Purchase of assets	(1,016)	--
Redemption of certificates of deposit	--	121,445
Net cash (used in)/provided by investing activities	(1,001,016)	121,445
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution restricted for disaster recovery	1,000,000	--
Decrease in cash and cash equivalents	(264,157)	(59,576)
Cash and cash equivalents, beginning	1,108,724	1,168,300
Cash and cash equivalents, ending	\$ 844,567	\$ 1,108,724
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 1,018,190	\$ (219,147)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34	--
Return on investments	(99,910)	--
Contribution restricted for disaster recovery	(1,000,000)	--
Administration fee revenue	(3,098)	--
Loss on disposal in assets	--	8,855
(Increase)/decrease in assets:		
Pledges receivable	(113,190)	83,111
Prepaid expenses and other current assets	1,864	3,234
Increase (decrease) in liabilities:		
Accounts payable	672	(17)
Allocations and designations payable	1,613	(10,517)
Deferred revenue	(55,956)	(53,091)
Accrued expenses	(13,360)	6,551
Net cash used in operating activities	(236,141)	(181,021)

See Accompanying Notes to Financial Statements

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE, 2016 AND 2015

A. Nature of Operations And Summary of Significant Accounting Policies

Nature of Operations

The Centre County United Way (the "Organization") is a non-profit organization formed to raise community funds and allocate money to a group of member service agencies providing health, welfare, and social services in Centre County, Pennsylvania.

The Organization evaluated subsequent events for recognition or disclosure through October 17, 2016, the date the financial statements were available to be issued.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958-205, Not-for-Profit Entities Financial Statement Presentation. Under FASB ASC958-205, Centre County United Way is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Basis of Accounting

Centre County United Way prepares its financial statements on the accrual basis of accounting. Therefore, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

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 disclosure of contingent assets and liabilities at the date of the financial statements at the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments purchased with an original maturity of three months or less.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015
(Continued)

A. Nature of Operations And Summary of Significant Accounting Policies
(continued)

Certificates of Deposit

Certificates of deposit are recorded in the financial statements as long-term assets based on their long-term maturity date or management's intentions to rollover the certificates of deposit over a long-term maturity.

Pledges Receivable

Pledged support is considered available for unrestricted use unless specifically restricted by the donor. Unpaid pledges are written off a year and a half after the end of the campaign year.

Investments and Investment Risks

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

The Organization's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amount reported in the accompanying financial statements could change materially in the near term.

Contribution of Services

A substantial number of volunteers have contributed significant amounts of time to the Organization's program services and to its fundraising campaigns. These services are not recorded in the financial statements since they do not meet the criteria for recognition in accounting standards established for not-for-profit organizations. Services provided for Day of Caring would be evaluated by the agency receiving the benefit of the services.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015
(Continued)

A. Nature of Operations And Summary of Significant Accounting Policies
(continued)

Property and Equipment

The Organization capitalizes property and equipment purchases of \$1,000 or greater. Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. Repairs and maintenance are expensed and major betterments are capitalized.

Depreciation expense during the year ended June 30, 2016 was \$34.

Functional Expenses

The costs of providing activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited. During 2015/2016 management received its allocation methodology for functional expenses and revised them to more accurately reflect the allocation of resources.

Restricted and Unrestricted Revenues and Contributions

Centre County United Way has adopted FASB ASC 958-605, Not-for-Profit Entities Revenue Recognition. Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED June 30, 2016 and 2015
(Continued)

A. Nature of Operations And Summary of Significant Accounting Policies
(continued)

Restricted and Unrestricted Revenues and Contributions (continued)

The Organization used the allowance method to determine uncollectible amounts of receivables resulting from unconditional promises to give. The allowance is based on prior years' experience and management analysis of specific promises made. The allowance for uncollectible pledges was \$75,745 at June 30, 2016 and \$74,132 at June 30, 2015.

Advertising

Advertising costs are charged to expense as incurred and were \$19,244 and \$12,031 for the years ended June 30, 2016 and 2015 respectively.

Member Agency Allocations

Allocations to member agencies are recorded based on the campaign allocation recommended by the Fund Distribution Committee and approved by the Board of Directors.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2016.

The Organization's federal income tax returns for years subsequent to 2012 remain subject to examination by the Internal Revenue Service.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by an organization has been limited to a specific time period or purpose.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015
(Continued)

A. Nature of Operations And Summary of Significant Accounting Policies
(continued)

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through October 17, 2016 the date the financial statements were available to be issued.

B. Concentration of Credit Risk

The bank balances and certificates of deposit are held at various local banks and secured by federal deposit insurance coverage for interest bearing accounts. At June 30, 2016 and 2015, \$2,388 and \$0, respectively, of the Organization's accounts were exposed to credit risk.

C. Investments

Investments consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Vanguard Account		
Cash and cash equivalents	\$ 51,179	
Exchange traded funds	33,007	
Mutual funds	<u>1,013,161</u>	
Total held at Vanguard	1,097,347	
Certificates of Deposit	<u>322,876</u>	\$ <u>320,943</u>
Total Investments	\$ <u>1,420,223</u>	\$ <u>320,943</u>

Investment income, which is included in other income for 2016, and total investment return are as follows:

	<u>2016</u>
Interest and dividend income	\$ 23,752
Change in unrealized gains/(losses) on investments other than trading securities	<u>73,595</u>
Investment gain	\$ <u>97,347</u>

D. Fair Value Measurement of Assets

Financial assets measured at fair market value are categorized based upon the following characteristics or inputs to the valuation techniques:

Level 1 - Quoted prices are available in the active market for identical assets or liabilities as of the reported date.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER, 2016 AND 2015
 (Continued)

D. Fair Value Measurement of Assets (continued)

Level 2 - Pricing inputs are other than quoted prices in active markets for identical assets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table presents those financial assets that are remeasured annually at their fair market value, as of June 30, 2016, by level within the fair value hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments:	
Cash and cash equivalents	\$ 51,179
Certificates of deposit	322,876
Global equity mutual funds	531,974
Domestic equity mutual funds	121,576
Domestic fixed income mutual funds	223,178
International equity mutual funds	83,086
International fixed income mutual funds	53,347
Exchange traded products (ETFs)	33,007
	\$ 1,420,223

At June 30, 2016, the Organization did not have any assets whose fair value were measured using Level 2 or 3 inputs.

Fair values of financial instruments were determined as follows:

Cash and cash equivalents and certificates of deposit: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: Mutual funds, equities and ETFs in the investment portfolio are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015
(Continued)

E. Property and Equipment, Net

Property and equipment consist of the following at June 30:

	2016	2015
Equipment	\$ 9,516	\$ 8,500
Less accumulated depreciation	(<u>8,534</u>)	(<u>8,500</u>)
Property and equipment, net	\$ <u>982</u>	\$ <u>--</u>

F. Designated Payables

Donations received and designated specifically to an agency are classified as revenue for each agency and as accounts payable for the Organization. Designated payables amounted to \$40,281 and \$33,452 at June 30, 2016 and 2015.

G. Unrestricted Net Assets

Board designated unrestricted net assets were available for the following purposes as of June 30:

	2016	2015
Agency Allocation	\$ 1,300,000	1,613,290
Community Impact	44,641	44,641
Community Initiative	--	5,435
Operations ASAP	--	4,854
Young Leaders	667	667
Women's Leadership Group	<u>11,607</u>	<u>--</u>
Total	\$ <u>1,356,915</u>	\$ <u>1,668,887</u>

H. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of June 30:

	2016	2015
Subsequent year campaign pledges	\$ 146,609	\$ 95,288
Day of caring	13,828	17,363
Disaster fund	<u>1,097,347</u>	<u>--</u>
	\$ <u>1,257,784</u>	\$ <u>112,651</u>

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER, 2016 AND 2015
(Continued)

I. Disaster Fund

During 2015 CCUW received a \$1,000,000 gift restricted for helping people in the Centre Region of Pennsylvania should a natural disaster strike the area. The funds were invested in marketable securities with the intent that all investment income will be rolled back into the fund.

J. Employee Benefit Plans

On January 1, 2014, the Organization switched from a 403(b) voluntary savings plan to a SEP IRA available to all eligible employees. Pension expense was \$20,485 and \$22,019 for the years ended June 30, 2016 and 2015, respectively.

K. Leases

The Organization leases its office and storage facilities under a non-cancellable operating lease through May 2017. Rent expense was \$7,500 and \$13,784 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease commitments under this lease are \$2,500 for the year ending June 30, 2017.

The Organization also leases office equipment, under a non-cancellable operating lease through June 2019. Rent expense under this lease was \$2,880 for the years ended June 30, 2016 and 2015. Future minimum lease commitments under this lease are as follows:

Year Ending December 31:

2017	\$ 5,380
2018	2,880
2019	<u>2,880</u>
Total	<u>\$11,140</u>

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