



September 30, 2016

To the Board of Directors of
County United Way, Inc.

We have audited the financial statements of County United Way, Inc. for the year ended June 30, 2016, and have issued our report thereon dated September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 17, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County United Way, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for uncollectible pledges is based on the results of actual amounts collected in previous years campaigns. We evaluated the key factors and assumptions used to develop the allowance for uncollectible pledges in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of County United Way, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Smyth & Pyles, LLC". The signature is written in a cursive, flowing style.

Smyth & Pyles, LLC

COUNTY UNITED WAY, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

COUNTY UNITED WAY, INC.

Years Ended June 30, 2016 and 2015

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets (Deficit)	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7 – 17



INDEPENDENT AUDITORS' REPORT

To the Board of Directors

County United Way, Inc.
Cumberland, Maryland

We have audited the accompanying financial statements of County United Way, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 County United Way, Inc. as of 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.

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Cumberland, Maryland
September 30, 2016

COUNTY UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 126,293	\$ 42,880
Pledges receivable, net of allowance for uncollectible pledges	185,529	259,879
TOTAL CURRENT ASSETS	311,822	302,759
FURNITURE AND EQUIPMENT, net of accumulated depreciation	953	1,783
OTHER ASSETS		
Cash and cash equivalents restricted for endowment fund	40,805	22,256
Investments restricted for endowment fund	350,493	358,926
TOTAL OTHER ASSETS	391,298	381,182
TOTAL ASSETS	\$ 704,073	\$ 685,724

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 2,058	\$ 2,342
Allocations payable - affiliated and unaffiliated agency appropriations	354,013	370,932
Payroll withholdings payable	3,770	10,716
Due to United Way of America	5,252	6,779
TOTAL CURRENT LIABILITIES	365,093	390,769
NET ASSETS		
Unrestricted (deficit)	(40,217)	(82,712)
Permanently restricted	379,197	377,667
TOTAL NET ASSETS	338,980	294,955
TOTAL LIABILITIES AND NET ASSETS	\$ 704,073	\$ 685,724

See Notes to Financial Statements

COUNTY UNITED WAY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)

Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
PUBLIC SUPPORT AND RECLASSIFICATIONS						
Campaign pledges received from prior years campaigns	\$ 898	-	\$ 898	\$ -	-	\$ -
Current year's pledges, net of allowance for uncollectible pledges	598,502	-	598,502	617,528	-	617,528
Prior year's write-offs in excess of allowance	-	-	-	(33,539)	-	(33,539)
TOTAL PUBLIC SUPPORT AND RECLASSIFICATIONS	<u>599,400</u>	<u>-</u>	<u>599,400</u>	<u>583,989</u>	<u>-</u>	<u>583,989</u>
OTHER REVENUES						
Investment income	77	6,432	6,509	62	13,413	13,475
Special events	13,957	-	13,957	11,503	-	11,503
Increase/ (decrease) in market value of investments	-	3,684	3,684	-	(56)	(56)
Special Programs	-	72,075	72,075	-	37,535	37,535
Contributed facilities and services	383,408	-	383,408	214,541	-	214,541
TOTAL OTHER REVENUES	<u>397,442</u>	<u>82,191</u>	<u>479,633</u>	<u>226,106</u>	<u>50,892</u>	<u>276,998</u>
TOTAL SUPPORT AND REVENUES	<u>996,842</u>	<u>82,191</u>	<u>1,079,033</u>	<u>810,095</u>	<u>50,892</u>	<u>860,987</u>
EXPENSES						
Payments to agencies	353,411	-	353,411	366,460	-	366,460
Payments to national organization	1,977	-	1,977	8,786	-	8,786
Functional expenses						
Management and general	61,445	-	61,445	57,413	-	57,413
Fund-raising	129,702	-	129,702	146,084	-	146,084
Program services	390,494	-	390,494	214,965	-	214,965
Special programs	-	80,661	80,661	-	50,103	50,103
Special events	17,318	-	17,318	24,467	-	24,467
TOTAL EXPENSES	<u>954,347</u>	<u>80,661</u>	<u>1,035,008</u>	<u>818,175</u>	<u>50,103</u>	<u>868,278</u>
CHANGES IN NET ASSETS	42,495	1,530	44,025	(8,080)	789	(7,291)
NET ASSETS (DEFICIT), beginning of year	(82,712)	377,667	294,955	(74,632)	376,878	302,246
TOTAL NET ASSETS (DEFICIT)	<u>\$ (40,217)</u>	<u>\$ 379,197</u>	<u>\$ 338,980</u>	<u>\$ (82,712)</u>	<u>\$ 377,667</u>	<u>\$ 294,955</u>

See Notes to Financial Statements

COUNTY UNITED WAY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2016 and 2015

	2016				2015			
	Management and General	Fund-raising	Program Services	Total	Management and General	Fund-raising	Program Services	Total
Salaries	\$ 14,547	\$ 30,706	\$ 92,446	\$ 137,699	\$ 18,320	\$ 46,614	\$ 68,592	\$ 133,526
Employee benefits	1,552	3,277	9,865	14,694	3,218	8,187	12,048	23,453
Payroll taxes	1,128	2,381	7,168	10,677	1,398	3,558	5,237	10,193
TOTAL SALARIES AND RELATED EXPENSES	<u>17,227</u>	<u>36,364</u>	<u>109,479</u>	<u>163,070</u>	<u>22,936</u>	<u>58,359</u>	<u>85,877</u>	<u>167,172</u>
Advertising	1,038	2,192	6,598	9,828	1,464	3,724	5,480	10,668
Professional fees	1,548	3,267	9,835	14,650	1,893	4,818	7,089	13,800
Supplies	154	325	980	1,459	332	844	1,243	2,419
Telephone & Internet	680	1,436	4,323	6,439	374	952	1,401	2,727
Postage and shipping	278	587	1,766	2,631	391	996	1,465	2,852
Occupancy	302	638	1,919	2,859	476	1,212	1,785	3,473
Rent and equipment maintenance	2,634	5,560	16,742	24,936	3,723	9,472	13,938	27,133
Printing and publications	410	865	2,605	3,880	970	2,467	3,630	7,067
Travel	889	1,876	5,648	8,413	954	2,428	3,574	6,956
Insurance	353	746	2,246	3,345	411	1,046	1,539	2,996
Miscellaneous	69	145	435	649	125	317	466	908
Fees and licenses	436	921	2,773	4,130	341	868	1,276	2,485
In-kind labor	35,339	74,595	224,588	334,522	22,902	58,273	85,748	166,923
TOTAL BEFORE DEPRECIATION	<u>61,357</u>	<u>129,517</u>	<u>389,937</u>	<u>580,811</u>	<u>57,292</u>	<u>145,776</u>	<u>214,511</u>	<u>417,579</u>
Depreciation	88	185	557	830	121	308	454	883
TOTAL FUNCTIONAL EXPENSES	<u>\$ 61,445</u>	<u>\$ 129,702</u>	<u>\$ 390,494</u>	<u>\$ 581,641</u>	<u>\$ 57,413</u>	<u>\$ 146,084</u>	<u>\$ 214,965</u>	<u>\$ 418,462</u>

See Notes to Financial Statements

COUNTY UNITED WAY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 44,025	\$ (7,291)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	830	883
Allowance for uncollectible pledges	(24,176)	30,374
(Increase)/decrease in market value of investments	(3,684)	56
Decrease (increase) in operating assets		
Pledges receivable	98,526	21,304
Increase (decrease) in operating liabilities		
Accounts Payable	(284)	(1,416)
Allocations payable – Affiliated & Unaffiliated Agency Appropriations	(16,919)	(51,205)
Due to United Way of America	(1,527)	-
Payroll withholdings payable	(6,946)	(2,392)
NET CASH FLOWS FROM OPERATING ACTIVITIES	89,845	(9,687)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(33,796)	(251,384)
Sales Proceeds from Investments	45,913	77,777
Purchase of furniture and equipment	-	-
Cash and cash equivalents restricted for endowment fund	(18,549)	164,976
NET CASH FLOWS FROM INVESTING ACTIVITIES	(6,432)	(8,631)
NET DECREASE IN CASH AND CASH EQUIVALENTS	83,413	(18,318)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,880	61,198
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 126,293	\$ 42,880
 SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Contributed facilities and services	\$ 383,408	\$ 214,541

See Notes to Financial Statements

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of significant accounting principles

Nature of activities

County United Way, Inc. (d/b/a United Ways of the Potomac Highlands) (the “Organization” or “County United Way”) is a nonprofit organization governed by a volunteer board of directors, including the United Ways of Allegany, Garrett, Hampshire, and Mineral Counties, following the guidance of the national organization of the United Way of America. Its purpose is to raise funds from the general public to be disbursed to various local nonprofit agencies.

Tax status

County United Way, Inc. is a nonprofit, nonstock organization incorporated under the laws of the State of Maryland. It is an organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as an organization that is not a private foundation. However, it is primarily a publicly supported organization. As a result, contributions made to the County United Way, Inc. are deductible by the donors in computing their taxable income to the extent provided by Section 170 of the 1954 Internal Revenue Code.

The Organization’s tax filings are subject to audit by various authorities. The Organization’s federal income tax returns for years before 2012 are no longer subject to examination by the Internal Revenue Service. The Organization believes it is not subject to any uncertain tax positions.

Campaign support

Annual campaigns are conducted in and around Allegany and Garrett Counties of Maryland and Mineral and Hampshire Counties of West Virginia each year to raise support for allocation to participating agencies in the subsequent year. The campaign year is considered to be from May 1 to April 30. Pledges by certain businesses or their employees, as a group, are individually material to the financial statements.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows and a statement of functional expenses.

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of significant accounting principles (continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

If the Organization receives cash or other financial assets from a donor to be transferred to a specified beneficiary, then the Organization shall recognize its liability to the specified beneficiary concurrent with its recognition of the assets received from the donor.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Changes in the market value of investments are included in the changes in net assets.

Functional expenses

All functional expenses are recorded in the period incurred regardless of when paid.

Estimates

Preparation of financial statements in accordance with U.S. generally accepted accounting principles necessitates the use of estimates of certain amounts. County United Way, Inc. uses estimates to determine the uncollectible amounts of pledges receivable, the remaining estimated useful lives of furniture and equipment, and the fair market value of donated furniture and equipment and marketable equity securities. It is reasonably possible that these estimates may change in the near term.

Cash and cash equivalents

For purposes of the statements of cash flows, County United Way, Inc. considers all certificates of deposit and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Pledges receivable

“Pledges receivable” represents pledges made to finance the next year’s activity but not paid at June 30. Pledges not paid at June 30, 2016 and 2015, consisted of:

	2016	2015
Pledges receivable	\$ 333,564	\$ 432,090
Allowance for uncollectible pledges	(148,035)	(172,211)
Total	\$ 185,529	\$ 259,879

As of June 30, 2016, there was \$173 of receivables due from the 2017 campaign, \$249,971 of receivables due from the 2016 campaign and \$83,420 of receivables from the 2015 campaign.

As of June 30, 2015, there was \$1,089 of receivables due from the 2016 campaign, \$343,139 of receivables due from the 2015 campaign and \$87,862 of receivables from the 2014 campaign.

Note 3 – Furniture and equipment

County United Way, Inc. capitalizes expenditures greater than \$100 for furniture and equipment. All purchased furniture and equipment are carried at original cost. Donated furniture and equipment are carried at their fair market value as of the date received. Depreciation is recorded using straight-line and accelerated depreciation methods over the useful life of 5 to 7 years. A summary of furniture and equipment is as follows:

	June 30,	
	2016	2015
Cost	\$ 31,040	\$ 58,560
Accumulated depreciation	(30,087)	(56,777)
Net book value	\$ 953	\$ 1,783

Note 4 – Other assets - endowment fund

County United Way, Inc. has established an endowment fund which when completely funded is planned to fund the functional expenses of the Organization with the interest and dividends from the assets contained in the fund. The endowment fund is being funded by pledges from donors which are permanently restricted by the donors.

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4 – Other assets - endowment fund (continued)

Interest and dividends earned, until the endowment fund is completely funded are also restricted. The Organization will consider the fund “fully funded” when the balance achieves \$5,200,000.

The Mission of the Endowment is: To build a substantial, permanent endowment fund, created through the gifts of many individual and corporate donors over time, invested for long-term growth, which will guarantee forever an independent annual base of financial stability for the County United Way.

The principal shall be maintained in perpetuity, unless recommended by the Endowment Committee to the Board of Directors of County United Way to do otherwise. Income, in the form of interest, dividends or realized capital gains, may be used for program support that is not dependent upon fluctuations in annual contributions, but only at the direction of the Board of Directors, following a request from a county’s Executive Committee.

All investment increases (decreases) will continue to roll over into the endowment. Use of all interest income or any part of the principal will be at the sole discretion of the trustees of the County United Way.

The Endowment Committee pursuant to the Bylaws of County United Way provides guidance to managing the endowment funds. The committee is composed of at least 1 representative from each geographical area that has a vested interest in the endowment. The committee shall also include the Treasurer of the Organization and include individuals with experience or training in investing funds, financial or business management.

In April 2009, the State of Maryland enacted a version of Uniform Prudent Management of Institutional Funds Act. The new law, eliminates the historical-dollar-threshold and establishes prudent spending guidelines that consider both the duration and preservation of the fund. As a result of this enactment, subject to the donor’s intent as expressed in a gift agreement or similar document, a Maryland charitable organization may now spend the amount of the principal and income of an endowment fund, even from an underwater fund, after considering the factors listed in the Act.

All assets of the endowment are donor and permanently restricted.

COUNTY UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4 – Other assets - endowment fund (continued)

A summary of the investments is as follows:

<u>2016</u>	<u>Market Value</u>	<u>Cost Basis</u>	<u>Unrealized Gain/(Loss)</u>
Allegany County	\$291,759	\$286,339	\$5,420
Hampshire County	32,345	31,744	601
Mineral County	14,810	14,535	275
Garrett County	<u>11,579</u>	<u>11,363</u>	<u>216</u>
Total	<u>\$350,493</u>	<u>\$343,981</u>	<u>\$ 6,512</u>
<u>2015</u>	<u>Value</u>	<u>Basis</u>	<u>Gain/(Loss)</u>
Allegany County	\$298,780	\$296,424	\$2,356
Hampshire County	33,123	32,863	260
Mineral County	15,166	15,047	119
Garrett County	<u>11,857</u>	<u>11,764</u>	<u>93</u>
Total	<u>\$358,926</u>	<u>\$356,098</u>	<u>\$2,828</u>

All marketable securities are available-for-sale and can be liquidated at any time.

The endowment fund cash and cash equivalents are allocated as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Allegany County	\$ 33,967	\$ 18,527
Hampshire County	3,766	2,054
Mineral County	1,724	940
Garrett County	<u>1,348</u>	<u>735</u>
Total	<u>\$ 40,805</u>	<u>\$ 22,256</u>

The following schedule summarizes the investment return and its classification in the statement of activities and changes in net assets (deficit) for the years ended June 30:

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4 – Other assets - endowment fund (continued)

<u>2016</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income, net of management fees	\$ 77	\$ 5,753	\$ 5,830
Realized Gains	-	679	679
Increase (Decrease) in market value of investments	<u>-</u>	<u>3,684</u>	<u>3,684</u>
Total	<u>\$ 77</u>	<u>\$ 10,116</u>	<u>\$ 10,193</u>

<u>2015</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income, net of management fees	\$ 62	\$ 5,844	\$ 5,906
Realized Gains	-	7,569	7,569
Increase (Decrease) in market value of investments	<u>-</u>	<u>(56)</u>	<u>(56)</u>
Total	<u>\$ 10</u>	<u>\$ 13,357</u>	<u>\$ 13,419</u>

Note 5 – Fair value measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements and Disclosures,” provides the framework for measuring fair value. That framework provides 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 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.

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5 – Fair value measurements (continued)

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2016:

Investments at Fair Value as of June 30, 2016				
	Level 1	Level 2	Level 3	Total
Mutual funds and stocks				
Equity funds and stocks	\$ 201,165	\$ -	\$ -	201,165
Fixed income funds	149,328	-	-	149,328
Total investments at fair value	\$ 350,493	\$ -	\$ -	350,493

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2015:

Investments at Fair Value as of June 30, 2015				
	Level 1	Level 2	Level 3	Total
Mutual funds and stocks				
Equity funds and stocks	\$ 209,277	\$ -	\$ -	209,277
Fixed income funds	149,649	-	-	149,649
Total investments at fair value	\$ 358,926	\$ -	\$ -	358,926

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6 – Subsequent year's appropriations

The nonaffiliated agency appropriations can be payable more than one year from the date of receiving the pledge.

The 2017 Campaign Appropriations have been recorded as a payable as of June 30, 2016. These amounts will be paid monthly from July 1, 2016 through June 30, 2017. The appropriations are determined by the Board of Directors.

Note 7 – Net assets

The net assets of the Organization as of June 30, 2016 and 2015, were \$338,980 and \$294,955, respectively, which consisted of \$(40,217) and \$(82,712) of unrestricted and \$379,197 and \$377,667, of permanently restricted, respectively.

As discussed in Note 4, County United Way, Inc. has established an endowment fund. The fund consists of cash and cash equivalents, investments, and pledges receivable that have been permanently restricted by the donors. The net assets of the endowment totaled \$391,298 and \$381,182 as of June 30, 2016 and 2015, respectively.

Note 8 – Allowance for uncollectible pledges

The Organization historically has not collected 8%-12% of the pledges received from the annual campaign. Based on the results of the most recently completed campaign, the Organization has determined that an allowance of 10% is appropriate in the current year's campaign. The Organization calculated and estimated the uncollectible portion of pledges receivable as of June 30, 2016 and 2015, to be \$148,035 and \$172,211, respectively. For the year ended June 30, 2016, \$84,183 was from the 2015 campaign, \$63,693 was from the 2016 campaign, and \$159 from the 2017 campaign. Any variance in the actual uncollectible pledges and the allowance account for a campaign is adjusted in the following year.

Note 9 – Pension plan

The Organization provides eligible employees with a Simplified Employee Pension plan with Mutual of America. To be eligible, an employee must be at least 21 years old and have completed one year of service. Contributions are made solely by County United Way, Inc. at ten percent of each eligible employee's salary. An employee's eligible salary does not include performance bonuses. All retirement benefits are fully and immediately vested. County

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 – Pension plan (continued)

United Way, Inc. made contributions to the plan, net of dividends, in 2016 and 2015, of \$10,926 and \$10,786 respectively.

The plan also provides for disability income, as well as protection of the employee's retirement plan in the event of disability, with contributions funded by the County United Way, Inc.

Note 10 – Credit risk

As of June 30, 2016 and 2015, the Organization has recorded pledges receivable from various corporate and individual donors. These pledges receivable are not collateralized.

At times throughout each year, the Organization may maintain cash balances in certain bank accounts in excess of the FDIC limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk in these accounts.

Note 11 – Contributed facilities and services

The Organization received in-kind revenue contributions of \$383,408 and \$214,541 for the years ended June 30, 2016 and 2015, respectively. The in-kind revenue consists of office space rental, utilities related to the office space, professional fees, advertising, labor, and prescription cards. The contributions are summarized as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Office space	\$ 20,736	\$ 22,541
Utilities	1,890	1,890
Professional fees	3,400	3,300
Advertising	9,500	9,500
Labor	334,522	166,923
Day of Caring and Sharing Expenses		
Stuff the Bus, Website gift and Retreat Personnel	<u>13,360</u>	<u>10,387</u>
Total	<u>\$ 383,408</u>	<u>\$ 214,541</u>

The Organization previously used office space provided by Susquehanna Bank (Now BB&T) at no charge for rent or electricity. As of May 2016 the Organization moved to 101 S. Centre Street, Cumberland, MD at no charge for rent or electricity. The fair market value of rent and electricity has been included in contributed revenue and correlating expenses. Rent expense has been included in the Statement of Functional Expenses as "Rent and Equipment Maintenance." Rent expense for the years ended June 30, 2016 and 2015, amounted to \$20,736 and \$22,541 respectively.

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 12 – Current year's pledge revenue

2016

The current year's pledge revenue represents 2015, 2016, and 2017 campaign pledges received after June 30, 2015 and 2017 campaign pledges received by June 30, 2016, net of allowance for uncollectible pledges. A summary of current year's pledge revenue is as follows:

Pledges received	\$ 639,883
Estimated uncollectible pledges	(64,015)
2014 campaign collections in excess of allowance	<u>22,634</u>
Total	<u>\$ 598,502</u>

Pledge revenue consists of \$5,140 from the 2015 campaign, \$633,148 from the 2016 campaign and \$1,595 from the 2017 campaign.

The remainder of the 2017 campaign pledge revenue will be recognized in the June 30, 2017 financial statements since the campaign concludes on April 30, 2017.

2015

The current year's pledge revenue represents 2014, 2015, and 2016 campaign pledges received after June 30, 2014 and 2016 campaign pledges received by June 30, 2015, net of allowance for uncollectible pledges. A summary of current year's pledge revenue is as follows:

Pledges received	\$ 701,737
Estimated uncollectible pledges	<u>(84,209)</u>
Total	<u>\$ 617,528</u>

Pledge revenue consists of \$5,041 from the 2014 campaign, \$692,908 from the 2015 campaign, and \$3,788 from the 2016 campaign.

The remainder of the 2016 campaign pledge revenue was recognized in the June 30, 2016 financial statements since the campaign concluded on April 30, 2016.

COUNTY UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13 – Disclosure of certain risks and uncertainties

The Organization holds investments in various investment securities. Investment securities are exposed to risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the endowment fund balance and the amounts reported in the statements of financial position.

Note 14 – Special Programs

Special Programs on the Statements of Activities and Changes in Net Assets (Deficit) consists of revenues and expenses for the Dolly Parton Imagination Library and the Western Maryland Mission of Mercy. The Dolly Parton Imagination Library provides free books to children from birth to age 5. The Western Maryland Mission of Mercy provides dental services to low income, uninsured and underserved adults. These funds are separate from the annual campaign.

Note 15 - Operating Lease

The Organization leased a copier for sixty months beginning September 2013 with monthly payments of \$182. In April 2016 the Organization entered into a new lease agreement with monthly payments of \$179 per month. Total payments under these agreements for the years ended June 30, 2016 and June 30, 2015 were \$2,181 and \$2,184, respectively.

The schedule of future lease commitments under the lease obligation is as follows:

Years ending June 30,

2017	\$ 2,148
2018	2,148
2019	2,148
2020	2,148
2021	<u>1,969</u>
	<u>\$ 10,561</u>

Note 16 - Subsequent events

The Organization has evaluated subsequent events through September 30, 2016 which is the date that the financial statements were available to be released.