UNITED WAY OF FRONT ROYAL-

WARREN COUNTY, INC.

Front Royal, Virginia

FINANCIAL REPORT

June 30, 2016

FINANCIAL STATEMENTS

UNITED WAY OF FRONT ROYAL-WARREN COUNTY, INC.

Year Ended June 30, 2016

UNITED WAY OF FRONT ROYAL-
WARREN COUNTY, INC.
Front Royal, Virginia

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June 30, 2016

<u>Independent Accountant's Review Report</u>

To the Board of Directors of
United Way of Front Royal –
Warren County, Inc.

We have reviewed the accompanying financial statements of United Way of Front Royal – Warren County, Inc. (a nonprofit organization), 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 years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2015 Financial Statements

The June 30, 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated October 21, 2015. We have not performed any auditing procedures since that date.

RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

April 19, 2017

UNITED WAY OF FRONT ROYAL -
WARREN COUNTY, INC.
Front Royal, Virginia

STATEMENTS OF FINANCIAL POSITION

EXHIBIT "A"

	June 30, 2016	June 30, 2015
CURRENT ASSETS:		
Cash and cash equivalents	$ 95 437	$ 125 153
Pledges receivable, net	25 342	32 178
Accounts receivable	-	197
Grant receivable	22 419	19 037
Inventory	1 523	4 657
Prepaid expenses	8 161	2 377
Note receivable	-	6 305
TOTAL CURRENT ASSETS	152 882	189 904
PROPERTY AND EQUIPMENT, NET	11 391	6 259
OTHER ASSETS:		
Long-term investments	21 057	51 719
Beneficial interest in assets held by the Community Foundation of Harrisonburg and Rockingham County	370 888	387 618
	391 945	439 337
TOTAL ASSETS	$ 556 218	$ 635 500
CURRENT LIABILITIES:		
Allocations and designations payable	$ 109 756	$ 77 368
Accounts payable and deferred rent	-	5 195
Accrued payroll and liabilities	4 507	4 219
TOTAL CURRENT LIABILITIES	114 263	86 782
NET ASSETS:		
Unrestricted	415 263	497 817
Temporarily restricted	26 692	50 901
TOTAL NET ASSETS	441 955	548 718
TOTAL LIABILITIES AND NET ASSETS	$ 556 218	$ 635 500

(See accompanying Notes to Financial Statements.)

UNITED WAY OF FRONT ROYAL-
WARREN COUNTY, INC.
Front Royal, Virginia

STATEMENTS OF ACTIVITIES

EXHIBIT "B"

		Year Ended June 30, 2016			Year Ended June 30, 2015		
		Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT & REVENUE:							
Gross Campaign Results (2013)		$ -	$ -	$ -	$ 5 352	$ -	$ 5 352
Less: donor designations		-	-	-	-	-	-
Recovery/(provision) for uncollectible pledges		-	-	-	(80 306)	-	(80 306)
				-			
Net Campaign Revenue (2013)		-	-	-	(74 954)	-	(74 954)
Gross Campaign Results (2014)		9 509		9 509	85 358	46 575	131 933
Less: donor designations		-	-	-	(19 168)	-	(19 168)
Recovery/(provision) for uncollectible pledges		5 014		5 014	-	(17 257)	(17 257)
Net Campaign Revenue (2014)		14 523	-	14 523	66 190	29 318	95 508
Gross Campaign Results (2015)		99 879	19 790	119 669	-	7 105	7 105
Less: donor designations		(15 626)	-	(15 626)	-	-	-
Recovery/(provision) for uncollectible pledges		(24 988)		(24 988)	-	(1 563)	(1 563)
Net Campaign Revenue (2015)		59 265	19 790	79 055	-	5 542	5 542
Gross Campaign Results (2016)		-	1 360	1 360	-	-	-
Less: donor designations		-	-	-	-	-	-
Recovery/(provision) for uncollectible pledges		-	-	-	-	-	-
Net Campaign Revenue (2016)		-	1 360	1 360	-	-	-
Special Events	$ 19 997						
Less: direct benefits expense	(15 158)	4 839	-	4 839	10 798	-	10 798
Grant revenue		142 005	-	142 005	66 852	-	66 852
Other contributions		22 770	-	22 770	16 223	11 432	27 655
Designations from other United Ways				-	7 249	-	7 249
Service fees		660	-	660	383	-	383
Donations in-kind		3 000	-	3 000	8 404	-	8 404
Investment income		2 017	-	2 017	1 913	-	1 913
Realized gain on sale of investments		1 073	-	1 073	9 723	-	9 723
Rental income		1 116	-	1 116	961	-	961
Net assets released from restrictions		45 359	(45 359)	-	228 090	(228 090)	-
TOTAL REVENUE (Forwarded)		296 627	(24 209)	272 418	341 832	(181 798)	160 034

(See accompanying Notes to Financial Statements.)

UNITED WAY OF FRONT ROYAL-
WARREN COUNTY, INC.
Front Royal, Virginia

STATEMENTS OF ACTIVITIES

EXHIBIT "B"
(Continued)

	Year Ended June 30, 2016			Year Ended June 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
TOTAL REVENUE (Forwarded)	296 627	(24 209)	272 418	341 832	(181 798)	160 034
EXPENSES AND LOSSES:						
Program Services:						
Gross Funds Awarded/Distributed	106 681	-	106 681	106 693	-	106 693
Less: donor designations		-	-	(19 168)	-	(19 168)
Net Funds Awarded/Distributed	106 681	-	106 681	87 525	-	87 525
Phoenix Program	119 818	-	119 818	74 681	-	74 681
Other Program Services	72 004	-	72 004	34 749	-	34 749
TOTAL PROGRAM SERVICES	298 503	-	298 503	196 955	-	196 955
Supporting Services:						
Organizational administration	40 278	-	40 278	22 920	-	22 920
Fundraising	33 614	-	33 614	29 808	-	29 808
United Way of America Dues	1 859	-	1 859	8 294	-	8 294
TOTAL SUPPORT SERVICES	75 751	-	75 751	61 022	-	61 022
Unrealized loss on investments	4 927	-	4 927	2 349	-	2 349
TOTAL EXPENSE AND LOSSES	379 181	-	379 181	260 326	-	260 326
INCREASE IN NET ASSETS	(82 554)	(24 209)	(106 763)	81 506	(181 798)	(100 292)
NET ASSETS AT BEGINNING OF YEAR	497 817	50 901	548 718	416 311	232 699	649 010
NET ASSETS AT END OF YEAR	$ 415 263	$ 26 692	$ 441 955	$ 497 817	$ 50 901	$ 548 718

(See accompanying Notes to Financial Statements.)

UNITED WAY OF FRONT ROYAL -
WARREN COUNTY, INC.
Front Royal, Virginia

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT "C"

Year Ended June 30, 2016

	PROGRAM SERVICES				SUPPORT SERVICES			
	Allocation Services	Phoenix	All Other Programs	Total	Organizational Administration	Fundraising	United Way of America Dues	Total
EXPENSES:								
Allocation/Awards	$ 69 081	$ -	$ -	$ 69 081	$ -	$ -	$ -	$ 69 081
Community Impact Grants	37 600	-	-	37 600	-	-	-	37 600
Subtotal	106 681	-	-	106 681	-	-	-	106 681
Salaries and wages	-	65 507	27 840	93 347	17 503	5 834	-	116 684
Payroll taxes	-	5 007	2 130	7 137	1 338	446	-	8 921
Phoenix Project	-	-	-	-	-	-	-	-
Contract services	5 800	3 580	5 800	15 180	2 900	14 500	-	32 580
Professional fees	-	-	-	-	8 526	-	-	8 526
Housing and utility assistance	-	9 099	7 780	16 879	-	-	-	16 879
Supplies	5 584	10 611	3 819	20 014	1 518	5 906	-	27 438
Printing and copying	-	4 600	210	4 810	1 374	687	-	6 871
Postage and shipping	-	492	-	492	545	55	-	1 092
Meeting expense	704	61	-	765	765	-	-	1 530
Telephone and networks	836	2 083	523	3 442	530	1 324	-	5 296
Training	-	1 166	-	1 166	130	-	-	1 296
Travel	-	2 650	-	2 650	294	-	-	2 944
Occupancy	1 470	12 324	1 470	15 264	3 112	3 429	-	21 805
Promotion	6 562	852	-	7 414	90	888	-	8 392
Insurance	-	404	696	1 100	275	-	-	1 375
Miscellaneous	-	168	608	776	933	275	-	1 984
Dues and subscriptions	-	125	-	125	175		-	300
Depreciation expense	-	1 089	172	1 261	270	270	-	1 801
Subtotal	20 956	119 818	51 048	191 822	40 278	33 614	-	265 714
United Way of America Dues	-	-	-	-	-	-	1 859	1 859
Total Functional Expenses	$ 127 637	$ 119 818	$ 51 048	$ 298 503	$ 40 278	$ 33 614	$ 1 859	$ 374 254

(See accompanying Notes to Financial Statements.)

UNITED WAY OF FRONT ROYAL -
WARREN COUNTY, INC.
Front Royal, Virginia

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT "C"
(Continued)

Year Ended June 30, 2015

	PROGRAM SERVICES				SUPPORT SERVICES			
	Allocation Services	Phoenix	All Other Programs	Total	Organizational Administration	Fundraising	United Way of America Dues	Total
EXPENSES:								
Allocation/Awards	$ 87 206	$ 19 487	$ -	$ 106 693	$ -	$ -	$ -	$ 106 693
Less: donor designations	(19 168)	-	-	(19 168)	-	-	-	(19 168)
Subtotal	68 038	19 487	-	87 525	-	-	-	87 525
Salaries and wages	-	30 634	-	30 634	5 744	1 915	-	38 293
Payroll taxes	-	2 343	-	2 343	439	147	-	2 929
Phoenix Project	-	-	-	-	-	-	-	-
Contract services	8 800	-	8 800	17 600	11 801	22 000	-	51 401
Housing and utility assistance	-	2 086	-	2 086	-	-	-	2 086
Supplies	3 725	8 665	2 296	14 686	891	3 074	-	18 651
Printing and copying	-	3 177	560	3 737	908	454	-	5 099
Postage and shipping	712	505	-	1 217	181	74	-	1 472
Meeting expense	167	-	-	167	167	-	-	334
Telephone and networks	1 001	628	1 629	3 258	-	-	-	3 258
Training	-	7 180	-	7 180	798	-	-	7 978
Travel	-	1 052	-	1 052	117	-	-	1 169
Occupancy	872	1 442	874	3 188	583	1 200	-	4 971
Promotion	4 023	13 919	-	17 942	-	944	-	18 886
Insurance	-	-	1 091	1 091	273	-	-	1 364
Miscellaneous	-	797	64	861	612	-	-	1 473
Dues and subscriptions	135	2 253	-	2 388	-	-	-	2 388
Depreciation expense	-	-	-	-	406	-	-	406
Subtotal	19 435	74 681	15 314	109 430	22 920	29 808	-	162 158
United Way of America Dues	-	-	-	-	-	-	8 294	8 294
Total Functional Expenses	$ 87 473	$ 94 168	$ 15 314	$ 196 955	$ 22 920	$ 29 808	$ 8 294	$ 257 977

(See accompanying Notes to Financial Statements.)

UNITED WAY OF FRONT ROYAL-
WARREN COUNTY, INC.
Front Royal, Virginia

STATEMENTS OF CASH FLOWS

EXHIBIT "D"

	Year Ended June 30, 2016	Year Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (106 763)	$ (100 292)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Net realized unrealized (gains) losses	3 854	(7 373)
Depreciation expense	1 801	405
In-kind donations	-	(904)
Provision for uncollectible pledges	6 168	(108 947)
(Increase) decrease in assets:		
Pledges receivable	668	304 859
Accounts receivable	197	(2)
Grants receivable	(3 382)	(19 037)
Short-term note receivable	6 305	8 695
Inventory	3 134	1 096
Prepaid expenses	(5 784)	(265)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(5 195)	1 905
Accrued liabilities	288	4 219
Allocations and designations payable	32 388	10 165
NET CASH FROM OPERATING ACTIVITIES	(66 321)	94 524
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(6 933)	(4 953)
Sales of investments	54 445	-
Purchase of investments	(10 907)	(390 388)
NET CASH FROM INVESTING ACTIVITIES	36 605	(395 341)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29 716)	(300 817)
CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR	125 153	425 970
CASH AND CASH EQUIVALENTS END OF YEAR	$ 95 437	$ 125 153

(See accompanying Notes to Financial Statements.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The United Way of Front Royal - Warren County, Inc. was incorporated on April 16, 1975 in the Commonwealth of Virginia.

The Organization's mission is to improve the lives of Front Royal/Warren County residents by mobilizing the caring power within the community. It conducts an annual campaign in the fall of each year to raise support for allocation to participating agencies in the subsequent calendar year. The Organization also organizes an annual Day of Caring in which volunteers serve various needs within the community.

The Organization is governed by a volunteer board of local community leaders.

Basis of Accounting

United Way of Front Royal - Warren County, Inc. prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958. Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

<u>Unrestricted net assets</u>

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

<u>Temporarily restricted net assets</u>

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time 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 restrictions."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Permanently restricted net assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. The Organization had no permanently restricted net assets at June 30, 2016 and 2015.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less.

Inventory

Inventory is stated at the lower of cost or market, determined on the first-in, first-out (FIFO) method, or market.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair Value Measurement

The Organization adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, for assets and liabilities measured at fair value on a recurring basis. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, FASB ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1 – Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs for which there is little or no market data, which require the use of the reporting entity’s own assumptions

The Organization’s financial instruments consist primarily of cash, investments, accounts receivable and accounts payable.

The carrying amount of cash, pledges receivable, and accounts payable approximate their fair value due to the short-term nature of such instruments. Investments are valued using Level 1 inputs. The carrying amount of beneficial interests in assets held by the Community Foundation of Harrisonburg and Rockingham County are fair value. See Note 7.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

At June 30, 2016 and 2015, the Organization considered all remaining accounts receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts. Bad debt expense for the years ended June 30, 2016 and 2015 was $40 and $0, respectively.

Pledges Receivable

Pledges receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Pledges that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

The provision for uncollectible is computed based upon a three-year historical weighted-average adjusted by management estimates of current economic factors, applied to gross campaign, including donor designations.

Property and Equipment

Purchased property and equipment is capitalized at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the activities for the respective period. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

Donated Materials, Services and Equipment

Donated materials and equipment are recorded as revenue and expenses at their estimated fair value at the date of donation. Donations include the value of public service announcements by various media and are included in the public service announcements in the accompanying statement of functional expenses based on the functional area benefited.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization receives more than 1,000 volunteer hours per year.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Gross campaign results include all pledges originating in the United Way of Front Royal – Warren County's service area. This includes designated contributions that are processed by the Organization and where the contributor pays the designated agency directly.

The Organization does not recognize donor-designated contributions for other 501(c)(3) organizations in net income on the Statement of Activities in accordance with FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition.* Gross Donor Designations are presented as a reduction item to gross campaign results thereby reversing this amount prior to arriving at net campaign revenue.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program services consist of expenditures related to fund distribution efforts to the United Way participating agencies and for community service.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

2. CASH CONCENTRATIONS:

The Organization maintains its cash accounts at financial institutions in Virginia, which are insured by the FDIC up to $250,000 per institution. At June 30, 2016 and 2015, the cash balances did not exceed FDIC coverage.

3. ACCOUNTS RECEIVABLE:

As of June 30, 2016 and 2015, the Organization reported $0 and $40, respectively, in accounts receivable from the sale of "Warrenopoly" games and $0 and $157, respectively, of rent receivable. Management believes that the receivables are fully collectible, and no allowance is considered necessary.

4. PLEDGES RECEIVABLE:

The Organization holds an annual fundraising campaign each year which kicks off in September. All pledges receivable are expected to be collected within one year. Pledges receivable are as follows:

	June 30, 2016	June 30, 2015
Total Pledges for next year campaign	$ 1 360	$ 7 105
Less collections	(1 350)	(2 682)
Less allowance for uncollectible pledges	0	(1 563)
Net pledges receivable next year campaign	$ 10	$ 2 860
Total Pledges for current year campaign	$ 122 972	$ 77 912
Less collections	(72 652)	(31 337)
Less allowance for uncollectible pledges	(24 988)	(17 257)
Net pledges receivable current year campaign	$ 25 332	$ 29 318
Total Pledges Receivable	$ 25 342	$ 32 178

5. INVENTORY:

The inventory balances consisted of the following components as of June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
Warrenopoly games	$ 1 523	$ 3 307
Appliances	-	1 350
	$ 1 523	$ 4 657

6. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	June 30, 2016	June 30, 2015
Furniture and office equipment	$ 15 384	$ 8 451
Signage	537	537
	15 921	8 988
Less accumulated depreciation	(4 530)	(2 729)
	$ 11 391	$ 6 259

Depreciation expense was $1,801 and $406 for the years ending June 30, 2016 and 2015, respectively. Depreciation is calculated on the straight line method for lives of five to seven years.

7. BENEFICIAL INTERESTS IN ASSETS HELD:

During the fiscal year, the Organization created a board designated endowment fund, the assets of which are not in possession of the Organization, but are held by the Community Foundation of Harrisonburg and Rockingham County. The Organization has legally enforceable rights and claims to such assets, including the sole right to income therefrom. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in unrestricted net assets. The activity in the beneficial interest is as follows:

	June 30, 2016	June 30, 2015
Beginning Balance	$ 387 618	$ -
Additions to trust	-	379 536
Change in value	(1 225)	8 082
Distributions	(15 505)	-
Ending Balance	$ 370 888	$ 387 618

The unrealized gain (loss) of ($1,225) and $8,082 as of June 30, 2016 and 2015, respectively, is included in the overall net unrealized loss on the Statements of Activities. Also see Footnote 8.

8. INVESTMENTS:

The Edward Jones portfolio of investments is carried at fair market value. For donated investments, cost is determined to be fair market value at the date of gift.

Market values and net unrealized gains and losses pertaining to the investment portfolio as of June 30, 2016 and 2015 are as follows:

	June 30, 2016		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	$ 342	$ 342	$ -
Mutual Funds	21 319	20 715	(604)
	$ 21 661	$ 21 057	$ (604)

	June 30, 2015		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	$ 18	$ 18	$ -
Mutual Funds	51 933	51 701	(232)
	$ 51 951	$ 51 719	$ (232)

Investment return on the Edward Jones portfolio consists of the following:

	June 30, 2016	June 30, 2015
Interest Income	$ -	$ 24
Dividends	1 735	1 893
Investment Fees	(358)	(273)
Realized Gains (losses)	(1 667)	9 723
Unrealized Gains (losses)	(372)	(10 432)
	$ (662)	$ 935

9. FAIR VALUE MEASUREMENTS:

Fair value measurements as of June 30, 2016 for assets reported at fair value on a recurring basis were determined based on:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 95 437	$ 95 437	$ -
Long-term investments	$ 21 057	$ 21 057	$ -
Beneficial interests in assets held by the Community Foundation of Harrisonburg and Rockingham County	$ 370 888	$ -	$ 370 888

Fair value measurements as of June 30, 2015 for assets reported at fair value on a recurring basis were determined based on:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 125 153	$ 125 153	$ -
Long-term investments	$ 51 719	$ 51 719	$ -
Beneficial interests in assets held by the Community Foundation of Harrisonburg and Rockingham County	$ 387 618	$ -	$ 387 618

Fair values for beneficial interests are measured using the fair value of the assets reported by the Community Foundation of Harrisonburg and Rockingham County as of June 30, 2016 and 2015. In accordance with the terms of the fund agreement with the Foundation, the Foundation makes an annual distribution equal to 4% of the value of the trust based on a 20-quarter average. The Organization considers the measurement of its beneficial interest to be a Level 3 measurement within the fair value measurement hierarchy, because even though the measurement is based on the unadjusted fair value of the assets held by the Foundation, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

9. FAIR VALUE MEASUREMENTS: (Continued)

Following is a reconciliation of activity for 2016 and 2015 for assets measured at fair value based on significant unobservable (non-market) information:

Beneficial interest in assets held by the Community Foundation of Harrisonburg and Rockingham County	
Value at July 1, 2014	$ -
Contributions	379 536
Net realized and unrealized gain (loss) on beneficial interests	8 082
Value at June 30, 2015	387 618
Distrbutions	(15 505)
Net realized and unrealized gain (loss) on beneficial interests	(1 225)
Value at June 30, 2016	$ 370 888

10. ALLOCATIONS/DESIGNATIONS PAYABLE:

The Organization does not recognize donor-designated contributions for other 501(c)(3) organizations in net income on the Statement of Activities in accordance with FASB ASC 958-605 *Not-for-Profit Entities, Revenue Recognition.*

Designations and allocations payable for the years ended June 30, 2016 and 2015 of $109,756 and $77,368, respectively, are considered payable out of the current year's campaign funds and accordingly, have been included as liabilities in the accompanying Statements of Financial Position.

10. ALLOCATIONS/DESIGNATIONS PAYABLE: (Continued)

Allocations and designations payable are comprised of the following:

	June 30, 2016	June 30, 2015
Pledges received during the campaign agencies (designations), net	$ 14 880	$ 2 598
Prior year pledges unpaid at June 30	990	1 019
Community Impact Grants	18 813	-
Member Agency Allocations	75 733	74 134
Total Designations and Allocations Payable at June 30	110 416	77 751
Less: Service fee revenue for non-member agencies	(660)	(383)
Net Designations and Allocations Payable	$ 109 756	$ 77 368

11. NET ASSETS:

Unrestricted Net Assets

A portion of the unrestricted net assets have been designated by the Board of Directors to be used for specific purposes. Designations are voluntary, board-approved segregations of unrestricted net assets for specific purposes and are used as an aid in planning future expenditures. Information regarding the components of unrestricted net assets is as follows:

	June 30, 2016	June 30, 2015
Undesignated net assets:		
Total undesignated assets	$ (84 469)	$ (20 116)
Board designated net assets:		
Emergency fund	5 000	18 690
Phoenix project	102 806	33 084
Reserve fund	21 038	52 282
Endowment	370 888	413 877
Subtotal - Board designated net assets	499 732	517 933
Total Unrestricted Net Assets	$ 415 263	$ 497 817

11. NET ASSETS: (Continued)

The Board designated emergency fund is a liquid fund to provide short-term interest-free loans to member agencies who are experiencing cash flow difficulties. The Board designated reserve fund is for use in emergencies to sustain financial operations in the unanticipated event of significant unbudgeted increase in operations expenses and/or losses in operating revenues. The Board intends to grow the principal of the endowment fund until it is large enough that the earnings of the fund will cover all administrative costs of the Organization. Once the endowment fund has achieved this objective, the Organization will be able to invest all funds raised during the annual campaign in the community.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30, 2016	June 30, 2015
Pledges receivable for next fiscal year	$ 25 332	$ 29 318
Campaign receipts for next fiscal year	1 360	5 542
Phoenix project	-	16 041
Total Temporarily Restricted Net Assets	$ 26 692	$ 50 901

12. ENDOWMENT FUND:

The Organization’s endowment consists of funds designated by the Board of Directors to function as an Endowment.

As of June 30, 2016 and 2015, the Board of Directors has designated $370,888 and $413,877, respectively, of unrestricted net assets as a general Endowment fund with the goal that as the fund grows the earnings will eventually pay for all the administrative costs of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets will be invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the fund. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

12. ENDOWMENT FUND: (Continued)

Spending Policy

The Organization has a spending policy of appropriating for distribution each year 4% of its board-designated endowment fund's average fair market value of the prior 20 quarters.

Endowment net assets composition by type of fund is as follows:

	June 30, 2016	June 30, 2015
Board-designated Endowment funds	$ 370 888	$ 413 877
Endowment net assets, beginning of year	$ 413 877	$ 322 918
Contributions	-	116 126
Investment income	(1 226)	8 151
Amounts appropriated for expenditure and transfers	(41 763)	(33 318)
Endowment Net Assets, End of Year	$ 370 888	$ 413 877

13. LEASES:

On March 1, 2010, the Organization signed a one-year lease with a month-to-month extension option for office space from Calvary Episcopal Church. The lease is an operating lease. Rents expensed for the years ended June 30, 2016 and 2015 were $3,900 and $2,400, respectively.

The Organization subleases space to member agencies/tenants under an operating rental agreement. The amounts rented are nominal in nature ($31 per month per agency).

On July 1, 2015, Phoenix Project signed a month-to-month lease for office space with Cardinal Park, LLC for $350 per month. Then on December 22, 2015, the organization signed a one year lease with Mae Lang for office space for $1,500 per month. The remaining obligation on that lease is $9,000.

14. RELATED PARTY TRANSACTIONS:

The Organization's reserve funds are held at Edward Jones and are managed by a member of the board of directors. The fees charged by Edward Jones for the management of this account for the years ending June 30, 2016 and 2015 were $358 and $273, respectively. At June 30, 2016 and 2015, the total funds held at Edward Jones were $21,057 and $51,719, respectively.

15. PHOENIX PROJECT:

In October of 2013, Harmony Place, a local not-for-profit serving victims of domestic and sexual violence in Warren county closed. Soon after the closing of Harmony Place, the Organization determined that the services offered by Harmony Place were still in demand. As a result, the Board of Directors designated $65,000 to be used to establish a new not-for-profit entity, called the Phoenix Project which will provide services to domestic and sexual violence victims.

In January 2015, the Organization took over as the fiscal agent for the Phoenix Project. As fiscal agent, the Organization tracks the Phoenix Project assets, liabilities, income and expenses separately from the United Way transactions. However, all transactions are considered as part of the United Way and conducted as United Way business until such time as the Phoenix Project begins to operate as an independent 501(c)(3) Organization. As of July 1, 2016, the Phoenix Project began operating as a separate entity, and all of their related assets and liabilities noted below will be transferred out of the United Way.

At June 30, 2016 and 2015, the assets and liabilities being held for the Phoenix Project are as follows:

	June 30, 2016	June 30, 2015
Cash and cash equivalents	$ 66 936	$ 27 356
Grant receivable	22 419	19 037
Inventory	-	1 350
Prepaid expenses	2 835	1 420
Property and equipment, net	10 616	4 840
Total Assets	$ 102 806	$ 54 003
Accounts Payable	$ -	$ 659
Accrued payroll and liabilities	-	4 219
Total Liabililties	-	4 878
Net Assets	102 806	49 125
Total Liabilities and Net Assets	$ 102 806	$ 54 003

15. PHOENIX PROJECT: (Continued)

The revenues and expenses directly related to the Phoenix Project for the year ending June 30, 2016 are as follows:

Special events	$ 238
Grant revenue	142 005
Contributions	22 730
In-kind donations	-
Total Revenue	164 973

	Program	Administration	Fundraising	Total
Salaries and wages	$ 65 507	$ 12 283	$ 4 094	81 884
Payroll taxes	5 007	939	313	6 259
Contract services	3 580	-	-	3 580
Professional fees	-	1 034	-	1 034
Housing assistance	9 099	-	-	9 099
Supplies	10 611	553	252	11 416
Printing and copying	4 600	1 314	657	6 571
Postage and shipping	492	-	-	492
Meeting expense	61	60	-	121
Telephone and networks	2 083	321	801	3 205
Training	1 166	130	-	1 296
Travel	2 650	294	-	2 944
Occupancy	12 324	2 693	2 588	17 605
Promotion	852	-	700	1 552
Insurance	404	101	-	505
Miscellaneous	168	171	275	614
Dues and subscriptions	125	25	-	150
Depreciation	1 089	233	233	1 555
Total Expenses	$ 119 818	$ 20 151	$ 9 913	149 882
Net revenues less expenses				15 091
Net Transfers between United Way and Phoenix				38 590
Change in Net Assets Due to Phoenix				$ 53 681

15. PHOENIX PROJECT: (Continued)

The revenues and expenses directly related to the Phoenix Project for the year ending June 30, 2015 are as follows:

Special events	$ 1 773
Grant revenue	66 853
Contributions	22 444
In-kind donations	5 154
Total Revenue	96 224

	Program	Administration	Fundraising	Total
Salaries and wages	$ 30 634	$ 5 744	$ 1 915	38 293
Payroll taxes	2 343	439	147	2 929
Contract services	-	390	-	390
Housing assistance	2 086	-	-	2 086
Supplies	8 665	870	248	9 783
Printing and copying	3 177	908	453	4 538
Postage and shipping	505	181	36	722
Telephone and networks	628	629	-	1 257
Training	7 180	798	-	7 978
Travel	1 052	117	-	1 169
Occupancy	1 442	358	600	2 400
Promotion	13 919	-	733	14 652
Miscellaneous	797	152	-	949
Dues and subscriptions	2 253	-	-	2 253
Depreciation	-	220	-	220
Total Expenses	$ 74 681	$ 10 806	$ 4 132	89 619
Change in Net Assets Due to Phoenix				$ 6 605

16. DONATED SERVICES AND MATERIALS:

As discussed in Footnote 1, the Organization records donated services and goods at the estimated fair market value on the date received. Following an AICPA TIS issued in 2010, this also includes the fair value of public service announcements. The total value of the support and materials are comprised of the following:

	June 30, 2016	June 30, 2015
Public service announcements	$ 3 000	$ 2 400
Rent	-	2 400
Inventory	-	1 850
Fundraising expenses	-	850
Equipment	-	904
Total Donated Services and Materials	$ 3 000	$ 8 404

17. RECLASSIFICATIONS

Certain amounts in the June 30, 2015 financial statements have been reclassified for comparative purposes to conform to the June 30, 2016 presentation.

18. OVERHEAD RATIO:

The overhead ratio is equal to fundraising, management, and general expenses divided by total campaign support and all other revenue sources. The ratio is calculated below using the Gross Method recommended in *Functional Expenses and Overhead Reporting Standards for United Ways,* United Way of America 2004, using numbers reflected on the Organization's exempt tax return, Form 990.

		June 30, 2016	June 30, 2015
Management and general Part IX, line 25c		$ 48 680	$ 31 247
Fundraising, Part IX, Line 25c		33 614	29 088
Payments to affiliates, Part IX, line 21		1 859	8 294
Numerator:	Supporting services	$ 84 153	$ 68 629
Denominator:	Total revenue		
Total campaign and all other revenue sources, Part I, Line 12		$ 299 423	$ 273 801
Numerator/Denominator expressed as a percent		28%	25%

19. SUBSEQUENT EVENTS:

The Organization has evaluated subsequent events through the date which the financial statements were available to be issued.