

Butler County United Way
Report on Financial Statements
Years Ended June 30, 2017 and 2016

Butler County United Way

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June 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Trustees
Butler County United Way

Report on the Financial Statements

We have audited the accompanying financial statements of Butler County United Way ("the Organization"), which comprise the statements of financial position as of June 30, 2017 and 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.

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

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

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Butler County United Way as of June 30, 2017 and 2016, 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.

A handwritten signature in black ink that reads "Matthew Chilton Medley, LLP". The signature is written in a cursive style.

Cincinnati, Ohio
November 14, 2017

Butler County United Way
Statements of Financial Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 116,146	\$ 43,474
Pledges receivable, net	839,187	909,694
Total Current Assets	955,333	953,168
Property and Equipment, net	27,153	33,891
Noncurrent Assets		
Investments, at fair value	463,230	430,785
Beneficial interest in assets held by others	93,546	82,765
Board designated cash	204,275	204,603
Total Noncurrent Assets	761,051	718,153
Total Assets	<u>\$ 1,743,537</u>	<u>\$ 1,705,212</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 35,739	\$ 15,992
Allocations and designations payable	922,376	878,500
Designations payable to other United Way organizations	30,157	45,836
Total Current Liabilities	988,272	940,328
Net Assets		
Board designated	204,275	204,603
Unrestricted	489,390	510,281
Total Unrestricted	693,665	714,884
Temporarily Restricted	61,600	50,000
Total Net Assets	755,265	764,884
Total Liabilities and Net Assets	<u>\$ 1,743,537</u>	<u>\$ 1,705,212</u>

See accompanying notes.

Butler County United Way
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support			
Gross campaign results	\$ 1,684,519	\$ 11,600	\$ 1,696,119
Less donor designations	325,854	-	325,854
Less provision for uncollectible pledges receivable	98,623	-	98,623
	<u>1,260,042</u>	<u>11,600</u>	<u>1,271,642</u>
Net Campaign Revenue			
Other Revenue			
Net realized and unrealized gain (loss)			
on investments	33,766	-	33,766
Interest and dividends	16,826	-	16,826
Change in fair value of beneficial			
interest in assets held by others	10,781	-	10,781
Other revenue	9,830	-	9,830
Special events, net	20,918	-	20,918
In-kind donations	40,000	-	40,000
	<u>132,121</u>	<u>-</u>	<u>132,121</u>
Total Other Revenue			
Total Public Support and Other Revenue	1,392,163	11,600	1,403,763
Expenses			
Program services	973,309	-	973,309
Supporting services			
Management and general	155,932	-	155,932
Resource development	277,030	-	277,030
United Way Worldwide dues	7,111	-	7,111
	<u>440,073</u>	<u>-</u>	<u>440,073</u>
Total Supporting Services			
Total Expenses	1,413,382	-	1,413,382
Change in Net Assets	(21,219)	11,600	(9,619)
Net Assets, Beginning of Year	714,884	50,000	764,884
	<u>693,665</u>	<u>61,600</u>	<u>755,265</u>
Net Assets, End of Year			

See accompanying notes.

**Butler County United Way
Statement of Activities
Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support			
Gross campaign results	\$ 1,653,874	\$ -	\$ 1,653,874
Less donor designations	253,800	-	253,800
Less provision for uncollectible pledges receivable	104,500	-	104,500
Net Campaign Revenue	1,295,574	-	1,295,574
Other Revenue			
Net realized and unrealized gain (loss) on investments	(6,444)	-	(6,444)
Interest and dividends	14,134	-	14,134
Change in fair value of beneficial interest in assets held by others	(3,239)	-	(3,239)
Other revenue	53,942	-	53,942
Special events, net	(434)	-	(434)
In-kind donations	41,560	-	41,560
Total Other Revenue	99,519	-	99,519
Net Assets Released from Restrictions	4,100	(4,100)	-
Total Public Support and Other Revenue	1,399,193	(4,100)	1,395,093
Expenses			
Program services	946,719	-	946,719
Supporting services			
Management and general	159,697	-	159,697
Resource development	275,009	-	275,009
United Way Worldwide dues	11,270	-	11,270
Total Supporting Services	445,976	-	445,976
Total Expenses	1,392,695	-	1,392,695
Change in Net Assets	6,498	(4,100)	2,398
Net Assets, Beginning of Year	708,386	54,100	762,486
Net Assets, End of Year	<u>\$ 714,884</u>	<u>\$ 50,000</u>	<u>\$ 764,884</u>

See accompanying notes.

Butler County United Way
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services			Supporting Services				Total Expenses
	Allocations	Community Impact	Total	Management and General	Resource Development	UWW Dues	Total	
Compensation	\$ -	\$ 140,765	\$ 140,765	\$ 44,470	\$ 165,691	\$ -	\$ 210,161	\$ 350,926
Employer payroll taxes	-	10,378	10,378	4,083	12,197	-	16,280	26,658
Employee benefits	-	29,390	29,390	12,026	24,512	-	36,538	65,928
Total Personnel Expenses	-	180,533	180,533	60,579	202,400	-	262,979	443,512
Allocations to agencies	725,177	-	725,177	-	-	-	-	725,177
Professional/consultant fees	-	4,811	4,811	22,527	7,298	-	29,825	34,636
Depreciation	-	2,965	2,965	1,192	2,581	-	3,773	6,738
Marketing/campaign expense	-	6,100	6,100	5,094	21,344	-	26,438	32,538
Occupancy	-	3,612	3,612	9,286	3,145	-	12,431	16,043
conference and meeting	-	8,247	8,247	4,135	1,947	-	6,082	14,329
In-kind donations	-	17,600	17,600	7,080	15,320	-	22,400	40,000
Miscellaneous	-	-	-	24,803	154	-	24,957	24,957
Supplies	-	1,852	1,852	2,657	1,549	-	4,206	6,058
Telephone	-	8,161	8,161	4,154	7,361	-	11,515	19,676
Equipment maintenance and rental	-	7,487	7,487	3,789	7,623	-	11,412	18,899
Travel	-	1,305	1,305	869	2,757	-	3,626	4,931
Awards/incentives	-	1,300	1,300	1,926	615	-	2,541	3,841
Postage	-	929	929	392	809	-	1,201	2,130
Membership dues	-	925	925	221	610	7,111	7,942	8,867
Bank fees	2,305	-	2,305	7,228	1,517	-	8,745	11,050
	<u>\$ 727,482</u>	<u>\$ 245,827</u>	<u>\$ 973,309</u>	<u>\$ 155,932</u>	<u>\$ 277,030</u>	<u>\$ 7,111</u>	<u>\$ 440,073</u>	<u>\$ 1,413,382</u>

See accompanying notes.

Butler County United Way
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services			Supporting Services				Total Expenses
	Allocations	Community Impact	Total	Management and General	Resource Development	UWW Dues	Total	
Compensation	\$ -	\$ 123,649	\$ 123,649	\$ 39,062	\$ 145,544	\$ -	\$ 184,606	\$ 308,255
Employer payroll taxes	-	9,359	9,359	3,682	11,000	-	14,682	24,041
Employee benefits	-	26,944	26,944	11,025	22,472	-	33,497	60,441
Total Personnel Expenses	-	159,952	159,952	53,769	179,016	-	232,785	392,737
Allocations to agencies	698,503	-	698,503	-	-	-	-	698,503
Professional/consultant fees	-	6,236	6,236	29,196	9,459	-	38,655	44,891
Depreciation	-	2,965	2,965	1,192	2,581	-	3,773	6,738
Marketing/campaign expense	-	7,228	7,228	6,036	25,290	-	31,326	38,554
Occupancy	-	9,256	9,256	23,792	8,057	-	31,849	41,105
conference and meeting	-	5,633	5,633	2,824	1,330	-	4,154	9,787
In-kind donations	-	17,600	17,600	7,080	15,320	-	22,400	40,000
Miscellaneous	-	-	-	11,127	69	-	11,196	11,196
Supplies	-	2,506	2,506	3,595	2,095	-	5,690	8,196
Telephone	-	7,376	7,376	3,754	6,652	-	10,406	17,782
Equipment maintenance and rental	-	17,757	17,757	8,985	18,078	-	27,063	44,820
Travel	-	1,340	1,340	893	2,832	-	3,725	5,065
Awards/incentives	-	736	736	1,090	348	-	1,438	2,174
Postage	-	2,114	2,114	891	1,840	-	2,731	4,845
Membership dues	-	1,466	1,466	350	967	11,270	12,587	14,053
Bank fees	1,634	-	1,634	5,123	1,075	-	6,198	7,832
Special assistance to individuals	4,417	-	4,417	-	-	-	-	4,417
	\$ 704,554	\$ 242,165	\$ 946,719	\$ 159,697	\$ 275,009	\$ 11,270	\$ 445,976	\$ 1,392,695

See accompanying notes.

Butler County United Way
Statements of Cash Flows
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ (9,619)	\$ 2,398
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,738	6,738
Net realized and unrealized loss (gain) on investments	(33,766)	6,444
Provision for uncollectible pledges and other receivables	98,623	104,500
Change in fair value of beneficial interest in assets held by others	(10,781)	3,239
Changes in operating assets and liabilities:		
Pledges receivable	(28,116)	(97,846)
Prepaid expenses	-	1,495
Board designated cash	328	111,271
Accounts payable	19,747	(72,044)
Accrued compensation	-	(645)
Allocations and designations payable	43,876	(265,016)
Designations payable to other United Way organizations	(15,679)	26,412
Deferred revenue	-	(300)
Net Cash Flows provided (used) by Operating Activities	<u>71,351</u>	<u>(173,354)</u>
Investing Activities		
Purchase of investment securities	(71,782)	-
Proceeds from sales of investments	<u>73,103</u>	<u>66,183</u>
Net Cash Flows from Investing Activities	<u>1,321</u>	<u>66,183</u>
Net Change in Cash and Cash Equivalents	72,672	(107,171)
Cash and Cash Equivalents, Beginning of Year	<u>43,474</u>	<u>150,645</u>
Cash and Cash Equivalents, End of Year	<u>\$ 116,146</u>	<u>\$ 43,474</u>

See accompanying notes.

Butler County United Way
Notes to Financial Statements
June 30, 2017 and 2016

Note A - Nature of Organization and Operations

The Butler County United Way (the Organization) is a nonprofit organization that generates resources from the Butler County community for the purpose of helping all individuals and families achieve their potential through education, income stability and healthy lives. The Organization, whose mission is to connect resources to important community needs is a member in good standing with the United Way Worldwide and is governed by a local volunteer board of trustees.

The Organization leverages resources from multiple sources. Three distinct types of resources are leveraged. They are in the form of money, volunteer time/in-kind donations, and people's voice - advocacy. Resources are garnered primarily from local corporations, foundations, government entities, employees, community citizens, and special events. These secured resources are invested in local community needs through a network of providers. The selected network of providers delivers outcome based services that are aligned with the United Way purpose. United Way's business is to connect and mobilize resources to improve lives.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

2. Financial Statement Presentation: The financial statements reflect the results of all programs operated by the Organization. The Organization 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, based on the absence or existence and type of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired. All support is considered unrestricted unless specifically restricted by the donor. Undesignated net assets are available for any purpose within the scope of the Organization's activities. Designated net assets have been segregated by the Organization for a specific activity or group of activities. The Organization may alter such designations as desired. Board designated net assets are set by the Board of Trustees. The current policy requires this amount to be two to three months of allocations.

Temporarily restricted net assets - Net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose. The Organization's temporarily restricted net assets are restricted by the donors as to the specific purpose and/or time for which funds can be utilized.

Permanently restricted net assets - Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Organization. The donors of these assets allow the Organization to use the investment gains either for unrestricted or restricted purposes. There were no permanently restricted assets at June 30, 2017 and 2016.

3. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

4. Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains at various financial institutions cash accounts which may exceed federally insured amounts at times and which may at times significantly exceed balance sheet amounts due to outstanding checks.

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note B - Summary of Significant Accounting Policies (Continued)

5. 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. Investments are comprised of equity securities, fixed income securities, bond funds and mutual funds with original maturities of greater than three months. Realized and unrealized gains and losses are included in the statements of activities. Interest and dividends are recognized when earned.
6. Board Designated Cash: Board designated cash has been established for the purpose of maintaining approximately two months of reserves for future allocations to supported agencies and programs and for internal expenses.
7. Fair Value of Financial Instruments: Fair value is defined 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 and sets out a fair value hierarchy. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either

Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The fair value of the Organization's investments as of June 30, 2017 and 2016 was determined using Level 1 inputs for common stock, money market funds and registered investment companies and using Level 2 inputs for beneficial interest in assets held by others.

The carrying value of the cash and cash equivalents, pledges receivable, accounts payable and other current liabilities approximates fair value due to the short-term nature of these instruments.

8. Beneficial Interest in Assets Held by Others: In 1990, an anonymous donor donated \$50,000 to the Hamilton Community Foundation but designated Butler County United Way as the beneficiary. As the donor did not grant the Hamilton Community Foundation the right to redirect the funds to another beneficiary, accounting principles generally accepted in the United States of America require an asset to be recognized. The investment income is available for distribution and the initial \$50,000 contribution requires approval of the Hamilton Community Foundation Board of Trustees for payout. The balance of the assets held in beneficial interest classified as temporarily restricted net assets is \$50,000.

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note B - Summary of Significant Accounting Policies (Continued)

8. Beneficial Interest in Assets Held by Others (Continued): In addition, the Organization established funds at various community foundations, designating the Organization as beneficiary.

June 30, 2015	\$ 86,004
Change in fair value	<u>(3,239)</u>
June 30, 2016	82,765
Change in fair value	<u>10,781</u>
June 30, 2017	<u>\$ 93,546</u>

9. Property and Equipment: Property and equipment are stated at cost less accumulated depreciation. Property and equipment additions in excess of \$1,000 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the change in net assets for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The general range of useful lives for depreciation is three to twenty years. The useful lives for leasehold improvements are the lesser of the life of the lease or the useful estimated life of the related asset.
10. Allocations and Designations Payable: Allocations to supported member agencies' programs and services are approved in the spring and disbursed for the most part in the following fiscal year. Allocations made by the Organization are recognized as expense in the period the commitment is made. As of June 30, 2017 and 2016 the allocations and designations payable were \$922,376 and \$878,500.

Included in allocations and designations payable as of June 30 are contributions that were identified by donors as pass through contributions to designated agencies. These contributions totaled \$325,854 and \$253,800 for 2017 and 2016.

11. Designations Payable to Other United Way Organizations: Funds received or receivable that must be distributed to other United Way agencies are classified as an asset and a corresponding liability in the accompanying statements of financial position. Since the Organization acts as the custodial agent of these funds, no amounts are recognized in net campaign revenue in the accompanying statements of activities. As of June 30, 2017 and 2016, the Organization owed \$30,157 and \$45,836 to other United Ways.
12. Restricted and Unrestricted Revenue: Pledges and contributions that are restricted by the donor are reported as unrestricted revenue if the restriction expires in the reporting period in which the pledge is recognized. All other donor-restricted pledges are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Pledges received in the current fiscal year to support the fall campaign of the following fiscal year are subject to a time restriction and are included in temporarily restricted net assets.

Pledges received with a donor designation to a specific agency are agency transactions and are therefore deducted from the gross campaign results and are also excluded from allocations to agencies expense.

13. Reclassifications: Certain reclassifications have been made to prior year balances to conform with current year presentation.

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note B - Summary of Significant Accounting Policies (Continued)

14. Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged to programs and supporting services when directly attributed to the program, management and general, resource development and for United Way Worldwide dues. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
15. Marketing and Campaign Expense: Marketing and campaign costs are expensed as incurred.
16. Tax Status: The Organization is exempt from federal, state and local income taxes under the provisions of the Internal Revenue Code (IRC). The Organization is not considered a private foundation within the meaning of the IRC. The Organization recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.
17. Recent Accounting Pronouncements: In August 2016, the FASB issued Accounting Standards Update No. 2016-14 ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditor and other users. This guidance includes qualitative and quantitative requirements in the following areas: 1) net asset classes, 2) investment return, 3) expenses, 4) liquidity and availability of resources, and 5) presentation of operating cash flows. This standard is effective for annual reporting periods beginning after June 30, 2019. Early adoption is permitted.

On May 28 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the year ending June 30, 2021.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year ending June 30, 2022.

The Organization is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

18. Subsequent Events: The Organization has evaluated subsequent events for potential recognition and disclosure through the date of the independent auditor's report, the date the financial statements were available to be issued.

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note C - Programs and Activities

The Organization focuses on connecting resources to important community needs while brokering solutions to the most urgent human needs facing the community. A variety of methods are deployed to communicate with community members in order to prioritize the issues and determine the proper solutions to these problems. Whether this means grant writing, fundraising, or collaborating with community partners, the Organization uses community input to solve community issues. The Organization's primary programs and activities are as follows:

Community Impact: The Organization connects resources to community needs that are identified by the community as most critical. The resources may include fundraising, grant writing, volunteer recruitment, or developing collaborations that best address the identified issues.

Community Impact involves developing community solutions and investing resources to effectively address health and human service needs. This includes outcome measurement, planning and problem-solving. Strategic initiatives promote collaborative problem solving and community development with community stakeholders and non-profit agencies to.

Resource Development: This division focuses on revenue that is secured from direct donor solicitation, corporate investments, sponsorship opportunities, and fundraising events. During the 2016 campaign year, volunteers from the community led the annual campaign which generated more than \$1,500,000 in pledged gifts from individuals and corporations. An additional 500 plus volunteers supported the day to day details so as to keep overhead costs low and systems efficient. Fundraising events leveraged the volunteer efforts so that profits directly benefited the award process.

Note D - Pledges Receivable, net

Pledges receivable consist of:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 1,052,810	\$ 1,133,395
Less allowance for uncollectable receivables	<u>(213,623)</u>	<u>(223,701)</u>
	<u>\$ 839,187</u>	<u>\$ 909,694</u>

Pledges are reported as a receivable for one year or until paid. The allowance for uncollectible pledges is calculated to be approximately 6% - 7% of the total amount raised for the current year fundraising campaign, which is based on the Organization's actual past collection experience. Any unpaid pledge greater than twelve months is considered uncollectible and is written off to the allowance for uncollectible receivables.

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note E - Investments

The investment balance (also known as the Legacy Fund) is comprised of long-term investments. The Legacy Fund requires approval by the Chief Executive Officer for disbursements, which are primarily used to purchase equipment and/or make building improvements. The Finance Committee makes recommendations to the Chief Executive Officer for approval.

Investments consist of:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Investments				
Common Stock	\$ 217,238	\$ 291,895	\$ 153,085	\$ 194,637
Money Market Funds	16,745	16,745	22,044	22,044
Fixed Income	111,840	112,246	178,625	174,340
Alternative Investments	41,669	42,344	41,669	39,764
	\$ 387,492	\$ 463,230	\$ 395,423	\$ 430,785

Investment income consists of:

	2017	2016
Realized gains and losses	\$ (4,720)	\$ 8,525
Unrealized gains and losses	40,376	(11,135)
Investment advisory expenses	(1,890)	(3,834)
Net Realized and Unrealized Gain (Loss)	33,766	(6,444)
Interest and dividends	16,826	14,134
	\$ 50,592	\$ 7,690

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note F - Property and Equipment

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 127,204	\$ 127,204
Leasehold improvements	<u>389,356</u>	<u>389,356</u>
	516,560	516,560
Less accumulated depreciation	<u>489,407</u>	<u>482,669</u>
	<u>\$ 27,153</u>	<u>\$ 33,891</u>

Depreciation expense for the year ended June 30, 2017 and 2016 totaled \$6,738 and \$6,738.

Note G - Temporarily Restricted Net Assets

Temporarily restricted net assets represent restricted contributions received for future allocation periods.

The balances were:

	<u>2017</u>	<u>2016</u>
Hamilton Community Foundation Fund	\$ 50,000	\$ 50,000
Pledges received for the fall campaign	<u>11,600</u>	<u>-</u>
	<u>\$ 61,600</u>	<u>\$ 50,000</u>

During the years ended June 30, 2017 and 2016, net assets of \$0 and \$4,100 were released from donor time restrictions by incurring expenses satisfying the time restricted purpose.

Note H - Special Events

Special events provided revenues and expenses as follows:

	<u>2017</u>	<u>2016</u>
Gross revenues	\$ 125,197	\$ 48,407
Direct expenses	<u>(104,279)</u>	<u>(48,841)</u>
Special Events, net	<u>\$ 20,918</u>	<u>\$ (434)</u>

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note I - Operating Lease

The Organization leases office space within its location to an unrelated party. The agreement is on a month to month basis. These funds were received under a temporary arrangement with no long-term contract. The Organization recorded rent revenue of \$3,000 for the years ended June 30, 2017 and 2016, which is included in other revenue on the statement of activities.

The Organization leases office space from the Hamilton Community Foundation at one dollar per year. The lease is a year to year agreement that expired on March 31, 2017, but with an automatic renewal feature with the same pre-established conditions unless 30 days notice is given.

Note J - In-kind Donations

The Organization recognized the following donations as in-kind revenue and expense related to program and supporting services:

	<u>2017</u>	<u>2016</u>
Rent	\$ 40,000	\$ 40,000
Information technology support	-	1,560
	<u>\$ 40,000</u>	<u>\$ 41,560</u>

The estimated fair value of the operating lease is expensed annually as in-kind donations on the statements of functional expenses and included in in-kind donations on the statements of activities. The current lease runs from April 1, 2017 to March 31, 2018, and automatically renews for periods of one year. The Organization leases the facility from the Hamilton Community Foundation at one dollar per year. The lease requires the Organization to pay for all costs and expenses necessary to operate and maintain the facility.

Many individuals volunteer their time and talent to perform a variety of tasks without which the United Way could not successfully conduct its programs. However, only services that meet the criteria for recognition under generally accepted accounting principles are recorded in the financial statements.

Note K - Concentrations

The Organization operates principally in the Butler County, Ohio, geographic area. The Organization's investments are not insured and are subject to market value fluctuation. The Organization's financial instruments that are potentially exposed to concentrations of credit risk are primarily cash and pledges receivable.

The Organization's pledges receivable are primarily pledges made by businesses and their employees, and, accordingly, the collection is subject to the economic stability of the supporting businesses and on the overall economic environment of the area.

The Organization received approximately 26% and 27% of its support for the year ended June 30, 2017 and 2016 from two companies on behalf of their employees who participate in the payroll deduction campaign and corporate contributions.

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note L - Retirement Plan

The Organization maintains a 403(b) retirement plan that covers substantially all full-time employees. The Organization contributes 5% of each employee's qualifying compensation into the plan. For the year ended June 30, 2017 and 2016 the Organization contributed \$11,101 and \$12,186, respectively.

Note M - Risks and Uncertainties

The Organization self-insures for state unemployment purposes. In management's judgment, no material exposure exists related to the self-insurance and, accordingly, no provision has been made in the accompanying financial statements.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. 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 net asset balances and the amounts reported in the statements of financial position.

Note N - Fair Value Measurements

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Common Stock	\$ 291,895	\$ -	\$ -	\$ 291,895
Money Market Funds	16,745	-	-	16,745
Fixed Income	112,246	-	-	112,246
Alternative Investments	42,344	-	-	42,344
	<u>\$ 463,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,230</u>
Beneficial Interest in Assets				
Held by Community Foundations	<u>\$ -</u>	<u>\$ 93,546</u>	<u>\$ -</u>	<u>\$ 93,546</u>

Butler County United Way
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note N - Fair Value Measurements (Continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Common Stock	\$ 194,637	\$ -	\$ -	\$ 194,637
Money Market Funds	22,044	-	-	22,044
Fixed Income	174,340	-	-	174,340
Alternative Investments	39,764	-	-	39,764
	<u>\$ 430,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,785</u>
Beneficial Interest in Assets				
Held by Community Foundations	<u>\$ -</u>	<u>\$ 82,765</u>	<u>\$ -</u>	<u>\$ 82,765</u>

Following is a description of the valuation methodologies used for assets measured at fair value:

Common stock: Valued at the closing price reposted on the active market on which the individual securities are traded.

Money Market Funds: Valued based on amortized cost which equates to fair value.

Fixed Income: Valued at the published net asset value of shares held at year-end.

Alternative Investments: Similar to mutual funds, valued at the published net asset value of shares held at year-end.

Assets held by community foundations: Values provided by community foundations based upon market value of underlying assets.