

# **Butler County United Way**

Financial Statements  
June 30, 2013 and 2012  
with Independent Auditors' Report

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## **INDEPENDENT AUDITORS' 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 (a nonprofit organization) which comprise the statements financial position of as of June 30, 2013 and 2012 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 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 Butler County United Way as of June 30, 2013 and 2012, 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.

*Clark, Schaefer, Hackett & Co.*

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October 15, 2013

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Butler County United Way  
 Statements of Financial Position  
 June 30, 2013 and 2012

Assets

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 243,929	323,007
Pledges receivable, net	993,655	933,718
Investments	476,638	423,831
Prepaid expenses	<u>1,148</u>	<u>1,811</u>
	<u>1,715,370</u>	<u>1,682,367</u>
Building and equipment:		
Property and equipment	465,665	465,665
Less accumulated depreciation	<u>(462,187)</u>	<u>(454,559)</u>
	<u>3,478</u>	<u>11,106</u>
Noncurrent assets:		
Beneficial interest	73,391	66,004
Custodial cash	42,420	40,242
Board designated cash	<u>316,106</u>	<u>316,254</u>
	<u>431,917</u>	<u>422,500</u>
	<u>\$ 2,150,765</u>	<u>2,115,973</u>

See accompanying notes to the financial statements.

Butler County United Way  
 Statements of Financial Position  
 June 30, 2013 and 2012

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current liabilities:		
Accounts payable	\$ 8,238	4,930
Payroll withholdings	-	2,759
Accrued compensation	11,591	15,550
Allocations and designations payable	1,103,426	1,151,965
Deferred income	<u>7,160</u>	<u>13,642</u>
	<u>1,130,415</u>	<u>1,188,846</u>
Noncurrent liabilities:		
Custodial cash liabilities	<u>42,421</u>	<u>40,241</u>
	<u>1,172,836</u>	<u>1,229,087</u>
Net assets:		
Board designated	316,106	316,254
Unrestricted	<u>611,638</u>	<u>517,254</u>
Total unrestricted	927,744	833,508
Temporarily restricted	<u>50,185</u>	<u>53,378</u>
	<u>977,929</u>	<u>886,886</u>
	<u>\$ 2,150,765</u>	<u>2,115,973</u>

See accompanying notes to the financial statements.

Butler County United Way  
Statements of Activities  
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Changes in unrestricted net assets:		
Public support and revenue - gross campaign results	\$ 1,010,246	967,738
Less: donor designations	(389,601)	(312,378)
Less: provision for uncollectible receivables	<u>(80,673)</u>	<u>(106,701)</u>
Net campaign revenue	539,972	548,659
Other revenue and net assets released from restrictions:		
Designations from other United Ways	888,500	944,194
Grants and other program revenue	-	21,500
Realized and unrealized gain (loss) on investments	48,681	(9,227)
Investment income	16,878	12,193
Other income	50,454	82,678
In-kind donations	50,760	40,000
Net assets released from restrictions	<u>3,378</u>	<u>13,147</u>
Total other revenue and net assets released from restriction	<u>1,058,651</u>	<u>1,104,485</u>
Total public support, other revenue and net assets released from restrictions	<u>1,598,623</u>	<u>1,653,144</u>
Expenses:		
Program services	1,087,874	1,242,758
Supporting services:		
Management and general	84,958	137,142
Resource development	319,404	315,166
United Way Worldwide dues	<u>12,151</u>	<u>11,222</u>
Total supporting services	<u>416,513</u>	<u>463,530</u>
Total expenses	<u>1,504,387</u>	<u>1,706,288</u>
Increase (decrease) in unrestricted net assets	94,236	(53,144)
Changes in temporarily restricted net assets		
Restricted contributions	185	3,378
Net assets released from restrictions	<u>(3,378)</u>	<u>(13,147)</u>
Increase (decrease) in temporarily restricted net assets	<u>(3,193)</u>	<u>(9,769)</u>
Increase (decrease) in net assets	91,043	(62,913)
Net assets - beginning of year	<u>886,886</u>	<u>949,799</u>
Net assets - end of year	<u>\$ 977,929</u>	<u>886,886</u>

See accompanying notes to the financial statements.

Butler County United Way  
Statement of Functional Expenses  
Year Ended June 30, 2013

	Program services			Supporting services			
	<u>Allocations</u>	<u>Community Impact</u>	<u>Total</u>	<u>Management and General</u>	<u>Resource Development</u>	<u>UWW Dues</u>	<u>Total</u>
Compensation	\$ -	141,238	141,238	36,750	176,389	-	354,377
Employer payroll taxes	-	11,043	11,043	2,926	13,638	-	27,607
Employee benefits	-	19,175	19,175	5,447	24,239	-	48,861
<b>Total personnel expenses</b>	-	171,456	171,456	45,123	214,266	-	430,845
Allocations to agencies	852,313	-	852,313	-	-	-	852,313
Unemployment	-	2,352	2,352	2,987	2,905	-	8,244
Professional/consultant fees	-	6,036	6,036	2,244	7,454	-	15,734
Depreciation	-	3,051	3,051	809	3,768	-	7,628
Marketing/campaign expense	-	4,767	4,767	1,708	13,705	-	20,180
Occupancy	-	9,270	9,270	1,710	11,367	-	22,347
Conference and meeting	-	-	-	-	1,489	-	1,489
Gift in-kind facility usage	-	16,000	16,000	4,240	19,760	-	40,000
Miscellaneous	-	-	-	-	-	-	-
Supplies	-	745	745	786	1,014	-	2,545
Meetings and meals	-	-	-	1,637	2,081	-	3,718
Telephone	-	1,423	1,423	1,802	2,538	-	5,763
Equipment maintenance and rental	-	3,186	3,186	10,186	3,934	-	17,306
Travel	-	69	69	1,006	2,762	-	3,837
Awards/incentives	-	729	729	337	908	-	1,974
Special events	-	-	-	-	23,568	-	23,568
Postage	-	512	512	136	1,522	-	2,170
Membership dues	-	375	375	578	1,048	12,151	14,152
Bank fees	-	-	-	8,528	-	-	8,528
Special assistance to individuals	11,286	-	11,286	-	-	-	11,286
In-kind software expense	-	4,304	4,304	1,141	5,315	-	10,760
<b>Total</b>	<b>\$ 863,599</b>	<b>224,275</b>	<b>1,087,874</b>	<b>84,958</b>	<b>319,404</b>	<b>12,151</b>	<b>1,504,387</b>

See accompanying notes to the financial statements.

Butler County United Way  
Statement of Functional Expenses  
Year Ended June 30, 2012

	Program services			Supporting services			
	<u>Allocations</u>	<u>Community Impact</u>	<u>Total</u>	<u>Management and General</u>	<u>Resource Development</u>	<u>UWW Dues</u>	<u>Total</u>
Compensation	\$ -	185,126	185,126	67,781	174,734	-	427,641
Employer payroll taxes	-	14,386	14,386	5,267	13,578	-	33,231
Employee benefits	-	22,849	22,849	8,366	21,567	-	52,782
<b>Total personnel expenses</b>	-	222,361	222,361	81,414	209,879	-	513,654
Allocations to agencies	922,967	-	922,967	-	-	-	922,967
Unemployment	-	332	332	122	314	-	768
Professional/consultant fees	-	1,369	1,369	20,035	1,292	-	22,696
Depreciation	-	5,298	5,298	1,940	5,001	-	12,239
Marketing/campaign expense	-	11,227	11,227	4,111	10,597	-	25,935
Occupancy	-	14,072	14,072	5,152	13,282	-	32,506
Conference and meeting	-	2,427	2,427	888	2,290	-	5,605
Gift in-kind facility usage	-	17,316	17,316	6,340	16,344	-	40,000
Miscellaneous	-	-	-	249	370	-	619
Supplies	-	3,493	3,493	1,279	3,297	-	8,069
Meetings and meals	-	1,433	1,433	525	1,353	-	3,311
Telephone	-	2,513	2,513	920	2,372	-	5,805
Equipment maintenance and rental	-	8,149	8,149	4,883	7,189	-	20,221
Travel	-	2,010	2,010	736	1,897	-	4,643
Awards/incentives	-	725	725	265	684	-	1,674
Special events	-	-	-	2,215	34,519	-	36,734
Postage	-	1,611	1,611	590	1,520	-	3,721
Membership dues	-	-	-	609	983	11,222	12,814
Bank fees	-	-	-	7,369	1,983	-	9,352
Special assistance to individuals	22,955	-	22,955	-	-	-	22,955
Administrative fee	-	2,500	2,500	(2,500)	-	-	-
<b>Total</b>	<b>\$ 945,922</b>	<b>296,836</b>	<b>1,242,758</b>	<b>137,142</b>	<b>315,166</b>	<b>11,222</b>	<b>1,706,288</b>

See accompanying notes to the financial statements.



Butler County United Way  
Statements of Cash Flows  
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 91,043	(62,913)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	7,628	12,239
Net (gain) loss on investments, benefiac interest and board designated cash	(48,681)	9,221
Changes in operating assets and liabilities:		
Pledges and other receivables	(59,937)	34,356
Prepaid expense	663	12,674
Accounts payable	3,310	(15,487)
Payroll withholdings	(2,759)	(888)
Accrued compensation	(3,959)	2,770
Allocations and designations payable	(48,539)	(156,103)
Deferred income	<u>(6,482)</u>	<u>4,839</u>
Net cash provided (used) by operating activities	<u>(67,713)</u>	<u>(159,292)</u>
Cash flows from investing activities:		
Net proceeds from sale/purchase of investments, benfical interest and board designated cash	<u>(11,365)</u>	<u>(7,552)</u>
Net cash provided (used) by investing activities	<u>(11,365)</u>	<u>(7,552)</u>
Increase (decrease) in cash and equivalents	(79,078)	(166,844)
Cash and equivalents - beginning of year	<u>323,007</u>	<u>489,851</u>
Cash and equivalents - end of year	\$ <u>243,929</u>	<u>323,007</u>

See accompanying notes to the financial statements.

**1. GENERAL INFORMATION:**

The Butler County United Way (the Organization) is a nonprofit organization that generates resources from the Butler County community for the purpose of helping youth grow into successful adults and helping residents become self-sufficient. 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 broker solutions that allow youth to grow into successful adults and residents to be self-sufficient.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**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.

**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.

**Cash and cash equivalents**

The Organization considers all monies in banks and highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Custodial funds and board designated reserve funds are excluded from cash and cash equivalents.

**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. Investments are comprised of equity securities, fixed income securities, bond funds, mutual funds, and certificates of deposit with original maturities of greater than three months. Unrealized gains and losses are included in the statements of activities.

**Beneficial interest**

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 is classified as temporarily restricted.

In addition, the Organization established funds at various community foundations, designating the Organization as beneficiary.

### **Property and equipment**

Property and equipment are presented at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. 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. Property and equipment additions in excess of \$1,000 are capitalized. The general range of useful lives for depreciation is three to twenty years.

### **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. All allocations must align with the Board of Trustees' approved ends: youth grow into successful adults and residents become self-sufficient.

Funds received or receivable that must be distributed to other United Way agencies are excluded from net assets and included as an asset (included in cash or pledges receivable) and a corresponding liability in the accompanying statement 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 Statement of Activities. At June 30, 2013 and 2012 the Organization owed \$13,610 and \$11,855, respectively to other United Ways.

### **Net assets**

The unrestricted net assets are available for the purposes of the Organization. Temporarily restricted net assets represent assets which have donor imposed restrictions on their use or time restrictions on when the funds may be spent.

Board designated net assets (reserves) are set by the Board of Trustees. The current policy requires this amount to be two to three months of allocations.

### **Fair value of financial instruments**

The carrying value of the cash and cash equivalents, pledges and other receivables, investments, prepaid expenses, accounts payable, payroll withholdings, accrued employee compensation, allocations and designations payable, and deferred income approximates fair value due to the short-term nature of these instruments. The carrying value of unconditional promise to give facility usage, custodial cash assets and liabilities and investments – board designated funds also approximates fair value. See Note 20.

**Restricted and unrestricted revenue**

Pledges and sponsorship income 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 contributions.

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.

**Expense allocation**

Expenses are charged to programs and supporting services when directly attributed to the program, management and general, and fundraising activity. 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.

**Campaign advertising**

Campaign advertising costs are expensed as incurred.

**Income taxes**

The Organization is exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(3). As such, the organization is exempt from federal, state, and local income taxes. The Organization does not currently conduct any activities which would result in the imposition of the unrelated business income tax and believes it has not earned any unrelated business income and has estimated no tax is due based on current facts and circumstances. Thus, the Organization has determined that an accrual for taxes is not needed for the years ended June 30, 2013 and 2012.

The Organization's income tax filings are subject to audit by various taxing authorities. The years of filings open to these authorities and available for audit are 2010 - 2012. The Organization's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Organization's tax provision and tax exempt status, interpretations and tax planning strategies were considered. The Organization believes their estimates are appropriate based on the current facts and circumstances.

**Subsequent events**

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 15, 2013, which is the date on which the financial statements were available to be issued.

**3. 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.

Fifteen community leaders and citizens devoted time to create a community agenda approach to allocating resources entrusted to Butler County United Way. Community Summits were held in the Fall of 2009 and determined that employment and earning a living wage were the most critical needs for adults. And in the Fall of 2010 determined that supportive relationships that reduce risky behaviors were viewed to be the most critical issue for youth. These findings, in keeping with Board established ends, were used to develop outcomes used in the Request for Proposal (RFP) process.

A Youth Action Council and a Self-Sufficiency Action Council, each composed of community citizens and program experts, developed the proposed strategies and measurable indicators for the RFPs released to all non-profits in Butler County. The two Council's members managed the process, including reviewing all proposals, and then making awards to those most in alignment with the outcomes identified in the RFP. The total awards were \$852,313 and \$922,967 for 2013 and 2012, respectively.

**Resource Development** - This division focuses on revenue that is secured from direct donor solicitation, corporate investments, sponsorship opportunities, and fundraising events. Volunteers from the community led the annual campaign which generated more than \$1,900,000 in pledged gifts from individuals and corporations. An additional 100 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. The GOLF UNITED outing, one example of such an event, generated \$7,051 in 2013, and \$15,100 in 2012.

**4. CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consist of:

	<u>2013</u>	<u>2012</u>
US Bank Checking	\$ 51,235	132,220
US Bank Savings	534,369	509,638
First Financial Bank Checking	9,689	11,705
First Financial Bank Investments in Cash	1,414	20,389
Fifth Third Bank Checking	5,548	5,351
Petty Cash	<u>200</u>	<u>200</u>
	602,455	679,503
Less cash restricted for unemployment custodial funds	(42,420)	(40,242)
Less board designated cash	<u>(316,106)</u>	<u>(316,254)</u>
	\$ <u>243,929</u>	<u>323,007</u>

**5. PLEDGES RECEIVABLE, NET:**

Pledges receivable consist of:

	<u>2013</u>	<u>2012</u>
Pledges receivable	\$ 1,211,472	1,164,007
Allowance for uncollectible receivables	<u>(217,817)</u>	<u>(230,289)</u>
	<u>\$ 993,655</u>	<u>933,718</u>

Pledges are reported as a receivable for one year or until paid. An unpaid pledge, after one year, is written off using the allowance for uncollectible receivables.

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.

**6. INVESTMENTS:**

The investment balance is comprised of the Legacy Fund and other short-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:

	<u>2013</u>	<u>2012</u>
Legacy Fund:		
Registered investment companies	\$ 223,853	423,831
Common stock	<u>252,785</u>	<u>-</u>
Fair Market Value	<u>\$ 476,638</u>	<u>423,831</u>
Unrealized gains	<u>\$ 14,817</u>	<u>33,288</u>

**7. UNCONDITIONAL PROMISE TO GIVE FACILITY USAGE:**

The estimated fair value of the operating lease is expensed annually as gift in kind facility usage on the statements of functional expenses and included in the in-kind contributions on the statement of activities. The current lease runs from January 1 to December 31, 2013 and is renewable for periods of one year. The Organization leases the facility it operates 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.

**8. CASH AND INVESTMENTS – BOARD DESIGNATED:**

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. Board designated funds consist of:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	<u>\$ 316,106</u>	<u>316,254</u>

**9. DEFERRED INCOME:**

At June 30, 2013, the Organization has recorded as deferred income the unspent proceeds received towards events to be held by the Organization subsequent to June 30, 2013.

**10. PROPERTY AND EQUIPMENT, NET:**

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Building and equipment	\$ 121,704	121,704
Leasehold improvements	<u>343,961</u>	<u>343,961</u>
	465,665	465,665
Less accumulated depreciation	<u>(462,187)</u>	<u>(454,559)</u>
	<u>\$ 3,478</u>	<u>11,106</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$7,628 and \$12,239 respectively.

**11. CUSTODIAL CASH AND LIABILITIES:**

The Organization administers and acts as custodian for an unemployment fund for other nonprofit organizations. The Organization receives deposits from other nonprofit organizations that are reported as custodial cash - noncurrent.

The balances for the unemployment fund are:

	<u>2013</u>	<u>2012</u>
Alcoholism Council	\$ 3,444	3,646
LifeSpan	17,734	2,558
Butler Behavioral Health Services	20,992	21,561
Hamilton Community Foundation	250	300
Partners in Prime	<u>-</u>	<u>12,177</u>
Total custodial cash – noncurrent	<u>\$ 42,420</u>	<u>40,242</u>

**12. ALLOCATIONS PAYABLE:**

Included in allocations payable as of June 30 are contributions that were restricted by donors as pass through contributions to designated agencies. These contributions totaled \$276,654 and \$295,977 for 2013 and 2012, respectively.

**13. TEMPORARILY RESTRICTED NET ASSETS:**

The balances represent restricted contributions received for future allocation periods.

The balances were:

	<u>2013</u>	<u>2012</u>
Hamilton Community Foundation Fund	\$ 50,000	50,000
Pledges received for the fall campaign	<u>185</u>	<u>3,378</u>
	<u>\$ 50,185</u>	<u>53,378</u>

**14. OPERATING LEASE:**

The Organization leased office space within its location to an unrelated party. These funds were received under a temporary arrangement with no long term contract. The Organization recorded rent revenue of \$0 and \$4,000 for 2013 and 2012, respectively, which is included in other income 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 expiring December 31. See Note 7.

**15. GIFTS IN-KIND DONATIONS:**

The Organization recorded the following donations as in-kind revenue and expense related to program services, management and general and fundraising:

	<u>2013</u>	<u>2012</u>
Rent	\$ 40,000	40,000
Materials and other	<u>10,760</u>	<u>-</u>
	<u>\$ 50,760</u>	<u>40,000</u>

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.

**16. 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 cash balance in a financial institution during the year may exceed the \$250,000 amount insured by the Federal Deposit Insurance Corporation.

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 33% of its support for 2013 from three companies on behalf of their employees who participate in the payroll deduction campaign and corporate contributions (2012 – 35%).

**17. RETIREMENT PLAN:**

The Organization maintains a 403(b) plan that covers all full-time employees. The Organization contributes 5% of each employee's salary into the plan. For the years ended June 30, 2013 and 2012, the Organization contributed \$13,927 and \$11,436, respectively.

**18. RELATED PARTY TRANSACTIONS:**

Several members of the Board of Trustees are significant contributors to the Organization.

**19. 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 statement of financial position.

**20. FAIR VALUE MEASUREMENTS:**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2013 and 2012:

Assets at Fair Value as of June 30, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 252,785	-	-	252,785
Registered investment companies:				
Small cap	13,663	-	-	13,663
Developed international	44,790	-	-	44,790
Emerging market	15,704	-	-	15,704
Diversified alternative investment	23,080	-	-	23,080
Government and corporate bond	<u>126,616</u>	-	-	<u>126,616</u>
Total	\$ 476,638			476,638

Assets at Fair Value as of June 30, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Registered investment companies and ETFs:				
Large cap	\$ 185,062	-	-	185,062
Small cap	40,198	-	-	40,198
Developed international	42,576	-	-	42,576
Emerging market	24,995	-	-	24,995
Government and corporate bond	<u>131,000</u>	-	-	<u>131,000</u>
Total	\$ 423,831	-	-	423,831

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

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

*Registered investment companies:* Valued at the published net asset value of shares held at year end.