

**UNITED WAY OF
MONONGALIA AND PRESTON COUNTIES, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

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Morgantown, WV 26508

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Monongalia and Preston Counties, Inc.
Morgantown, WV 26505

I have audited the accompanying financial statements of **United Way of Monongalia and Preston Counties, Inc.** (a West Virginia not-for-profit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.


I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United Way of Monongalia and Preston Counties, Inc.** as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 15, 2016, on my consideration of **United Way of Monongalia and Preston Counties, Inc.'s** internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **United Way of Monongalia and Preston Counties, Inc.'s** internal control over financial reporting and compliance.


September 15, 2016

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS		
	2016	2015
Current assets		
Cash and cash equivalents	\$ 646,028	\$ 519,324
Certificates of deposit	167,771	166,541
Pledges receivable, net of \$161,538 and \$196,538 allowance for years ended June 30, 2016 and 2015, respectively	500,870	430,310
Total current assets	<u>1,314,669</u>	<u>1,116,175</u>
Property and equipment		
Land	85,000	85,000
Buildings and improvements	424,039	424,039
Equipment	44,997	39,624
Software	29,531	29,531
Less: accumulated depreciation	<u>(199,334)</u>	<u>(179,584)</u>
Net property and equipment	384,233	398,610
Other assets		
Refundable UBIT	-	1,146
Beneficial interest in Your Community Foundation Fund	314,628	307,757
Total other assets	<u>314,628</u>	<u>308,903</u>
 Total assets	 <u><u>\$ 2,013,530</u></u>	 <u><u>\$ 1,823,688</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 14,967	\$ 11,547
Payroll withholdings and related accruals	2,127	5,007
Allocations payable, net of \$143,664 and \$193,359 designations for years ended June 30, 2016 and 2015, respectively	816,002	730,183
Designations payable	316,443	342,355
Emergency fund reserve	81,226	53,496
Total current liabilities	<u>1,230,765</u>	<u>1,142,588</u>
Net assets		
Unrestricted	(758,293)	(757,516)
Temporarily restricted	1,541,058	1,438,616
Total net assets	<u>782,765</u>	<u>681,100</u>
 Total liabilities and net assets	 <u><u>\$ 2,013,530</u></u>	 <u><u>\$ 1,823,688</u></u>

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Gross campaign results	\$ 3,609	\$ 1,578,326	\$ 1,581,935
Less: donor designations	-	(335,273)	(335,273)
Less: allowance for uncollectible	-	(16,623)	(16,623)
Net campaign revenue	<u>3,609</u>	<u>1,226,430</u>	<u>1,230,039</u>
Contributed goods and services	131,107	-	131,107
Grants and contracts	69,600	-	69,600
Rental income	56,967	-	56,967
Special events (net of \$33,877 direct costs)	52,035	-	52,035
Service fee revenue	31,023	-	31,023
Change in Your Community Foundation Fund	-	6,871	6,871
Sponsored events (net of \$23,021 direct costs)	7,062	-	7,062
Other revenue and support	157	-	157
Interest and dividends	1,324	-	1,324
Net assets released from restrictions	<u>1,130,859</u>	<u>(1,130,859)</u>	<u>-</u>
Total revenue and support	<u>1,483,743</u>	<u>102,442</u>	<u>1,586,185</u>
Expenses (see statement)			
Program services	1,306,257	-	1,306,257
Supporting activities:			
Management and general	128,553	-	128,553
Fundraising	<u>49,710</u>	<u>-</u>	<u>49,710</u>
Total expenses	<u>1,484,520</u>	<u>-</u>	<u>1,484,520</u>
Change in net assets	(777)	102,442	101,665
Net assets - beginning of year	(757,516)	1,438,616	681,100
Net assets - end of year	<u>\$ (758,293)</u>	<u>\$ 1,541,058</u>	<u>\$ 782,765</u>

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Allocations / awards	\$ 1,030,000	\$ -	\$ -	\$ 1,030,000
Less donor designations	(199,898)	-	-	(199,898)
Net allocations / awards	<u>830,102</u>	-	-	<u>830,102</u>
Salaries and wages	200,627	44,461	30,930	276,018
Campaign promotion	149,377	-	-	149,377
Community service expenses	46,050	-	-	46,050
Employee benefits	23,171	5,241	3,548	31,960
Payroll taxes and related	16,228	3,671	2,484	22,383
Depreciation and amortization	5,925	10,072	3,752	19,749
IT support and licensing	12,355	2,795	1,892	17,042
Professional fees	-	14,204	-	14,204
Maintenance, storage, and parking	8,678	1,963	1,328	11,969
Utilities and maintenance - rental	-	10,170	-	10,170
Insurance	663	5,964	-	6,627
Office expense and support	4,715	1,066	722	6,503
Bank and merchant service fees	-	2,482	3,290	5,772
Taxes, licenses, and fees	-	5,062	-	5,062
Utilities and telephone expense	2,792	632	428	3,852
Meetings and conferences	1,894	428	290	2,612
Postage and delivery	1,823	413	279	2,515
Dues and subscriptions	686	1,177	588	2,451
Miscellaneous expense	-	2,104	-	2,104
Travel	1,171	265	179	1,615
	<u>1,306,257</u>	<u>112,170</u>	<u>49,710</u>	<u>1,468,137</u>
Subtotal				
United Way Worldwide dues	-	16,383	-	16,383
	<u>\$ 1,306,257</u>	<u>\$ 128,553</u>	<u>\$ 49,710</u>	<u>\$ 1,484,520</u>

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Gross campaign results	\$ 45,377	\$ 1,591,765	\$ 1,637,142
Less: donor designations	-	(370,906)	(370,906)
Less: allowance for uncollectible	-	(90,000)	(90,000)
Net campaign revenue	<u>45,377</u>	<u>1,130,859</u>	<u>1,176,236</u>
Contributed goods and services	104,490	-	104,490
Grants and contracts	68,100	-	68,100
Rental income	56,217	-	56,217
Special events (net of \$30,596 direct costs)	49,439	-	49,439
Service fee revenue	46,965	-	46,965
Change in Your Community Foundation Fund	-	25,807	25,807
Sponsored events (net of \$20,912 direct costs)	8,451	-	8,451
Other revenue and support	2,427	-	2,427
Interest and dividends	1,588	-	1,588
Net assets released from restrictions	<u>1,062,671</u>	<u>(1,062,671)</u>	<u>-</u>
Total revenue and support	<u>1,445,725</u>	<u>93,995</u>	<u>1,539,720</u>
Expenses (see statement)			
Program services	1,255,353	-	1,255,353
Supporting activities:			
Management and general	155,223	-	155,223
Fundraising	<u>42,772</u>	<u>-</u>	<u>42,772</u>
Total expenses	<u>1,453,348</u>	<u>-</u>	<u>1,453,348</u>
Change in net assets	(7,623)	93,995	86,372
Net assets - beginning of year	(749,893)	1,344,621	594,728
Net assets - end of year	<u>\$ (757,516)</u>	<u>\$ 1,438,616</u>	<u>\$ 681,100</u>

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Allocations / awards	\$ 1,004,000	\$ -	\$ -	\$ 1,004,000
Less donor designations	(193,359)	-	-	(193,359)
Net allocations / awards	<u>810,641</u>	-	-	<u>810,641</u>
Salaries and wages	192,887	65,278	24,396	282,561
Campaign promotion	127,331	-	-	127,331
Employee benefits	25,358	8,539	3,230	37,127
Community service expenses	45,023	-	-	45,023
Depreciation and amortization	7,537	12,813	4,773	25,123
Payroll taxes and related	15,579	5,246	1,984	22,809
Professional fees	-	12,121	-	12,121
Maintenance, storage, and parking	8,075	2,719	1,029	11,823
Utilities and telephone expense	6,492	2,185	827	9,504
Insurance	880	7,916	-	8,796
Office expense and support	5,167	1,740	658	7,565
Utilities and maintenance - rental	-	7,440	-	7,440
IT support and licensing	5,069	1,707	645	7,421
Bank and merchant service fees	-	2,862	3,794	6,656
Taxes, licenses, and fees	-	4,179	-	4,179
Interest expense	1,178	2,199	549	3,926
Postage and delivery	1,514	510	193	2,217
Meetings and conferences	1,493	503	190	2,186
Dues and subscriptions	493	845	423	1,761
Travel	636	214	81	931
Unrelated business income tax	-	613	-	613
Miscellaneous expense	-	175	-	175
Subtotal	<u>1,255,353</u>	<u>139,804</u>	<u>42,772</u>	<u>1,437,929</u>
United Way Worldwide dues	-	15,419	-	15,419
	<u>\$ 1,255,353</u>	<u>\$ 155,223</u>	<u>\$ 42,772</u>	<u>\$ 1,453,348</u>

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

STATEMENTS OF CASH FLOW

Year Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 101,665	\$ 86,372
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	19,750	25,123
Change in value of Your Community Foundation Fund	8,528	(10,007)
Change in:		
Pledges receivable	(70,560)	(32,930)
Refundable UBIT	1,146	(1,146)
Accounts payable and accrued expenses	3,420	(4,137)
Payroll withholdings and related accruals	(2,880)	(272)
Allocations payable	85,820	(72,863)
Designations payable	(25,912)	27,057
Emergency fund reserve	27,730	33,646
Net cash from operating activities	<u>148,707</u>	<u>50,843</u>
Cash flows from investing activities		
Purchase of property and equipment	(5,373)	(2,779)
Interest additions to certificates of deposit	(1,230)	(1,525)
Contributions to Your Community Foundation Fund	(15,400)	(15,800)
Net cash provided by (used in) investing activities	<u>(22,003)</u>	<u>(20,104)</u>
Cash flows from financing activities		
Principal repayments on long-term debt	<u>-</u>	<u>(110,068)</u>
Net cash provided by (used in) financing activities	-	(110,068)
Net change in cash	126,704	(79,329)
Cash and cash equivalents - beginning of year	519,324	598,653
Cash and cash equivalents - end of year	<u>\$ 646,028</u>	<u>\$ 519,324</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ 3,926
Cash paid for unrelated business income taxes	\$ -	\$ 1,160

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Organization and Nature of Business

United Way of Monongalia and Preston Counties, Inc. (Organization) located in Morgantown, West Virginia, was incorporated in 1972 under the laws of the state of West Virginia as a not-for-profit. The Organization was formed to raise, receive, and distribute funds to participating agencies and to develop effective programs to meet the needs of the community. The Organization's mission is to enhance the quality of life in the community by helping those in need. It is governed by a volunteer board of directors drawn from throughout the local area.

The Organization's primary function is to conduct an annual fundraising campaign each fall and to distribute designated gifts in accordance with the donors' wishes, and to use undesignated gifts for program funding, allocations, and services to the community. The Organization allocates undesignated contributions from donors and other resource providers to member agencies pursuant to a citizen's review and recommendation of the agencies and their programs, and approval by the Organization's Board of Directors.

The Organization is a member federation of the Combined Federal Campaign. It acts as an administrator by honoring designations made to each federation member organization by distributing a proportionate share of receipts based on donor designations to each member for a fee.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting as contemplated by generally accepted accounting principles, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Codification Section 958.205 *Not-for-Profit Entities Presentation of Financial Statements* (ASC 958.205). Under ASC 958.205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor restrictions. The Organization's net assets and changes therein are classified and reported as follows:

Unrestricted net assets: represent resources whose use is not limited or restricted by donors.

Temporarily restricted net assets: represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled or otherwise removed by the organization's actions.

Permanently restricted net assets: represent resources whose use is limited by donor-imposed stipulations that neither expire or can be fulfilled or otherwise removed by the organization's actions.

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

For the years ended June 30, 2016 and 2015, the Organization did not have any permanently restricted net assets.

Additionally, the Organization follows FASB Codification Section 958.605 *Not-for-Profit Entities Revenue Recognition* (ASC 958.605). In accordance with ASC 958.605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Pledges and Contributions

Unconditional pledges and promises to give are recognized as revenue and included in receivables in the period the pledge or promise is given. Such unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Campaigns are conducted in the fall of each year to raise support for allocations and program investments in the subsequent year. Such contributions raised in the year prior to the year it is scheduled to be distributed or paid are treated as temporarily restricted. This time restriction is implied unless the donor explicitly states that the contribution is to support current activities. Accordingly, campaign support is treated as an increase in temporarily restricted net assets until the year distributed.

Contributions of long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how those long-lived assets are to be used, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Uncollectible Pledges

The Organization uses the allowance method to account for estimated uncollectible pledges. The allowance is computed based on a multi-year historical average of collection experience, adjusted by management's estimate of current economic factors, as well as, consideration of the source and nature of specific pledges. Pledges still outstanding after management has employed reasonable collection efforts are written off, after approval, through a charge to the valuation allowance and a credit to pledges receivable. (See Note 11 regarding change in estimate.)

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Donor Designations

Donor designations represent contributions that donors have directed to specific not-for-profit organizations. In accordance with FASB Codification Section 958.605 *Transfers of Assets to a Not-for-Profit Entity* (ASC 958.605), such funds are not included as a component of Organization's net assets. These donor designations are held by the Organization, as an agent, and are distributed to the intended organization when collected, net of a service fee. Donor designations to the Organization's agencies are treated as "first dollars in", when received, for allocation distribution purposes.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking accounts held in several local financial institutions. The Organization considers all highly liquid investments with a remaining maturity date of three months or less at the time of purchase to be cash equivalents.

In accordance with the Code of Federal Regulations (5 CFR 950), the Organization acting as the principal combined fund organization for the Combined Federal Campaign (CFC), is required to keep CFC financial records and interest-bearing bank accounts separate from the Organization's internal financial records and bank accounts. Accordingly, cash and cash equivalents were held as follows at June 30:

	2016	2015
Operating cash and cash equivalents	\$ 600,633	\$ 479,379
CFC cash balance held in separate bank account	<u>45,395</u>	<u>39,945</u>
Total cash and cash equivalents	<u>\$ 646,028</u>	<u>\$ 519,324</u>

Donated Services

In accordance with ASC 905.605, donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many volunteers and local businesses provide a variety of services, support, and assistance to the Organization throughout the year. For years ending June 30, 2016 and 2015 the value of such donations are included with donated goods totaling of \$131,107 and \$104,490, respectively.

Property and Equipment

Purchases of property and equipment are capitalized at cost. Donated assets are capitalized at the estimated fair value at the date of receipt. The Organization capitalizes purchased or donated property with a value in excess of \$500. Expenditures for repairs, maintenance, and renewals and betterments in excess of \$500 that materially prolong the useful lives of assets are capitalized, other expenditures for repairs and maintenance are charged to expense in the year the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 - 40 years.

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Income Taxes

For Federal tax purposes the Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and was determined not to be a private foundation by the Internal Revenue Service; however, the Organization remains subject to tax on any business income unrelated to its tax-exempt purpose. Federal and state taxes assessed to the Organization's as a result of net rental income earned on a debt financed building, was approximately \$0 and \$1,160 for years ended June 30, 2016 and 2015, respectively.

The Organization follows Organization follows FASB Codification Section 740 *Accounting for Uncertainty in Income Taxes* (ASC 740). This guidance provides a recognition threshold and measurement process for uncertain tax positions, including any estimated penalties and interest associated with those uncertain tax positions. For years ended June 30, 2016 and 2015 there were no uncertain tax positions requiring accrual.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, and Forms 990-T, *Exempt Organization Business Income Tax Return*, for the prior three years remain open to audit by the Internal Revenue Service.

Investments

The Organization follows FASB Codification Section 958.320 *Not-for-Profit Entities Investments* (ASC 958.320). Under ASC 958.320, investments in mutual funds with readily determinable fair values are reported at their fair values in the statement of financial position, and unrealized gains and losses are recorded as an increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations. Realized and unrealized gains and losses are included in the accompanying statement of activities.

Functional Expenses

The costs of providing program and supporting activities have been presented on a functional basis in the statement of functional expenses, and are summarized in the statement of activities. Expenses are charged to program or supporting activities as incurred, or are allocated using a statistical basis.

Compensated Absences

In accordance with FASB Codification Section 710 *Compensation*, amounts accrued for future absences include amounts that are attributable to the employees' services already rendered, and only amounts that may be carried forward to periods subsequent to that in which they were earned. The Organization restricts the amount for carry forward of unused compensated absences. Any unused compensated absences will in all likelihood be taken as vacation days, and not compensated in cash. The Organization's liability for accrued compensated absences is not considered significant, and cannot be reasonably estimated.

Advertising Expense

The Organization expenses advertising costs in the period incurred.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

FASB Codification Section 825 (ASC 825) *Financial Instruments* permits an entity to elect fair value as the initial and subsequent measurement attribute for certain financial statement assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value earnings. The adjustment to reflect the difference between fair value and the carrying amount is accounted for as cumulative effect adjustment to net assets as of the date of the adoption. The adoption of this pronouncement did not have an effect on the Organization's financial statements. The Organization did not elect the fair value methodology permitted under ASC 825 for any financial instrument or other item that is not currently required to be measured at fair value.

FASB Codification Section 820 (ASC 820) *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Under ASC 820, various inputs are used in determining the fair value of assets and liabilities. These inputs are summarized in a hierarchy that segregates fair value measurement in three levels (levels 1, 2, and 3), determined by the nature of input as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted market price in an active market provides the most reliable evidence of fair value.
- Level 2 – Other significant observable inputs, including quoted prices of similar securities in active markets, quoted prices for identical securities in markets that are not active, and other market-corroborated inputs.
- Level 3 – Significant unobservable inputs, including the Organization's own assumptions in determining the fair value of investments, based on the best information available in the circumstances.

Valuation levels are not necessarily an indication of the risk associated with any investing activities. The adoption of ASC 820 did not have a significant impact on the Organization's financial statements. The fair value of the Organization's assets and liabilities, with the exception of any beneficial interest in Your Community Foundation Fund (as show below), approximate their carrying amounts due to the short-term or Level 1 nature of these instruments.

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Level 3 Fair Value Measurement

The fair value of the beneficial interest in Your Community Foundation Fund is based on the Organization's assumption that market value of the underlying fund assets is an appropriate measure of the present value of the expected cash flows arising from the Organization's beneficial interest.

The following table presents the Organization's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	2016	2015
Balance beginning of year	\$ 307,757	\$ 281,950
Current period contributions	15,400	15,800
Net gains (losses)	<u>(8,529)</u>	<u>10,007</u>
Balance end of year	<u>\$ 314,628</u>	<u>\$ 307,757</u>

Principles of Combining

In 2009, the Organization assumed fiscal responsibilities for Family Resource Network, Inc. (FRN), a local not-for-profit organization. The Organization manages all financial activity, provides office space, contracts FRN program managers, and acts as grantee for state and federal resources supporting FRN programs. FRN has no assets or liabilities beyond those in connection with these grant expenses and reimbursements managed by the Organization. All FRN activity has been combined in these financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from these estimates.

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

3. Concentration of Risk

The Organization maintains its cash accounts in financial institutions located in West Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's cash balances at various times throughout the year may be in excess of amounts insured; however, the Organization monitors its cash balances thereby mitigating its exposure to concentrations of credit risk.

The vast majority of pledges receivable are from individuals and corporations located in Monongalia and Preston Counties in West Virginia. The ability to collect these pledges could be affected by the future economic conditions in these counties and surrounding area.

4. Certificates of Deposit

Certificates of deposit totaled \$167,771 and \$166,541 at June 30, 2016 and 2015, respectively. The certificates bear interest ranging from 0.05% to 1.34% at June 30, 2016, and were purchased with original maturities ranging from three to sixty months.

5. Operating Lease

In 2015, the Organization entered into a 60 month operating lease for certain office equipment. This lease provides for monthly payments of approximately \$298. Total lease expense under this lease was \$4,167 for year ending June 30, 2016. Estimated future minimum lease payments are as follows for ending June 30:

2017	\$	3,576
2018		3,576
2019		3,576
2020		2,980
		<u>13,708</u>
	\$	<u>13,708</u>

6. Lease (as Lessor)

The Organization rents residential and commercial real property under one year lease agreements with unrelated third parties. Rental income related to these agreements was \$56,967 and \$56,217 for years ending June 30, 2016 and 2015, respectively.

7. Long-term Debt

During the year ending June 30, 2015, the Organization fully satisfied a mortgage note collateralized by the Organization's operations office and rental real property.

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

8. Retirement Plan

The Organization sponsors a savings incentive match plan (SIMPLE Plan). All employees are eligible to participate in the SIMPLE Plan. For each calendar year, the Organization will make a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. The Organization contributed \$7,569 and \$8,015 to the SIMPLE Plan during years ending June 30, 2016 and 2015, respectively.

9. Beneficial Interest In Your Community Foundation Fund

The Organization transferred an irrevocable gift to Your Community Foundation, Inc. (YCF) to establish a fund entitled United Way of Monongalia and Preston Counties Endowment Fund (Fund). The Organization has continued to contribute assets to grow the Fund under the original agreement (Agreement) stipulating that the purpose of the Fund, and use of Fund assets, shall be devoted solely to:

“raise, receive, and distribute funds for the participating members; to study concerns and evaluate community service needs; and, in consultation with member agencies, plan the long-range organizational response to such needs, in a manner consistent with the United Way Mission and Vision Statements”

The Agreement grants YCF variance power to modify any restriction or condition on the distribution of funds, and YCF has discretion to invest the funds in accordance with its investment policies; however, the Organization has designated itself as the beneficiary of the Fund. In accordance with accounting principles generally accepted in the United States of America, the Organization includes the beneficial interest in the Fund in its statement of financial position.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets include resources that are time restricted or use restricted to specific program services consists of the following for years ending June 30:

	2016	2015
Use restriction		
Beneficial interest in trust	\$ 314,628	\$ 307,757
Time restriction		
Net campaign results (for future allocations)	<u>1,226,430</u>	<u>1,130,859</u>
Total temporarily restricted net assets	<u>\$ 1,541,058</u>	<u>\$ 1,438,616</u>

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

11. Change in Estimate

For the year ended June 30, 2016, due to improved collection procedures the Organization has changed its estimates of the allowance for uncollectible pledges. The impact of this change in estimate resulted in a decrease to the allowance for uncollectible pledges of \$35,000 in the year ending June 30, 2016.

12. Subsequent Events

FASB Codification Section 855 *Subsequent Events* (ASC 855) establishes general accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC 855 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. In preparing these financial statements, the Organization has evaluated transactions for potential recognition or disclosure through September 15, 2016 the date the financial statements were available to be issued no material subsequent events were noted that require recognition or disclosure under ASC 855.

***REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
United Way of Monongalia and Preston Counties, Inc.
Morgantown, WV 26505

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **United Way of Monongalia and Preston Counties, Inc.** (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated September 15, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered **United Way of Monongalia and Preston Counties, Inc.'s** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **United Way of Monongalia and Preston Counties, Inc.'s** internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 16-01 that I consider to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether **United Way of Monongalia and Preston Counties, Inc.'s** financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Findings

United Way of Monongalia and Preston Counties, Inc.'s response to the findings identified in my audit is described in the accompanying schedule of findings and responses. **United Way of Monongalia and Preston Counties, Inc.'s** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


September 15, 2016

UNITED WAY OF MONONGALIA AND PRESTON COUNTIES, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

16-01 Segregation of Duties

Condition: The Organization has a limited number of personnel with responsibility for accounting and financial reporting matters. As a result, there is a lack of segregation of duties over the initiation, authorization, recording, and reporting of transactions and the preparation and review of financial reports by persons sufficiently independent of the transactions.

Criteria: Segregation of duties is a critical piece of the internal control framework. This key internal control element dictates that duties should be aligned so that no one individual controls too many critical aspects of a process or transaction.

Cause: Limited staff decreases the ability to provide for segregation of some accounting processes.

Effect: Increased potential that fraud and abuse could occur.

Recommendation: Responsibility for initiation, authorization, recording, and reporting of transactions should be segregated to the extent possible. Although complete segregation of duties is not feasible given the limited staff available, management has been mindful and resourceful in its efforts to segregate duties and is commended for its efforts. I recommend continued review and assessment in this area of internal control, as this key internal control is vital to ensure errors or irregularities are detected and prevented in a timely basis in the normal course of business. It is incumbent upon the board to remain strong and active; additionally, the board should recognize that its scope of oversight of the internal control system applies to all three major areas of control: operations, compliance with laws and regulations, and financial reporting.

Management Response: Management and the board will remain vigilant in their efforts to consider the control environment, assess risks, monitor activities, and improve policies and procedures when deficiencies are identified.