

**UNITED WAY  
OF THE SOUTHERN TIER, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**UNITED WAY OF THE SOUTHERN TIER, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the United Way of the Southern Tier, Inc.  
Corning, New York

We have audited the accompanying financial statements of the United Way of the Southern Tier, Inc. (a nonprofit 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 the United Way of the Southern Tier, 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.

*EFPR Group, CPAs, PLLC*

EFPR Group, CPAs, PLLC  
(Formerly EFP Rotenberg, LLP)  
Corning, New York  
October 18, 2016

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 769,369	\$ 664,014
Short-term investments	375,930	373,973
Accounts receivable	-	2,508
Pledges receivable - net	2,202,669	2,098,180
Prepaid expenses	18,034	9,208
Total current assets	3,366,002	3,147,883
<b>Investments - Unrestricted</b>	2,195,759	2,165,382
<b>Investments - Restricted Endowment</b>	318,010	318,010
<b>Property and Equipment - Net</b>	14,847	12,263
<b>Total Assets</b>	\$ 5,894,618	\$ 5,643,538
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 24,696	\$ 49,119
Allocations payable	1,449,252	1,457,538
Due to other agencies	1,017,774	835,581
Deferred revenue	9,167	-
Total current liabilities	2,500,889	2,342,238
<b>Net Assets</b>		
Unrestricted	2,973,979	2,918,142
Temporarily restricted	92,622	56,030
Permanently restricted	327,128	327,128
Total Net Assets	3,393,729	3,301,300
<b>Total Liabilities and Net Assets</b>	\$ 5,894,618	\$ 5,643,538

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Statements of Activities**  
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>				<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support</b>								
Total campaign support	\$ 4,348,320	\$ 38,965	\$ -	\$ 4,387,285	\$ 4,430,050	\$ 54,913	\$ -	\$ 4,484,963
Campaign net assets released from temporary restrictions	54,913	(54,913)	-	-	26,717	(26,717)	-	-
	4,403,233	(15,948)	-	4,387,285	4,456,767	28,196	-	4,484,963
Donor designations	(661,886)	-	-	(661,886)	(754,762)	-	-	(754,762)
Provisions for uncollectible pledges	(120,528)	-	-	(120,528)	(192,591)	-	-	(192,591)
Prior campaign pledge recapture	2,659	-	-	2,659	3,108	-	-	3,108
Net campaign support	3,623,478	(15,948)	-	3,607,530	3,512,522	28,196	-	3,540,718
In-kind contributions	17,606	-	-	17,606	1,010	-	-	1,010
Other contributions	17,609	53,657	-	71,266	22,413	4,500	1,050	27,963
Other net assets released from temporary restrictions	1,117	(1,117)	-	-	1,000	(1,000)	-	-
Total public support	3,659,810	36,592	-	3,696,402	3,536,945	31,696	1,050	3,569,691
<b>Revenues</b>								
Investment income	35,712	5,062	-	40,774	49,753	5,998	-	55,751
Service fee	99,465	-	-	99,465	120,305	-	-	120,305
Special events income	35,477	-	-	35,477	33,790	-	-	33,790
Other grant income	-	-	-	-	17,500	-	-	17,500
Rental income	7,533	-	-	7,533	8,700	-	-	8,700
Loss on disposal of property and equipment	(424)	-	-	(424)	(13,251)	-	-	(13,251)
Unrealized gain (loss) on investments	(15,281)	1,858	-	(13,423)	(57,735)	(13,909)	-	(71,644)
Realized gain (loss) on investments	3,650	(96)	-	3,554	37,041	7,372	-	44,413
Investment earnings (loss) released from restrictions	6,824	(6,824)	-	-	(539)	539	-	-
Total revenues	172,956	-	-	172,956	195,564	-	-	195,564
<b>Total Public Support and Revenues</b>	<b>3,832,766</b>	<b>36,592</b>	<b>-</b>	<b>3,869,358</b>	<b>3,732,509</b>	<b>31,696</b>	<b>1,050</b>	<b>3,765,255</b>
<b>Funds Awarded and Functional Expenses</b>								
Gross funds awarded	3,548,314	-	-	3,548,314	3,738,967	-	-	3,738,967
Less, donor designations	(661,886)	-	-	(661,886)	(754,762)	-	-	(754,762)
Net funds awarded	2,886,428	-	-	2,886,428	2,984,205	-	-	2,984,205
Functional expenses								
Program services	171,152	-	-	171,152	244,550	4,369	-	248,919
Fundraising	373,150	-	-	373,150	361,489	-	-	361,489
Management and general	346,199	-	-	346,199	315,002	-	-	315,002
Total functional expenses	890,501	-	-	890,501	921,041	4,369	-	925,410
<b>Total Funds Awarded and Functional Expenses</b>	<b>3,776,929</b>	<b>-</b>	<b>-</b>	<b>3,776,929</b>	<b>3,905,246</b>	<b>4,369</b>	<b>-</b>	<b>3,909,615</b>
<b>Changes in Net Assets</b>	<b>55,837</b>	<b>36,592</b>	<b>-</b>	<b>92,429</b>	<b>(172,737)</b>	<b>27,327</b>	<b>1,050</b>	<b>(144,360)</b>
<b>Net Assets - Beginning</b>	<b>2,918,142</b>	<b>56,030</b>	<b>327,128</b>	<b>3,301,300</b>	<b>3,090,879</b>	<b>28,703</b>	<b>326,078</b>	<b>3,445,660</b>
<b>Net Assets - Ending</b>	<b>\$ 2,973,979</b>	<b>\$ 92,622</b>	<b>\$ 327,128</b>	<b>\$ 3,393,729</b>	<b>\$ 2,918,142</b>	<b>\$ 56,030</b>	<b>\$ 327,128</b>	<b>\$ 3,301,300</b>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 92,429	\$ (144,360)
Adjustments		
Provisions for uncollectible pledges	120,528	192,591
Realized gain on investments	(3,554)	(44,413)
Unrealized loss on investments	13,423	71,644
Loss on disposal of property and equipment	424	13,251
Depreciation	5,986	5,353
Changes in assets and liabilities		
Accounts receivable	2,508	2,353
Prepaid expenses	(8,826)	10,450
Pledges receivable - net	(225,017)	(106,499)
Accounts payable and accrued expenses	(24,423)	13,721
Allocations payable	(8,286)	(3,522)
Due to other agencies	182,193	(237,272)
Deferred revenue	9,167	(19,750)
Net cash flows from operating activities	<u>156,552</u>	<u>(246,453)</u>
<b>Cash Flows from Investing Activities</b>		
Net change in short-term investments	(1,957)	145,857
Sale of investments	741,717	460,641
Purchase of investments	(781,963)	(512,711)
Purchase of property and equipment	(8,994)	(2,695)
Net cash flows from investing activities	<u>(51,197)</u>	<u>91,092</u>
<b>Net Change in Cash and Cash Equivalents</b>	105,355	(155,361)
<b>Cash and Cash Equivalents - Beginning</b>	<u>664,014</u>	<u>819,375</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 769,369</u>	<u>\$ 664,014</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for 2015)**

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>		<u>Total Functional Expenses</u>	
	<u>Community Building</u>	<u>Community Investment</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2016</u>	<u>2015</u>
Salaries	\$ 51,896	\$ 14,767	\$ 66,663	\$ 175,940	\$ 179,315	\$ 421,918	\$ 416,856
Employee benefits	6,895	1,962	8,857	23,376	23,824	56,057	58,840
Payroll taxes	4,870	1,386	6,256	16,510	16,827	39,593	38,206
<b>Total Salaries and Related Expenses</b>	<b>63,661</b>	<b>18,115</b>	<b>81,776</b>	<b>215,826</b>	<b>219,966</b>	<b>517,568</b>	<b>513,902</b>
Professional fees	-	-	-	-	22,594	22,594	29,502
Supplies	1,454	414	1,868	4,928	5,023	11,819	6,026
Telephone	1,276	363	1,639	4,326	4,409	10,374	11,539
Postage and shipping	684	195	879	2,319	2,363	5,561	10,025
Occupancy	12,037	3,425	15,462	40,807	41,590	97,859	90,625
Printing and publications	-	-	-	-	406	406	483
Transportation	986	356	1,342	5,282	997	7,621	9,052
Conferences and meetings	3,087	794	3,881	1,230	13,972	19,083	15,323
Marketing	923	9,587	10,510	14,886	1,559	26,955	31,699
Miscellaneous	-	-	-	-	6,124	6,124	9,739
Mobilization and engagement	5,932	-	5,932	-	-	5,932	-
Insurance	-	-	-	-	5,428	5,428	5,326
Campaign materials and promotions	-	-	-	35,625	-	35,625	57,757
Special events	19,670	-	19,670	26,563	-	46,233	44,366
SEFA campaign	-	-	-	-	-	-	1,002
CFC campaign	-	-	-	-	-	-	6,575
Payments to United Way Worldwide	5,564	1,583	7,147	18,862	19,224	45,233	45,081
Payments to United Way of New York	-	-	-	-	-	-	10,618
Strategy-Aligned expenses	2,494	-	2,494	-	-	2,494	4,369
Grant expense	-	-	-	-	-	-	16,038
In-kind expenses	17,606	-	17,606	-	-	17,606	1,010
Total other expenses	71,713	16,717	88,430	154,828	123,689	366,947	406,155
<b>Total Expenses Before Depreciation</b>	<b>135,374</b>	<b>34,832</b>	<b>170,206</b>	<b>370,654</b>	<b>343,655</b>	<b>884,515</b>	<b>920,057</b>
Depreciation	736	210	946	2,496	2,544	5,986	5,353
<b>Total Expenses</b>	<b>\$ 136,110</b>	<b>\$ 35,042</b>	<b>\$ 171,152</b>	<b>\$ 373,150</b>	<b>\$ 346,199</b>	<b>\$ 890,501</b>	<b>\$ 925,410</b>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2015**

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>		<u>Total Functional Expenses</u>
	<u>Community Building</u>	<u>Community Investment</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries	\$ 17,925	\$ 109,633	\$ 127,558	\$ 153,403	\$ 135,895	\$ 416,856
Employee benefits	2,530	15,475	18,005	21,653	19,182	58,840
Payroll taxes	1,643	10,048	11,691	14,060	12,455	38,206
<b>Total Salaries and Related Expenses</b>	<b>22,098</b>	<b>135,156</b>	<b>157,254</b>	<b>189,116</b>	<b>167,532</b>	<b>513,902</b>
Professional fees	-	-	-	-	29,502	29,502
Supplies	259	1,585	1,844	2,218	1,964	6,026
Telephone	496	3,035	3,531	4,246	3,762	11,539
Postage and shipping	431	2,637	3,068	3,689	3,268	10,025
Occupancy	3,897	23,834	27,731	33,350	29,544	90,625
Printing and publications	-	-	-	-	483	483
Transportation	-	1,993	1,993	6,112	947	9,052
Conferences and meetings	188	4,037	4,225	153	10,945	15,323
Marketing	14,628	6,684	21,312	9,000	1,387	31,699
Miscellaneous	-	50	50	-	9,689	9,739
Insurance	-	-	-	-	5,326	5,326
Campaign materials and promotions	-	-	-	57,757	-	57,757
Special events	1,606	-	1,606	42,394	366	44,366
SEFA campaign	-	-	-	1,002	-	1,002
CFC campaign	-	-	-	6,575	-	6,575
Payments to United Way Worldwide	-	-	-	-	45,081	45,081
Payments to United Way of New York	457	2,793	3,250	3,907	3,461	10,618
Strategy-Aligned expenses	4,369	-	4,369	-	-	4,369
Grant expense	-	16,038	16,038	-	-	16,038
In-kind expenses	1,010	-	1,010	-	-	1,010
Total other expenses	27,341	62,686	90,027	170,403	145,725	406,155
<b>Total Expenses Before Depreciation</b>	<b>49,439</b>	<b>197,842</b>	<b>247,281</b>	<b>359,519</b>	<b>313,257</b>	<b>920,057</b>
Depreciation	230	1,408	1,638	1,970	1,745	5,353
<b>Total Expenses</b>	<b>\$ 49,669</b>	<b>\$ 199,250</b>	<b>\$ 248,919</b>	<b>\$ 361,489</b>	<b>\$ 315,002</b>	<b>\$ 925,410</b>

The accompanying notes are an integral part of these financial statements.



**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies and Nature of Operations**

**Nature of Operations** - United Way of the Southern Tier, Inc. ("UWST") is a nonprofit charitable organization, whose mission is to unite and prioritize resources to improve the quality of life for every person and family in our community. UWST licenses its name and trademark from United Way Worldwide (UWW). UWST's service area consists of Steuben and Chemung Counties in New York State.

UWST is governed by a volunteer Board of Directors. UWST also receives advice, counsel and advocacy from volunteer "Strategy Councils". Current councils include the Brand & Marketing Council, Community Supports Council, Kids on Track Council, Resource Development Council, Mobilization Council, and Efficiency Council. Each council is led by a member of UWST's Board of Directors and comprised of community volunteers.

In February 2014, UWST's Board of Directors approved a new strategic direction to guide the work of the Organization through June 2018. This plan commits UWST to take specific steps to improve its capacity to provide support to help children be successful, while also ensuring that seniors are supported to age in place and people in our community have their basic needs met. The Strategic Plan also addresses the need to look at health and human service needs on a community level. UWST does this by analyzing data on key indicators and convening stakeholders to formulate collective impact strategies and programs.

UWST raises funds throughout the year across Steuben and Chemung Counties, primarily through employer/workplace giving campaigns in the private sector from individuals who are solicited and contribute directly.

Principal distribution activities include the allocation of undesignated funds to targeted health and human service programs and payment of donor designations. In making allocations, UWST identifies and prioritizes critical human service needs in the region, funds programs at nonprofit agencies that address these needs, and monitors results to ensure desired outcomes are met.

All nonprofit organizations receiving funding from UWST, are required to submit quarterly reports detailing program progress. Reports are carefully monitored, with assistance provided when failure to adhere to goals is indicated.

**Method of Accounting** - UWST maintains its books and prepares its financial statements on the accrual basis of accounting.

**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 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.

**Basis of Presentation** - Under accounting guidance, UWST 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. Net asset classifications used by UWST are as follows:

**Unrestricted Net Assets** - Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out the general activities and operations of UWST in accordance with its by-laws. Certain unrestricted net assets have been appropriated for various operational activities by the Board of Directors and are listed as such in Note 11.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets consist of contributions received in advance of the subsequent year campaign and other contributions restricted to specific uses or time periods by donors. When donor or grantor restrictions expire, temporarily restricted net assets are reclassified as unrestricted and reported in the statements of activities as net assets released from restrictions.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

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**Permanently Restricted Net Assets** - The principal portion of the endowment fund consists of gifts from donors and is reported as permanently restricted because it cannot be used for operating purposes. The accumulated earnings of the endowment fund are temporarily restricted until appropriated for expenditure and reclassified as unrestricted resources in the statements of activities.

**Cash and Cash Equivalents** - For the purpose of the statements of financial position and statements of cash flows, cash and cash equivalents include deposits and all highly liquid investments with an original maturity of three months or less. UWST maintains cash and cash equivalents at financial institutions which may periodically exceed federally insured limits.

**Short-term Investments** - These investments include certificates of deposit with original maturities greater than three months.

**Campaign Pledges Receivable** - The carrying amount of receivables is reduced by a provision for uncollectible pledges that reflects management's best estimate of the amounts that will not be collected. The provision is calculated using a three-year historical average of actual results. Management also assesses the need to increase the provision based on current economic uncertainty that would increase the likelihood of uncollectible pledges, such as corporate downsizing, mergers and bankruptcies. The provision for uncollectible pledges is ultimately based on management's estimate of the collectability of existing amounts receivable.

**Investments** - Investments are presented in the statements of financial position at fair market value as determined by the related professional managers. The net increase or decrease in the fair market value of non-current investments is reflected as an increase or decrease in the appropriate statements of activities. Accounting guidance defines fair value and establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The fair value of investments is disclosed in Note 3 to the financial statements.

**Property and Equipment** - Property and equipment purchased in excess of \$500 is capitalized and recorded at cost. Donated property and equipment are recorded at fair market value. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Property and equipment have depreciable lives ranging from three to seven years.

**Allocations Payable** - UWST's Board of Directors has elected an allocation payable policy to make allocation commitments to participating agencies payable in the subsequent campaign year contingent upon the success of the subsequent year's campaign. Each year the Board identifies fifty percent of its funding allocations as allocations to be paid from the preceding year's fundraising effort.

**Due to Other Agencies** - Under accounting guidance, a liability is reported for contributions received which have been donor designated for specific beneficiary organizations. When the designation is paid to the beneficiary organization, the corresponding liability is eliminated.

**Campaign Pledges and Contributions** - Accounting guidance requires that contributions received be recognized as revenues or gains in the period received. Such contributions include unconditional promises to give, in the form of pledges. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received. Pledges and contributions that are received for future year campaigns are reported as temporarily restricted until the time restriction expires.

Contributions in the form of donated financial assets converted nearly immediately into cash have been classified with all other cash donations in the statements of cash flows.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

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**Community Campaign** - UWST conducts over 175 workplace giving campaigns and solicits gifts from individuals outside the workplace in various ways. Most workplace and direct fundraising activities are conducted from September through December. The campaign is typically finalized the following March. UWST encourages undesignated gifts, but donors may designate all or part of their contributions to health and human service agencies based on UWST designation guidelines. A processing and fundraising fee of 16.29% is deducted from designations to nonprofit agencies during the community campaign, with a cost cap of \$250. Any unpaid donor designations are included in designations payable.

UWST provides support to participating companies and organizations in the form of accounting, gift acknowledgement, fundraising expertise, regulatory compliance, staff training, promotional materials, volunteer activities and events and all aspects of paper and/or electronic pledge processing support.

A small number of companies that run United Way campaigns with UWST involvement and support but use a third party processor to record donor pledges and distribute money collected directly to designated agencies. In these cases, UWST does not directly receive the money. However, because UWST is providing direct fund raising support to a company, including materials and staff, and to allow companies to receive recognition for their total results, UWST records the total campaign results.

**Donated Facilities and Services** - Donated services are recognized as contributions in accordance with accounting guidance 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 UWST. Volunteers also provided many services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under accounting guidance were not met.

**Program Services** - Program services represent the cost of UWST managed programs that provide services to individuals, families, nonprofit agencies and the community.

**Community Investment** - Community Investment reflects the costs associated with conducting the allocation (community investment) function. All program investments are made in a manner consistent with UWST's five investment values. These values consider client need, program results, focused alignment with our strategic intent, effective use of resources, and continuous learning and improvement. Ultimate authority for all program investments rests with the UWST Board of Directors; these investments are made to qualified organizations based on demonstration of strong performance in each of the five values areas.

UWST administers two primary types of funding streams to nonprofit organizations: allocations and Strategic Investment Fund grants.

Allocations provide non-profit organizations with program funding for operations, specifically those that align with UWST's main focus areas: Kids on Track and Community Supports.

- Kids on Track typically defines funding for services associated with ages birth to 8 years old, including early care and education, targeted school-age programming, and parent supports for child success.
- Community Supports typically defines funding for services in other categories, specifically older children and youth, financial stability, health and safety, access to services, and civic engagement.

Strategic Investment Fund grants are used to assist UWST in achieving its strategic goals in the community, making it possible for UWST to seize unanticipated opportunities for impact outside of the regular investment cycle. Additionally, the Fund enables UWST to consider providing additional support to existing programs or strategic initiatives that experience an unanticipated, substantial change in client need which, if left unaided, compromises the impact of the program. Extra consideration can be given to those proposals which present opportunities to leverage additional resources that advance UWST's strategic interests.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

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### **Community Building**

Community Building reflects the costs associated with collective community efforts to respond to social issues.

Community building is about building authentic relationships to collectively solve social issues. It brings together people from the community, government, business, academia, non-profits, the faith community and others to identify and take steps towards solutions to issues affecting their communities. UWST is engaged specifically in a "Collective Impact" framework, serving in a backbone capacity, coordinating these community change efforts.

This work includes:

- Convening the Councils of the Board of Directors that are responsible for monitoring program investments to ensure intended outcomes are achieved, and evaluation of results is used to drive the desired community change;
- Gathering constituent voice and feedback used to identify issues and drive UWST-led community change efforts;
- Meeting regularly with representatives from other various sectors to develop a shared vision for change - a common understanding of the problem and a joint approach to solutions through agreed upon actions (common agenda);
- Working with others to ensure authentic implementation of the common agenda and mutually reinforcing activities;
- Collecting and measuring results consistently across all participants; and
- Providing consistent and open communication with the many players to build trust, assure mutual objectives, and appreciate common motivation.

**Support Services** - Support services are classified as organizational administration and resource development. Organization administration includes overall executive direction, planning and coordination, financial management and administrative support services. Resource development represents all activities that constitute an appeal for financial support in the Community Campaign, including staff support, campaign supplies, marketing, media advertising, mail solicitations, and pledge processing.

**Functional Expenses** - Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to programs based on units of service. Program expenses are categorized as either community building expenses or community investment expenses.

**Advertising** - UWST expenses all advertising costs as they are incurred.

**Income Taxes** - UWST is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to UWST's tax-exempt purpose is subject to taxation as unrelated business income.

In accordance with accounting guidance, UWST recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities. Management believes that UWST is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on UWST's financial statements.

**Subsequent Events** - UWST's management has evaluated subsequent events through the date of the report which is the date these financial statements were available to be issued.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

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**Note 2. Pledges Receivable**

Pledges receivable and the related allowance for uncollectible pledges consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Gross pledges receivable	\$ 2,354,494	\$ 2,279,254
Less, allowance for uncollectible pledges	<u>(151,825)</u>	<u>(181,074)</u>
Pledges receivable - net	<u>\$ 2,202,669</u>	<u>\$ 2,098,180</u>

Provisions for uncollectible pledges consisted of the following for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Write off of pledges receivable	\$ 151,825	\$ 211,658
Changes in allowance	<u>(31,297)</u>	<u>(19,067)</u>
Provisions for uncollectible pledges	<u>\$ 120,528</u>	<u>\$ 192,591</u>

**Note 3. Investments**

UWST has determined the fair value of investments through the application of accounting guidance, which places assets into one of three levels. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using level 3 inputs are primarily valued using management's analysis about the assumptions market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

Following is the description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

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

*Corporate and foreign bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by UWST are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by UWST are deemed to be actively traded.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

Investments consisted of the following at June 30:

	<u>Total 2016</u>	<u>Quoted Prices in Active Markets Level 1</u>	<u>Significant Other Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Cash and cash equivalents	\$ 28,608	\$ 28,608	\$ -	\$ -
Fixed income				
Corporate bonds	806,593	-	806,593	-
Certificate of deposit	43,088	-	43,088	-
Foreign government bonds	23,191	-	23,191	-
Total fixed income	<u>872,872</u>	<u>-</u>	<u>872,872</u>	<u>-</u>
Common stocks				
Basic material	142,160	142,160	-	-
Consumer goods	27,015	27,015	-	-
Exchange-traded funds	66,052	66,052	-	-
Financial	32,240	32,240	-	-
Healthcare	270,879	270,879	-	-
Industrial goods	122,922	122,922	-	-
Services	37,791	37,791	-	-
Technology	263,065	263,065	-	-
Utilities	116,423	116,423	-	-
Total common stocks	<u>1,078,547</u>	<u>1,078,547</u>	<u>-</u>	<u>-</u>
Mutual funds				
Blended	374,610	374,610	-	-
Growth	159,132	159,132	-	-
Total mutual funds	<u>533,742</u>	<u>533,742</u>	<u>-</u>	<u>-</u>
<b>Total Investments at Fair Value</b>	<u>\$ 2,513,769</u>	<u>\$ 1,640,897</u>	<u>\$ 872,872</u>	<u>\$ -</u>

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
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	<u>Total 2015</u>	<u>Quoted Prices in Active Markets Level 1</u>	<u>Significant Other Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Cash and cash equivalents	\$ 21,214	\$ 21,214	\$ -	\$ -
Fixed income				
Corporate bonds	742,728	-	742,728	-
Certificate of deposit	83,021	-	83,021	-
Foreign government bonds	24,212	-	24,212	-
Total fixed income	<u>849,961</u>	<u>-</u>	<u>849,961</u>	<u>-</u>
Common stocks				
Basic material	133,614	133,614	-	-
Consumer goods	7,846	7,846	-	-
Exchange-traded funds	60,027	60,027	-	-
Financial	45,134	45,134	-	-
Healthcare	227,464	227,464	-	-
Industrial goods	199,863	199,863	-	-
Services	38,758	38,758	-	-
Technology	258,405	258,405	-	-
Utilities	86,669	86,669	-	-
Total common stocks	<u>1,057,780</u>	<u>1,057,780</u>	<u>-</u>	<u>-</u>
Mutual funds				
Blended	381,183	381,183	-	-
Growth	173,254	173,254	-	-
Total mutual funds	<u>554,437</u>	<u>554,437</u>	<u>-</u>	<u>-</u>
<b>Total Investments at Fair Value</b>	<u>\$ 2,483,392</u>	<u>\$ 1,633,431</u>	<u>\$ 849,961</u>	<u>\$ -</u>

**Note 4. Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Equipment, furniture, and fixtures	\$ 124,328	\$ 120,640
Less, accumulated depreciation	(109,481)	(108,377)
Property and equipment - net	<u>\$ 14,847</u>	<u>\$ 12,263</u>

**Note 5. Endowment Fund**

Permanently restricted net assets at June 30, 2016 and 2015, consist of an endowment fund established in the early 1990's to support UWST's operating expenses. The original contribution stipulates that the gift is to be held and invested by UWST indefinitely and income, which is considered unrestricted, from the fund is to be expended on operating expenses of UWST. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

UWST has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UWST classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UWST in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, UWST considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of UWST, (7) alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives have on UWST, and (8) UWST's investment policies.

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2016 and 2015, are as follows:

	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>
<b>Endowment Net Assets, June 30, 2014</b>	\$ -	\$ 316,960
Contributions	-	1,050
Investment income	5,998	-
Net depreciation	(6,537)	-
Amounts appropriated from unrestricted net assets	539	-
<b>Endowment Net Assets, June 30, 2015</b>	-	318,010
Contributions	-	-
Investment income	5,062	-
Net appreciation	1,762	-
Amounts appropriated from unrestricted net assets	(6,824)	-
<b>Endowment Net Assets, June 30, 2016</b>	<b>\$ -</b>	<b>\$ 318,010</b>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires UWST to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, losses on the investment of a donor-restricted endowment fund shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss shall reduce unrestricted net assets. The (earnings)/loss of (\$6,823) and \$539 for the years ended June 30, 2016 and 2015, respectively, (increased)/decreased the unrestricted net assets for the year then ended.



**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

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**Note 6. In-Kind Contributions**

Contributions of non-cash assets are recorded at their fair value in the period received. The following is a summary of in-kind contributions which are reported as revenue and related expense in the financial statements for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Advertising	\$ 17,606	\$ -
Other goods and services	-	1,010
Total	\$ 17,606	\$ 1,010

**Note 7. Concentration of Revenue**

UWST's campaign success is heavily dependent on pledges from a local corporation and its employees. Pledges from this local corporation accounted for 49.58% and 52.03% of total campaign support for the fiscal years ended June 30, 2016 and 2015, respectively. Pledges receivable from the local corporation accounted for 50.39% and 45.40% of the gross pledges receivable at June 30, 2016 and 2015, respectively.

**Note 8. Pension Plan**

UWST participates in a nationally sponsored defined contribution pension plan for nonprofit organizations. The non-contributory plan is available to all full-time employees with at least one year of service who have reached the age of twenty-one. Contributions are calculated at 8% of the participants' compensation. Pension costs for the years ended June 30, 2016 and 2015, amounted to \$29,071 and \$30,287, respectively, and are included in UWST's employee benefits.

**Note 9. Lease Contracts**

UWST signed a three-year triple net lease agreement on June 27, 2016 to begin on July 1, 2016 for its office location in the Civic Center Plaza in Corning, New York at a monthly rental cost of \$3,074. The lease expires on June 30, 2019. UWST signed a 5 year lease agreement for a mailing system on February 18, 2016 to begin on July 1, 2016 at a monthly rental cost of \$179. The lease expires on June 30, 2021. UWST also leases various office equipment at a total monthly rental cost of approximately \$486. Expiration of these lease agreements ranges from March of 2017 to August of 2017. Expense as a result of these lease agreements amounted to \$5,740 and \$5,713 as of June 30, 2016 and 2015, respectively. The future minimum lease commitments as of June 30, 2016, were as follows:

2017	\$ 41,144
2018	39,116
2019	39,046
2020	2,152
2021	2,152
Total	\$ 123,610

**Note 10. Related Parties**

Employees of certain financial institutions, which hold deposits on behalf of UWST, serve as members of the Board of Directors. A board member of UWST also serves on a board of a funded agency.

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Notes to Financial Statements**

**Note 11. Net Assets**

UWST's unrestricted net assets consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Austin loan fund	\$ 40,000	\$ 40,000
Fixed asset fund	14,847	12,263
Operating fund	2,475,423	2,481,051
Strategic investment fund	443,709	384,828
Total unrestricted net assets	<u>\$ 2,973,979</u>	<u>\$ 2,918,142</u>

The Austin Loan fund, Fixed Asset Fund and Strategic Investment Fund are Board Restricted as of June 30, 2016.

UWST's temporarily restricted net assets consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Campaign support for subsequent years	\$ 38,965	\$ 54,913
Gabrielli multi-year support	-	986
Gannett grant	-	131
Kennedy Valve grant	50,000	-
Track packs	3,657	-
Total temporarily restricted net assets	<u>\$ 92,622</u>	<u>\$ 56,030</u>

UWST's permanently restricted net assets consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Endowment fund	\$ 318,010	\$ 318,010
Purdue fund	4,594	4,594
Shand fund	4,524	4,524
Total permanently restricted net assets	<u>\$ 327,128</u>	<u>\$ 327,128</u>

**Note 12. United Way Worldwide, Inc.**

United Way Worldwide, Inc. (UWW) is a national trade association and owner of the United Way name and brand mark. On an annual basis, UWST is required to make a membership investment to continue using the United Way name and brand mark. This expense totaled \$45,233 and \$45,081 for the years ended June 30, 2016 and 2015, respectively. In addition to use of the name and brand mark, UWST receives many other benefits from UWW. UWST has access to UWW's knowledge and support on marketing, program outcomes, community impact, fundraising, national trends, campaign materials and a wide array of other tools and topics. UWW also represents all United Way organizations on important legislation or issues presented to Congress.

In an effort to increase accountability and transparency, UWW has developed standards of excellence for continued membership. Each year, UWST must submit a report on its compliance with each of the standards. UWST has committed to comply with all UWW membership standards.