

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

**TABLE OF CONTENTS**

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<b><u>AUDITED FINANCIAL STATEMENTS</u></b>	<b><u>PAGE</u></b>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)	5
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016	6
NOTES TO FINANCIAL STATEMENTS	7 - 16

## 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, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*EFPR Group, CPAs, PLLC*

EFPR Group, CPAs, PLLC  
Corning, New York  
September 15, 2017

**UNITED WAY OF THE SOUTHERN TIER, INC.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 300,889	\$ 769,369
Short-term investments	377,898	375,930
Accounts receivable	4,200	-
Pledges receivable - net	2,063,577	2,202,669
Prepaid expenses	19,274	18,034
Total current assets	<u>2,765,838</u>	<u>3,366,002</u>
<b>Investments - Unrestricted</b>	2,480,382	2,195,759
<b>Investments - Restricted Endowment</b>	318,010	318,010
<b>Property and Equipment - Net</b>	<u>34,474</u>	<u>14,847</u>
<b>Total Assets</b>	<u>\$ 5,598,704</u>	<u>\$ 5,894,618</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 34,198	\$ 24,696
Allocations payable	1,178,039	1,449,252
Due to other agencies	980,593	1,017,774
Deferred revenue	7,500	9,167
Total current liabilities	<u>2,200,330</u>	<u>2,500,889</u>
<b>Net Assets</b>		
Unrestricted	2,987,694	2,973,979
Temporarily restricted	83,552	92,622
Permanently restricted	327,128	327,128
Total net assets	<u>3,398,374</u>	<u>3,393,729</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 5,598,704</u>	<u>\$ 5,894,618</u>

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, 2017 and 2016**

	<u>2017</u>				<u>2016</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	\$ 4,083,468	\$ 34,895	\$ -	\$ 4,118,363	\$ 4,348,320	\$ 38,965	\$ -	\$ 4,387,285
Campaign net assets released from temporary restrictions	38,965	(38,965)	-	-	54,913	(54,913)	-	-
	4,122,433	(4,070)	-	4,118,363	4,403,233	(15,948)	-	4,387,285
Donor designations	(661,602)	-	-	(661,602)	(661,886)	-	-	(661,886)
Provisions for uncollectible pledges	(229,098)	-	-	(229,098)	(120,528)	-	-	(120,528)
Prior campaign pledge recapture	-	-	-	-	2,659	-	-	2,659
Net campaign support	3,231,733	(4,070)	-	3,227,663	3,623,478	(15,948)	-	3,607,530
In-kind contributions	12,808	-	-	12,808	17,606	-	-	17,606
Other contributions	51,708	10,000	-	61,708	256	53,657	-	53,913
Designations from other United Ways	39,328	-	-	39,328	17,353	-	-	17,353
Other net assets released from temporary restrictions	15,000	(15,000)	-	-	1,117	(1,117)	-	-
Total public support	3,350,577	(9,070)	-	3,341,507	3,659,810	36,592	-	3,696,402
<b>Revenues</b>								
Investment income	42,139	4,893	-	47,032	35,712	5,062	-	40,774
Service fee	135,245	-	-	135,245	99,465	-	-	99,465
Special events income	24,050	-	-	24,050	35,477	-	-	35,477
Rental income	1,667	-	-	1,667	7,533	-	-	7,533
Loss on disposal of property and equipment	-	-	-	-	(424)	-	-	(424)
Unrealized gain (loss) on investments	113,612	4,463	-	118,075	(15,281)	1,858	-	(13,423)
Realized gain (loss) on investments	105,611	18,416	-	124,027	3,650	(96)	-	3,554
Investment earnings (loss) released from restrictions	27,772	(27,772)	-	-	6,824	(6,824)	-	-
Total revenues	450,096	-	-	450,096	172,956	-	-	172,956
<b>Total Public Support and Revenues</b>	3,800,673	(9,070)	-	3,791,603	3,832,766	36,592	-	3,869,358
<b>Expenses</b>								
<b>Program Services</b>								
Gross funds awarded	3,576,242	-	-	3,576,242	3,548,314	-	-	3,548,314
Less, donor designations	(661,602)	-	-	(661,602)	(661,886)	-	-	(661,886)
Net funds awarded	2,914,640	-	-	2,914,640	2,886,428	-	-	2,886,428
Community building & community investment	288,517	-	-	288,517	171,152	-	-	171,152
Total program services	3,203,157	-	-	3,203,157	3,057,580	-	-	3,057,580
<b>Supporting Services</b>								
Fundraising	348,973	-	-	348,973	373,150	-	-	373,150
Management and general	234,828	-	-	234,828	346,199	-	-	346,199
Total support services	583,801	-	-	583,801	719,349	-	-	719,349
<b>Total Expense</b>	3,786,958	-	-	3,786,958	3,776,929	-	-	3,776,929
<b>Changes in Net Assets</b>	13,715	(9,070)	-	4,645	55,837	36,592	-	92,429
<b>Net Assets - Beginning</b>	2,973,979	92,622	327,128	3,393,729	2,918,142	56,030	327,128	3,301,300
<b>Net Assets - Ending</b>	\$ 2,987,694	\$ 83,552	\$ 327,128	\$ 3,398,374	\$ 2,973,979	\$ 92,622	\$ 327,128	\$ 3,393,729

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 4,645	\$ 92,429
Adjustments		
Provisions for uncollectible pledges	229,098	120,528
Realized gain on investments	(124,027)	(3,554)
Unrealized (gain) loss on investments	(118,075)	13,423
Loss on disposal of property and equipment	-	424
Depreciation	7,695	5,986
Changes in assets and liabilities		
Accounts receivable	(4,200)	2,508
Pledges receivable - net	(90,006)	(225,017)
Prepaid expenses	(1,240)	(8,826)
Accounts payable and accrued expenses	9,502	(24,423)
Allocations payable	(271,213)	(8,286)
Due to other agencies	(37,181)	182,193
Deferred revenue	(1,667)	9,167
Net cash flows from operating activities	<u>(396,669)</u>	<u>156,552</u>
<b>Cash Flows from Investing Activities</b>		
Net change in short-term investments	(1,968)	(1,957)
Sale of investments	504,886	741,717
Purchase of investments	(547,407)	(781,963)
Purchase of property and equipment	(27,322)	(8,994)
Net cash flows from investing activities	<u>(71,811)</u>	<u>(51,197)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(468,480)	105,355
<b>Cash and Cash Equivalents - Beginning</b>	<u>769,369</u>	<u>664,014</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 300,889</u>	<u>\$ 769,369</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, 2017**  
**(With Comparative Totals for 2016)**

	<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>2017</u>	<u>2016</u>
<b>Expenses</b>							
Impact grants/awards	\$ -	\$ 3,576,242	\$ 3,576,242	\$ -	\$ -	\$ 3,576,242	\$ 3,548,314
(Less donor designations)	-	(661,602)	(661,602)	-	-	(661,602)	(661,886)
Sub-Total	-	2,914,640	2,914,640	-	-	2,914,640	2,886,428
Salaries	108,440	29,350	137,790	179,651	115,453	432,894	421,918
Employee benefits	14,981	4,055	19,036	24,818	15,949	59,803	56,057
Payroll taxes	9,764	2,642	12,406	16,174	10,394	38,974	39,593
Sub-Total	133,185	36,047	169,232	220,643	141,796	531,671	517,568
Professional fees	-	-	-	-	20,871	20,871	22,594
Supplies	933	253	1,186	1,547	994	3,727	11,819
Telephone	1,835	497	2,332	3,041	1,954	7,327	10,374
Postage and shipping	1,341	363	1,704	2,222	1,428	5,354	5,561
Occupancy	21,773	5,893	27,666	36,070	23,180	86,916	97,859
Printing and publications	-	-	-	-	458	458	406
Transportation	1,871	472	2,343	3,313	697	6,353	7,621
Conferences and meetings	2,835	-	2,835	554	13,905	17,294	19,083
Marketing	33,544	-	33,544	7,901	-	41,445	26,955
Miscellaneous	-	-	-	-	9,632	9,632	6,124
Mobilization and engagement	2,123	-	2,123	-	-	2,123	5,932
Insurance	-	-	-	-	5,766	5,766	5,428
Campaign expenses	-	-	-	30,672	-	30,672	35,625
Special events	-	-	-	20,996	-	20,996	46,233
Payments to United Way Worldwide	11,360	3,075	14,435	18,821	12,095	45,351	45,233
Strategy-Aligned expenses	15,859	-	15,859	-	-	15,859	2,494
In-kind expenses	12,808	-	12,808	-	-	12,808	17,606
Depreciation	1,928	522	2,450	3,193	2,052	7,695	5,986
<b>Total Functional Expenses</b>	<b>\$ 241,395</b>	<b>\$ 2,961,762</b>	<b>\$ 3,203,157</b>	<b>\$ 348,973</b>	<b>\$ 234,828</b>	<b>\$ 3,786,958</b>	<b>\$ 3,776,929</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, 2016**

	<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>	
<b>Expenses</b>						
Impact grants/awards	\$ -	\$ 3,548,314	\$ 3,548,314	\$ -	\$ -	\$ 3,548,314
(Less donor designations)	-	(661,886)	(661,886)	-	-	(661,886)
Sub-Total	<u>-</u>	<u>2,886,428</u>	<u>2,886,428</u>	<u>-</u>	<u>-</u>	<u>2,886,428</u>
Salaries	51,896	14,767	66,663	175,940	179,315	421,918
Employee benefits	6,895	1,962	8,857	23,376	23,824	56,057
Payroll taxes	4,870	1,386	6,256	16,510	16,827	39,593
Sub-Total	<u>63,661</u>	<u>18,115</u>	<u>81,776</u>	<u>215,826</u>	<u>219,966</u>	<u>517,568</u>
Professional fees	-	-	-	-	22,594	22,594
Supplies	1,454	414	1,868	4,928	5,023	11,819
Telephone	1,276	363	1,639	4,326	4,409	10,374
Postage and shipping	684	195	879	2,319	2,363	5,561
Occupancy	12,037	3,425	15,462	40,807	41,590	97,859
Printing and publications	-	-	-	-	406	406
Transportation	986	356	1,342	5,282	997	7,621
Conferences and meetings	3,087	794	3,881	1,230	13,972	19,083
Marketing	923	9,587	10,510	14,886	1,559	26,955
Miscellaneous	-	-	-	-	6,124	6,124
Mobilization and engagement	5,932	-	5,932	-	-	5,932
Insurance	-	-	-	-	5,428	5,428
Campaign expenses	-	-	-	35,625	-	35,625
Special events	19,670	-	19,670	26,563	-	46,233
Payments to United Way Worldwide	5,564	1,583	7,147	18,862	19,224	45,233
Strategy-Aligned expenses	2,494	-	2,494	-	-	2,494
In-kind expenses	17,606	-	17,606	-	-	17,606
Depreciation	736	210	946	2,496	2,544	5,986
<b>Total Functional Expenses</b>	<u>\$ 136,110</u>	<u>\$ 2,921,470</u>	<u>\$ 3,057,580</u>	<u>\$ 373,150</u>	<u>\$ 346,199</u>	<u>\$ 3,776,929</u>

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** - Annual Campaigns are conducted in the fall of year ("Current Campaign") to support programs primarily in the subsequent fiscal year. Campaign contributions are used generally to support a variety of local health and human services programs and to pay United Way's operating expenses. Current Campaign revenue collection generally begins in January and is distributed to agencies in the following fiscal year in two components. The first component is distributed July through December of the following fiscal year and is based on the level of campaign results from the Current Campaign. This distribution policy allows management sufficient time for the Current Campaign results to be analyzed and validated as to accuracy and collectability to avoid allocation levels in excess of actual campaign results. The second component from the Current Campaign is distributed January to June of the following fiscal year at distribution levels based on the Current Campaign. For the year ending June 30, 2017, the distributions made in the first half of the following fiscal year were committed to the agencies prior to the June 30 fiscal year end and were reflected as "Allocations Payable" in the accompanying financial statements. Expected distributions for the second half of the following fiscal year were also communicated to the agencies as of June 30 to allow for the agencies' budget planning needs. However, those planned distributions are contingent upon the results of the cash collections of the Current Campaign and thus are contingent liabilities at each June 30 fiscal year end. The aggregate amount of such contingent allocations payable was \$1,371,240 and \$1,397,622 at June 30, 2017 and 2016, respectively.

**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.

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

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**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.

**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 15.41% 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.

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

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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.

**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.

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

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**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.

**Note 2. Pledges Receivable**

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

	<u>2017</u>	<u>2016</u>
Gross pledges receivable	\$ 2,256,674	\$ 2,354,494
Less, allowance for uncollectible pledges	<u>(193,097)</u>	<u>(151,825)</u>
Pledges receivable - net	<u>\$ 2,063,577</u>	<u>\$ 2,202,669</u>

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

	<u>2017</u>	<u>2016</u>
Write off of pledges receivable	\$ 193,097	\$ 151,825
Changes in allowance	<u>36,001</u>	<u>(31,297)</u>
Provisions for uncollectible pledges	<u>\$ 229,098</u>	<u>\$ 120,528</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, 2017 and 2016.

*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 2017</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	\$ 36,829	\$ 36,829	\$ -	\$ -
Fixed income				
Corporate bonds	876,369	-	876,369	-
Certificate of deposit	28,013	-	28,013	-
Foreign government bonds	23,488	-	23,488	-
Municipal bonds	41,132	-	41,132	-
Total fixed income	<u>969,002</u>	<u>-</u>	<u>969,002</u>	<u>-</u>
Common stocks				
Basic material	139,333	139,333	-	-
Consumer goods	17,465	17,465	-	-
Exchange-traded funds	80,413	80,413	-	-
Financial	6,013	6,013	-	-
Healthcare	283,518	283,518	-	-
Industrial goods	274,450	274,450	-	-
International	25,400	25,400	-	-
Services	29,170	29,170	-	-
Technology	225,361	225,361	-	-
Utilities	89,678	89,678	-	-
Total common stocks	<u>1,170,801</u>	<u>1,170,801</u>	<u>-</u>	<u>-</u>
Mutual funds				
Blended	433,828	433,828	-	-
Growth	187,932	187,932	-	-
Total mutual funds	<u>621,760</u>	<u>621,760</u>	<u>-</u>	<u>-</u>
<b>Total Investments at Fair Value</b>	<b><u>\$ 2,798,392</u></b>	<b><u>\$ 1,829,390</u></b>	<b><u>\$ 969,002</u></b>	<b><u>\$ -</u></b>



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

	<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>

**Note 4. Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Equipment, furniture, and fixtures	\$ 151,650	\$ 124,328
Less, accumulated depreciation	(117,176)	(109,481)
Property and equipment - net	<u>\$ 34,474</u>	<u>\$ 14,847</u>

**Note 5. Endowment Fund**

Permanently restricted net assets at June 30, 2017 and 2016, 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, 2017 and 2016, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
<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	<u>(6,824)</u>	<u>-</u>
<b>Endowment Net Assets, June 30, 2016</b>	-	318,010
Contributions	-	-
Investment income	4,893	-
Net appreciation	22,879	-
Amounts appropriated from unrestricted net assets	<u>(27,772)</u>	<u>-</u>
<b>Endowment Net Assets, June 30, 2017</b>	<u>\$ -</u>	<u>\$ 318,010</u>

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 of \$27,772 and 6,824 for the years ended June 30, 2017 and 2016, respectively, increased 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. In-kind contributions, which are reported as revenue and related expense in the financial statements, consisted of advertising expense of \$12,808 and \$17,606 for the years ended June 30, 2017 and 2016, respectively.

**Note 7. Concentration of Revenue**

UWST's campaign success is heavily dependent on pledges from a local corporation and its employees, a related Foundation and retirees of the Corporation. Pledges from this local corporation accounted for 55.78% and 54.00% of total campaign support for the fiscal years ended June 30, 2017 and 2016, respectively. Pledges receivable from the local corporation accounted for 48.89% and 49.84% of the gross pledges receivable at June 30, 2017 and 2016, 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, 2017 and 2016, amounted to \$29,758 and \$29,071, 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, which began 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. Rent expense amounted to \$36,894 and \$42,036 as of June 30, 2017 and 2016, respectively. UWST also leases various office equipment at a total monthly rental cost of approximately \$592. Expiration of these lease agreements ranges from March of 2017 to December of 2021. Expense as a result of these office equipment lease agreements amounted to \$5,111 and \$5,740 as of June 30, 2017 and 2016, respectively. The future minimum lease commitments as of June 30, 2017, were as follows:

2018	\$ 41,407
2019	41,337
2020	4,443
2021	4,443
2022	1,145
Total	<u>\$ 92,775</u>

**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>2017</u>	<u>2016</u>
Austin loan fund	\$ 40,000	\$ 40,000
Fixed asset fund	34,474	14,847
Operating fund	2,587,201	2,475,423
Strategic investment fund	326,019	443,709
Total unrestricted net assets	<u>\$ 2,987,694</u>	<u>\$ 2,973,979</u>

The Austin Loan fund, Fixed Asset Fund and Strategic Investment Fund are Board Restricted as of June 30, 2017.

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

	<u>2017</u>	<u>2016</u>
Campaign support for subsequent years	\$ 34,895	\$ 38,965
J Ullman Foundation	10,000	-
Kennedy Valve grant	35,000	50,000
Track packs	3,657	3,657
Total temporarily restricted net assets	<u>\$ 83,552</u>	<u>\$ 92,622</u>

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

	<u>2017</u>	<u>2016</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 \$45,351 and \$45,233 for the years ended June 30, 2017 and 2016, 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.

**Note 13. Reclassification**

Certain reclassifications have been made to the financial statements as of July 1, 2016. These reclassifications are for comparative purposes only and have no net effect on the change in net position or fund balance as originally reported.