

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017



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September 10, 2018

Board of Directors
United Way of Mercer County
Hermitage, Pennsylvania

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Mercer County (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

Pursuant to the Agency's request, we did not attempt to confirm annual campaign revenues and pledge receivables through direct correspondence with the significant amount of donors, and were unable to obtain sufficient appropriate audit evidence about annual campaign revenues and pledge receivables by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Mercer County as of March 31, 2018 and 2017, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hill, Barth & King LLC

Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

<u>ASSETS</u>	2018	2017
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 107,426	\$ 139,160
Prepaid expenses	11,427	11,713
Pledge receivables, net of uncollectible allowance of \$33,000 and \$37,000 for 2018 and 2017	269,969	375,192
Grant receivable	76,951	-
Other receivables	3,032	1,947
Investments at fair value	803,586	740,801
TOTAL CURRENT ASSETS	1,272,391	1,268,813
<u>PROPERTY AND EQUIPMENT</u>		
Land and buildings	87,500	87,500
Building improvements	329,398	329,398
Furniture and equipment	40,887	40,887
	457,785	457,785
Less accumulated depreciation	313,443	301,117
NET PROPERTY AND EQUIPMENT	144,342	156,668
<u>OTHER ASSETS</u>		
	-	74
TOTAL ASSETS	\$ 1,416,733	\$ 1,425,555
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Line of credit	\$ -	\$ 20,000
Accounts payable	35,206	20,368
Accrued expenses	12,281	6,193
Accrued payroll and taxes	19,289	-
Deferred revenue	2,280	12,800
Allocations and designations payable to member agencies	350,000	370,600
Success by 6® designations	107,943	163,200
Other designations payable	15,791	15,172
Current portion of long-term debt	-	3,071
TOTAL CURRENT LIABILITIES	542,790	611,404
<u>NET ASSETS</u>		
Unrestricted	365,866	258,223
Temporarily restricted	86,125	133,976
Permanently restricted	421,952	421,952
TOTAL NET ASSETS	873,943	814,151
TOTAL LIABILITIES AND NET ASSETS	\$ 1,416,733	\$ 1,425,555

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES

UNITED WAY OF MERCER COUNTY

Year ended March 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>CAMPAIGN SUPPORT</u>				
Campaign revenues	\$ 646,906	\$ -	\$ -	\$ 646,906
Prior campaign revenues	35,753	-	-	35,753
Less provision for uncollectible pledges	(48,669)	-	-	(48,669)
NET CAMPAIGN SUPPORT	633,990	-	-	633,990
 <u>OTHER REVENUE</u>				
Fundraisers, net of expenses	34,811	-	-	34,811
Support income	196	-	-	196
Rental income, net of land and buildings expense	75,378	-	-	75,378
Program revenue, net of expenses	1,026	-	-	1,026
Grant income	172,951	-	-	172,951
Miscellaneous income	2,425	-	-	2,425
Income from perpetual trust	16,076	-	-	16,076
Dividends and interest income, net of investment fees of \$9,470	13,597	-	-	13,597
Realized and unrealized gain on investments	36,656	13,731	-	50,387
TOTAL OTHER REVENUE	353,116	13,731	-	366,847
 Net assets released from restrictions:				
Success by 6®	61,582	(61,582)	-	-
TOTAL REVENUE	1,048,688	(47,851)	-	1,000,837
 <u>EXPENDITURES</u>				
Program Services:				
Payments to agencies and other designations	324,759	-	-	324,759
Community impact/outreach	169,105	-	-	169,105
Success by 6®	115,578	-	-	115,578
21st Century Grant	179,717	-	-	179,717
	789,159	-	-	789,159
Supporting Services:				
Management and general	37,213	-	-	37,213
Annual campaign	103,091	-	-	103,091
	140,304	-	-	140,304
United Way of America and United Way of Pennsylvania dues				
	11,582	-	-	11,582
TOTAL EXPENDITURES	941,045	-	-	941,045
CHANGES IN NET ASSETS	107,643	(47,851)	-	59,792
 <u>NET ASSETS</u>				
Beginning of year	258,223	133,976	421,952	814,151
End of year	\$ 365,866	\$ 86,125	\$ 421,952	\$ 873,943

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES (CONTINUED)

UNITED WAY OF MERCER COUNTY

Year ended March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>CAMPAIGN SUPPORT</u>				
Campaign revenues	\$ 699,204	\$ 19,276	\$ -	\$ 718,480
Prior campaign revenues	46,431	-	-	46,431
Less provision for uncollectible pledges	<u>(53,488)</u>	<u>-</u>	<u>-</u>	<u>(53,488)</u>
NET CAMPAIGN SUPPORT	<u>692,147</u>	<u>19,276</u>	<u>-</u>	<u>711,423</u>
<u>OTHER REVENUE</u>				
Fundraisers, net of expenses	42,379	-	-	42,379
Support income	168	-	-	168
Rental income, net of land and buildings expense	81,781	-	-	81,781
Miscellaneous income	4,483	-	-	4,483
Income from perpetual trust	13,152	-	-	13,152
Dividends and interest income, net of investment fees of \$6,204	10,630	-	-	10,630
Realized and unrealized gain on investments	24,628	28,842	-	53,470
TOTAL OTHER REVENUE	<u>177,221</u>	<u>28,842</u>	<u>-</u>	<u>206,063</u>
Net assets released from restrictions:				
Scholarships awarded	1,250	(1,250)	-	-
TOTAL REVENUE	<u>870,618</u>	<u>46,868</u>	<u>-</u>	<u>917,486</u>
<u>EXPENDITURES</u>				
Program Services:				
Payments to agencies and other designations	343,632	-	-	343,632
Community impact/outreach	117,151	-	-	117,151
Success by 6®	101,392	-	-	101,392
	<u>562,175</u>	<u>-</u>	<u>-</u>	<u>562,175</u>
Supporting Services:				
Management and general	32,579	-	-	32,579
Annual campaign	141,933	-	-	141,933
	<u>174,512</u>	<u>-</u>	<u>-</u>	<u>174,512</u>
United Way of America and United Way of Pennsylvania dues	13,749	-	-	13,749
TOTAL EXPENDITURES	<u>750,436</u>	<u>-</u>	<u>-</u>	<u>750,436</u>
CHANGES IN NET ASSETS	120,182	46,868	-	167,050
<u>NET ASSETS</u>				
Beginning of year	138,041	87,108	421,952	647,101
End of year	<u>\$ 258,223</u>	<u>\$ 133,976</u>	<u>\$ 421,952</u>	<u>\$ 814,151</u>

See accompanying notes to financial statements

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED WAY OF MERCER COUNTY

Year ended March 31, 2018

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	PAYMENTS TO AGENCIES AND OTHER DESIGNATIONS	COMMUNITY IMPACT/ OUTREACH	SUCCESS BY 6®	21st CENTURY GRANT	MANAGEMENT AND GENERAL	ANNUAL CAMPAIGN	
<u>EXPENDITURES</u>							
Salaries	\$ 1,496	\$ 97,233	\$ 19,447	\$ 104,293	\$ 2,992	\$ 26,926	\$ 252,387
Payroll taxes	119	7,740	1,548	10,704	238	2,143	22,492
Agencies and other designations, net of reductions of \$34,650	316,854	-	-	-	-	-	316,854
Bank fees	172	172	-	-	162	1,516	2,022
Bookkeeping	39	158	39	-	158	276	670
Computer and other services	255	3,062	2,041	17,023	1,021	19,134	42,536
Conferences and other events	-	1,778	-	-	364	-	2,142
Depreciation	18	360	360	-	18	144	900
Dues	-	-	-	-	1,239	-	1,239
Employee benefits	287	18,673	3,735	3,522	575	5,171	31,963
Equipment maintenance and lease	38	38	152	183	876	2,704	3,991
Insurance	301	1,205	301	-	201	4,018	6,026
Local travel and vehicle lease	-	574	115	-	-	5,054	5,743
Meeting expense	572	386	243	-	-	229	1,430
Miscellaneous	-	-	-	476	3,032	3,031	6,539
Office supplies	-	-	469	25,202	4,356	1,876	31,903
Pension plan contribution	118	7,639	1,528	-	235	2,115	11,635
Pension plan expense	13	863	173	-	27	239	1,315
Postage	370	444	247	-	197	1,209	2,467
Printing	1,469	1,371	-	-	2,351	4,604	9,795
Professional fees	-	-	-	18,314	17,205	-	35,519
Promotional materials	25	382	255	-	-	1,886	2,548
Real estate taxes	151	386	117	-	67	955	1,676
Rent	1,845	4,715	1,435	-	820	11,685	20,500
Special events	-	-	-	-	320	2,461	2,781
Special projects	-	20,131	-	-	-	-	20,131
State certificate	-	-	-	-	250	-	250
Success by 6®	-	-	82,624	-	-	-	82,624
Telephone	29	291	291	-	117	2,185	2,913
Utilities	588	1,504	458	-	392	3,530	6,472
TOTAL EXPENDITURES	\$ 324,759	\$ 169,105	\$ 115,578	\$ 179,717	\$ 37,213	\$ 103,091	\$ 929,463

See accompanying notes to financial statements

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

UNITED WAY OF MERCER COUNTY

Year ended March 31, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL
	PAYMENTS TO AGENCIES AND OTHER DESIGNATIONS	COMMUNITY IMPACT/ OUTREACH	SUCCESS BY 6®	MANAGEMENT AND GENERAL	ANNUAL CAMPAIGN	
<u>EXPENDITURES</u>						
Salaries	\$ 1,595	\$ 73,381	\$ 14,357	\$ 4,786	\$ 63,809	\$ 157,928
Payroll taxes	135	6,224	1,218	406	5,412	13,395
Administrative fees	-	-	-	1,111	-	1,111
Agencies and other designations, net of reductions of \$36,250	337,626	-	-	-	-	337,626
Bank fees	123	123	-	115	1,082	1,443
Bookkeeping	4	14	4	14	25	61
Computer and other services	173	2,080	1,387	693	12,999	17,332
Conferences and other events	-	1,931	-	396	-	2,327
Depreciation	19	381	381	19	152	952
Dues	-	-	-	1,009	-	1,009
Employee benefits	276	12,712	2,487	829	11,054	27,358
Equipment maintenance and lease	47	47	190	1,090	3,366	4,740
Insurance	300	1,201	300	200	4,006	6,007
Local travel and vehicle lease	-	624	125	-	5,493	6,242
Meeting expense	272	184	116	-	109	681
Miscellaneous	-	-	-	2,433	2,435	4,868
Office supplies	-	-	232	2,157	929	3,318
Pension plan contribution	59	2,696	528	176	2,345	5,804
Pension plan expense	13	591	116	39	514	1,273
Postage	340	408	227	181	1,111	2,267
Professional fees	-	-	-	14,996	-	14,996
Promotional materials	96	1,442	962	-	7,118	9,618
Real estate taxes	201	513	156	89	1,271	2,230
Rent	1,845	4,715	1,435	820	11,685	20,500
Special events	-	-	-	330	1,967	2,297
Special project	-	6,370	-	-	-	6,370
State certificate	-	-	-	255	-	255
Success by 6®	-	-	76,508	-	-	76,508
Telephone	29	291	291	116	2,180	2,907
Utilities	479	1,223	372	319	2,871	5,264
TOTAL EXPENDITURES	\$ 343,632	\$ 117,151	\$ 101,392	\$ 32,579	\$ 141,933	\$ 736,687

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

UNITED WAY OF MERCER COUNTY

Years ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 59,792	\$ 167,050
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	12,326	12,378
Amortization	74	111
Beneficial interest in perpetual trusts	(13,731)	(28,842)
Dividends and interest reinvested	(22,239)	(16,734)
Investment fees	9,470	6,204
Realized and unrealized gain on investments	(36,656)	(24,628)
Decrease in allowance for uncollectible pledge receivables	(4,000)	-
(Increase) decrease in prepaid expenses	286	(295)
(Increase) decrease in pledge receivables	109,223	(54,924)
Increase in grant receivable	(76,951)	-
Increase in other receivables	(1,085)	(53)
Increase in accounts payable and accrued expenses	20,926	6,511
Increase in accrued payroll and taxes	19,289	-
Increase (decrease) in deferred revenue	(10,520)	11,432
Decrease in allocations and designations	(75,238)	(165,330)
NET CASH USED IN OPERATING ACTIVITIES	<u>(9,034)</u>	<u>(87,120)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	371	38,263
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>371</u>	<u>38,263</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from line of credit	60,000	20,000
Payments on line of credit	(80,000)	-
Payments on long-term debt	(3,071)	(4,335)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(23,071)</u>	<u>15,665</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,734)	(33,192)
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	139,160	172,352
End of year	<u>\$ 107,426</u>	<u>\$ 139,160</u>
<u>CASH WAS PAID FOR</u>		
Interest	<u>\$ 947</u>	<u>\$ 1,329</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

United Way of Mercer County (the Agency) is a non-profit corporation organized under the laws of the Commonwealth of Pennsylvania principally for the purpose of soliciting donations for charitable purposes. The Agency strives to improve lives by mobilizing the caring power of the local communities. Their caring hand reaches all across Mercer County, helping the lives of anyone who is in need, from the young to the elderly. The Agency is a local volunteer agency that provides funding to various agencies within Mercer County focusing on the building blocks of a good life: education, helping children and youth achieve their potential, income, promoting financial stability and independence and health, improving people's health.

Financial Statement Presentation:

Financial statement presentation follows the recommendations of FASB ASC 720, Accounting for Contributions Received and Contributions Made and FASB ASC 958, Financial Statements of Not-for-Profit Organizations. The Agency 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. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as changes in net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. The Community Foundation of Eastern Ohio and Western Pennsylvania (Foundation) contributed \$5,000 for the Agency to create a permanent endowment fund. Earnings from the endowment fund are allowed to be used for unrestricted purposes. The Agency was named a beneficiary in two perpetual trusts. Income from these trusts can be utilized as unrestricted by the Agency.

Program Services through Allocations and Grants:

The Agency supports education, income and health organizations defined as member agencies, through annual funding allocations. The allocations to member agencies are determined by volunteers through the Agency's "Agency Allocation Review Process". These volunteers engage in educational activities, agency visits, training and council meetings throughout the year to better understand the various service systems and programs for which they ultimately make decisions. They have used a program proposal rating system for the evaluation of programs for approximately ten years. This rating system examines seven areas of agency/program performance and serves as the initial basis for decision-making. The volunteers consider such factors as reductions in public funding, changes in the way services are provided, the loss of other services in the community that may inhibit program success, and significant changes in designations that individual agencies received. The Board of Directors approves allocations to member agencies in March of each year and, as a result, the Agency records the entire amount as a liability and expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services through Allocations and Grants (Continued):

Venture grants are determined in a similar manner and are approved by the Board of Directors and are recorded each year as a liability and expense.

The Agency also coordinates and funds *Success by 6*®, a community-wide effort that seeks to improve the lives of children through early childhood development education and their families through various programs and service providers.

Cash and Cash Equivalents:

The Agency considers highly liquid investments purchased with original maturity dates of three months or less to be cash equivalents. The Agency maintains cash balances at various local banks and are insured by the Federal Deposit Insurance Corporation (FDIC) subject to various limits and conditions. Periodically these balances are in excess of FDIC insured limits.

Investments:

Investments are recorded at fair value with realized and unrealized gains and losses included in the statements of activities. The fair value of investment securities is determined by reference to exchange or dealer quoted market prices at year end. Donated securities are reported as unrestricted support unless the donor restricts the donated security to a specific purpose.

Property and Equipment:

Property and equipment are recorded at cost, if purchased, or fair value at the date of donation. Building improvements and furniture and equipment with cost in excess of \$5,000 and a useful life over one year are capitalized. Depreciation is computed on the straight-line method over estimated useful lives of five to ten years for furniture and equipment and five to thirty-nine years for buildings and improvements. Depreciation amounted to \$12,326 and \$12,378 for the years ended March 31, 2018 and 2017, respectively. Expenditures for repairs and maintenance are charged against operations.

Revenue Recognition:

Contributions containing donor-imposed restrictions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized.

Pledge Receivables:

Pledge receivables are recognized as revenues in the period the contributions are received or promised, whichever is earlier. An allowance has been estimated at 5% based on the campaign revenues as of March 31, 2018 and 2017. The uncollectible allowance amounted to \$33,000 and \$37,000 at March 31, 2018 and 2017, respectively. The potential risk is limited to the amount recorded in the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising:

The Agency expenses advertising production and communication costs as they are incurred. Total promotional materials and media advertisement was \$2,548 and \$9,618 for the years ended March 31, 2018 and 2017, respectively.

Compensated Absences:

Employees of the Agency are entitled to paid vacation, depending on length of service but must be taken before the end of the fiscal year. Accordingly, at March 31, 2018 and 2017, there were no amounts of compensation for absences to be recorded.

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Donated Services:

A number of volunteers, including members of the Board of Directors and its committees as well as various volunteer assistants, contribute significant amounts of time to further the Agency's programs. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Functional Expense Classification:

The Agency's functional classification and allocation policy is based on a review of the current Agency structure and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Income Tax Status:

The Agency qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Agency is also exempt from any state income taxes.

Subsequent Events:

Management evaluated all activity of the Agency through September 10, 2018, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE B - PLEDGE RECEIVABLES

Pledge receivables, all of which are anticipated to be collected within the next year, consist of the following at March 31,:

	<u>2018</u>	<u>2017</u>
Pledge receivables	\$ 302,969	\$ 412,192
Allowance for uncollectible pledges	<u>(33,000)</u>	<u>(37,000)</u>
Pledge receivables, net	<u>\$ 269,969</u>	<u>\$ 375,192</u>

NOTE C - INVESTMENTS

FASB ASC 820 requires the Agency to classify their assets and liabilities based on valuation methods using three levels. Level 1 inputs are based on quoted prices in active markets for identical investments. Level 2 inputs are based on significant observable market inputs, such as quoted prices for similar investments and quoted prices in inactive markets. Level 3 inputs are based on significant unobservable inputs that reflect the Agency's determination of assumptions that market participants might reasonably use in valuing the investments. The valuation inputs are not necessarily an indication of risk or liquidity associated with the underlying investments. The beneficial interest in perpetual trust is categorized as a Level 3 fair value measurement, because the Agency will never receive the trust's assets.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at March 31, 2018 and 2017.

Cash and cash equivalents are measured using cost.

Mutual funds were measured at fair value using quoted market prices/net asset values (NAV) in active markets for identical assets.

Beneficial interests consist of cash and cash equivalents, equity securities, mutual funds and debt securities, measured at fair value using inputs which use estimated market values for similar securities.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE C - INVESTMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Agency's assets at fair value as of:

	Assets at Fair Value as of March 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 247,439	\$ -	\$ -	\$ 247,439
Beneficial interests:				
Aurora Kittredge Trust	-	-	263,117	263,117
Community Foundation	-	-	32,003	32,003
Jospeh Kittredge Trust	-	-	261,027	261,027
TOTAL	\$ 247,439	\$ -	\$ 556,147	\$ 803,586

	Assets at Fair Value as of March 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 24,082	\$ -	\$ -	\$ 24,082
Mutual funds:				
Europe stock	14,229	-	-	14,229
Japan stock	24,174	-	-	24,174
Large growth	54,581	-	-	54,581
Large value	39,080	-	-	39,080
Small growth	39,801	-	-	39,801
Small value	28,949	-	-	28,949
Beneficial interests:				
Aurora Kittredge Trust	-	-	237,026	237,026
Community Foundation	-	-	29,009	29,009
Jospeh Kittredge Trust	-	-	249,870	249,870
TOTAL	\$ 224,896	\$ -	\$ 515,905	\$ 740,801

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE C - INVESTMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Agency's Level 3 assets for the years ended March 31, 2018 and 2017:

<u>Level 3 Assets - Beneficial Interests as of March 31, 2018</u>	
Balance, beginning of year	\$ 515,905
Unrealized gains	15,382
Purchases	(71,161)
Sales	96,021
Balance, end of year	<u>\$ 556,147</u>

<u>Level 3 Assets - Beneficial Interests as of March 31, 2017</u>	
Balance, beginning of year	\$ 484,764
Unrealized gains	30,673
Purchases	(108,702)
Sales	109,170
Balance, end of year	<u>\$ 515,905</u>

Refundable Advances:

The Agency has established an account with the Foundation to invest their funds. These accounts enable the Foundation to solicit, receive and manage contributions to support the mission of the Agency. No variance power has been granted to the Foundation. The Agency may withdraw principal and income from the account or transfer the refundable advances to another administrator at any time, provided in all events the Trust shall honor restrictions on the use of such principal established by the donor. The Foundation has contributed \$5,000 that created an endowment fund for the Agency. The Agency, at no time, may reduce the balance of the fund below \$5,000. This amount has been recorded in the financial statements as permanently restricted net assets. The fair value of the fund was \$32,002 and \$29,009 at March 31, 2018 and 2017, respectively.

In August 2008, the Financial Standards Board issued FASB ASC 958 "Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds" (FASB ASC 958). FASB ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the UPMIFA of 2006. FASB ASC 958 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE C - INVESTMENTS (CONTINUED)

The Agency conducts activities within the Commonwealth of Pennsylvania, which has yet to adopt provisions of UPMIFA or the Uniform Management of Institutional Funds Act of 1972 (UMIFA). Therefore, the Agency follows Pennsylvania Act 141, which addresses how not-for-profit organizations can invest and spend the income from restricted endowment funds. Under the provision, an Agency must make a choice between two basic strategies:

- a) Principal and Income Act - Under this act, the Agency may only spend the restricted endowment funds' income, primarily interest and dividends, not capital gains or principal.
- b) Total Return Policy - Under this policy, the Agency may elect a "total return policy" for the determination of income from a restricted endowment. The Agency Board of Directors may elect to spend between 2% and 7% of the fair market value of the investment in the restricted endowment. The Agency calculated the value of the assets by calculating their average fair value over a three-year period. If the assets have been held less than three years the average is calculated over the period the assets have been held.

The Agency has not yet adopted Pennsylvania Act 141 and has not chosen a spending policy.

Due to the fact that the Board of Directors has not adopted either of the above strategies, the Agency automatically falls under the Principal and Income Act. However, the agreement with the Foundation specifies that the Agency may withdraw principal and income from the fund but at no time, however, may the principal balance of the fund be reduced below \$5,000. The Agency accounts for the allowable transfer as unrestricted net assets.

Following is a reconciliation of the changes to the endowment investment account which includes the \$5,000 endowment fund contributed by the Foundation for the years ended March 31, 2018 and 2017:

	Unrestricted	Endowment Permanently Restricted	Total
Beginning balance, April 1, 2017	\$ 24,009	\$ 5,000	\$ 29,009
Income and other receipts	2,832	-	2,832
Expenses and other disbursements	(303)	-	(303)
Realized and unrealized gains	464	-	464
Ending balance, March 31, 2018	\$ 27,002	\$ 5,000	\$ 32,002

	Unrestricted	Endowment Permanently Restricted	Total
Beginning balance, April 1, 2016	\$ 21,985	\$ 5,000	\$ 26,985
Income and other receipts	608	-	608
Expenses and other disbursements	(1,195)	-	(1,195)
Realized and unrealized losses	2,611	-	2,611
Ending balance, March 31, 2017	\$ 24,009	\$ 5,000	\$ 29,009

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE C - INVESTMENTS (CONTINUED)

Following is a reconciliation of the permanently restricted changes to the beneficial interest in perpetual trust for the years ended March 31, 2018 and 2017:

	<u>Aurora Kittredge</u>	<u>Joseph Kittredge</u>	<u>Total</u>
Beginning balance, April 1, 2017	\$ 237,026	\$ 249,870	\$ 486,896
Income and other receipts	5,538	11,893	17,431
Expenses and other disbursements	(4,016)	(3,000)	(7,016)
Realized gain	8,278	4,824	13,102
Unrealized gain	16,291	(2,560)	13,731
Ending balance, March 31, 2018	<u>\$ 263,117</u>	<u>\$ 261,027</u>	<u>\$ 524,144</u>
	<u>Aurora Kittredge</u>	<u>Joseph Kittredge</u>	<u>Total</u>
Beginning balance, April 1, 2016	\$ 220,007	\$ 237,771	\$ 457,778
Income and other receipts	4,993	7,513	12,506
Expenses and other disbursements	(3,102)	(2,807)	(5,909)
Realized gain	(794)	(5,527)	(6,321)
Unrealized loss	15,922	12,920	28,842
Ending balance, March 31, 2017	<u>\$ 237,026</u>	<u>\$ 249,870</u>	<u>\$ 486,896</u>

NOTE D - LINES OF CREDIT

The Agency has a \$100,000 line of credit bearing interest at 2.99% for the first six months and then prime (4.75% at March 31, 2018). There was no outstanding balance as of March 31, 2018. The line of credit is collateralized by the real property of the Agency.

The Agency had a \$50,000 line of credit bearing interest at prime plus 3.0%. There was an outstanding balance of \$20,000 as of March 31, 2017. The line of credit was collateralized by the real property of the Agency. This line was closed in November 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE E - LONG-TERM DEBT

Following is a summary of long-term debt as of March 31:

	<u>2018</u>	<u>2017</u>
3.99% note payable to bank, \$380 payable monthly including interest, collateralized by buildings, paid off November 2017	\$ -	\$ 3,071
Less current portion due within one year	-	3,071
TOTAL LONG-TERM DEBT	<u>\$ -</u>	<u>\$ -</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Restrictions on net assets related to the Success by 6® program and unrealized gains from beneficial interest in perpetual trusts. These accounts were established based on donor-restricted contributions.

NOTE G - ANNUAL CAMPAIGN FUNDRAISERS, NET

The annual campaign fundraisers consisted of the following for the years ended:

	<u>INCOME</u>	<u>EXPENSE</u>	<u>NET</u>
<u>March 31, 2018</u>			
Golf Outing	\$ 19,006	\$ 12,720	\$ 6,286
Restaurant Revue	11,320	2,175	9,145
Wing King	13,878	6,612	7,266
Silent Auction	21,367	9,249	12,118
Other	-	4	(4)
TOTAL FUNDRAISERS	<u>\$ 65,571</u>	<u>\$ 30,760</u>	<u>\$ 34,811</u>
 <u>March 31, 2017</u>			
Golf Outing	\$ 18,321	\$ 10,153	\$ 8,168
Restaurant Revue	12,055	2,436	9,619
Wing King	16,757	8,201	8,556
Silent Auction	36,321	22,860	13,461
Mud Run	3,743	1,700	2,043
Other	789	257	532
TOTAL FUNDRAISERS	<u>\$ 87,986</u>	<u>\$ 45,607</u>	<u>\$ 42,379</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE G - ANNUAL CAMPAIGN FUNDRAISERS, NET (CONTINUED)

The Silent Auction fundraiser was a joint event held with the Agency and the Greenville Area Chamber of Commerce. The Agency and the Greenville Area Chamber of Commerce agreed to split the profits from this event equally. The revenue and expenses attributed to the Agency are disclosed in the preceding fundraising event summary.

Contribution Incentive Program:

The Agency, in cooperation with a group of local businesses, has a contributor incentive program to enhance their campaign. The local businesses donated prizes for a drawing to reward contributors who meet certain requirements with regard to their campaign pledge. The additional pledges received from this contribution incentive program are recorded as support income. The values of donated prizes have not been recorded in these financial statements. The Agency will continue to maintain the contribution incentive program in the future if local businesses provide their support.

NOTE H - RENTAL INCOME

The Agency rents office space to the Commonwealth of Pennsylvania, Department of Corrections. Total lease income was \$97,059 and \$105,101 for the years ended March 31, 2018 and 2017, respectively. The lessee exercised the option to renew the lease effective December 1, 2017 for an additional year through November 30, 2018. Monthly payments are \$8,091 through November 30, 2018. The Agency also rents out additional office and garage space as requested.

The Agency has also entered into a lease agreement for the rental of the Carriage house which is a residence building located on the Agency's property. The lease requires monthly payments of \$578 through October 15, 2018. Total lease income was \$6,351 and \$6,930 for the years ended March 31, 2018 and 2017, respectively.

The Agency also entered into a six month lease agreement, which began in May 2016 and continues month-to-month thereafter, for the rental of a commercial building known as the Gatehouse located on the Agency's property. The lease requires monthly payments of \$375. Total lease income was \$4,500 and \$3,750 during the years end March 31, 2018 and 2017, respectively.

Following is a summary of rental income for each of the years following March 31, 2018:

2019	\$ 68,769
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NOTE I - OPERATING LEASES

The Agency has entered into an operating lease for a vehicle with monthly payments of \$258 through May 2016, then the monthly payment decreased to \$250 from June 2016 through May 2019. The Agency is also a lessee under three leases for office equipment. The leases call for a payment totaling \$154 per month and quarterly payments of \$336 at various dates through January 2018. Total lease expense under these operating leases was \$3,808 and \$4,740 for the years ended March 31, 2018 and 2017, respectively. The Agency has entered into a building lease for their administrative offices with monthly payments of \$1,708 per month until April 2021. The building lease can be renewed for five additional years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE I - OPERATING LEASES (CONTINUED)

Following is a summary of future minimum rental payments under operating leases that have initial or remaining non-cancellable terms in excess of one year as of March 31, 2018:

<u>Years ending March 31,</u>	<u>Amount</u>
2019	\$ 24,431
2020	21,001
2021	20,500
2022	1,708
	<u>\$ 67,640</u>

NOTE J - DEFINED CONTRIBUTION PLAN

The Agency has a defined contribution pension plan covering all eligible employees. Contributions to the plan are based on 8% of employee wages. Total pension plan contributions were \$11,753 and \$5,863 for the years ended March 31, 2018 and 2017, respectively.

NOTE K - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of unsecured campaign contributions promised and cash and cash equivalents. The Agency's ability to collect these promised campaign contributions is directly affected by economic conditions in the community from which it draws support.

The Agency invests in various securities. Investment securities are exposed to various risks such as market risk, interest rate and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect various investment account balances and the amount reported in the statements of financial position.

NOTE L - UNITED WAY OF AMERICA COST DEDUCTION STANDARDS

The expenses associated with processing donor designated pledges are recovered by an assessment for both fundraising and management and general fees based on actual historical costs in accordance with United Way of America "Cost Deduction Requirements for Membership Standard M" (Standard M).

Under Standard M, an organization is entitled to recover its fundraising costs and management and general costs, as defined in Standard M, based upon the information included on the Agency's Form 990 filed with the Internal Revenue Service (IRS). Standard M required that the cost recovery ratios for both fundraising and management and general be deducted at a rate not to exceed a three year average based on the most recent IRS Form 990.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE L - UNITED WAY OF AMERICA COST DEDUCTION STANDARDS (CONTINUED)

The following are the cost recovery ratios for the current and three year periods ended March 31, 2018, 2017 and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Fundraising:			
Current year ratio	16.26%	19.95%	23.22%
Three year average ratio	18.81%	21.09%	18.47%
Management and general:			
Current year ratio	5.98%	6.08%	8.47%
Three year average ratio	6.84%	6.54%	5.61%

The Agency charged a 12% cost recovery fee for donor designated fund distributions for the years ended March 31, 2018 and 2017. The 12% cost recovery fee consisted of 3% management and general and 9% fundraising for the years ended March 31, 2018 and 2017.

NOTE M - LAND AND BUILDINGS EXPENSE

Land and buildings expense consisted of the following for the years ended March 31:

	<u>2018</u>	<u>2017</u>
Salaries	\$ 1,496	\$ 1,595
Payroll taxes	119	135
Amortization	74	110
Bookkeeping	118	11
Depreciation	11,426	11,424
Employee benefits	287	276
Insurance	4,018	4,006
Interest	947	1,329
Pension plan contribution	118	59
Pension plan expense	13	13
Repairs and maintenance	7,379	9,787
Utilities	65	53
Yard maintenance	6,472	5,202
TOTALS	<u>\$ 32,532</u>	<u>\$ 34,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

NOTE N - SUPPORTING SERVICES

Supporting services expenditures are comprised of salaries, benefits, other employment costs, office expense, and other general administrative costs necessary for the Agency to carry out its purpose of soliciting donations for charitable purposes. The Agency incurred \$140,304 and \$174,512 for the years ended March 31, 2018 and 2017, respectively, in such costs. These costs represent approximately 14.0% and 19.0% of the total revenues generated by the Agency, thus leaving 86.0% and 81.0% of total revenues to be used for the Agency's purpose for the years ended March 31, 2018 and 2017, respectively. The Agency's goal is to raise enough funds through ancillary fundraisers and non support generated revenues annually to cover the majority of supporting services expenses. In 2018 and 2017, the Agency raised \$180,165 and \$177,221, respectively, in other revenues to help offset these expenses.

SCHEDULE OF ALLOCATIONS

UNITED WAY OF MERCER COUNTY

March 31, 2018 and 2017

<u>ALLOCATIONS</u>	<u>2018</u>	<u>2017</u>
Member agencies:		
American Red Cross	\$ 20,000	\$ 21,500
ARC of Mercer County	-	20,000
Boy Scouts of America, French Creek Council	-	3,000
Brandy Springs Park	3,500	3,500
Buhl Community Recreation Center	21,700	15,000
Catholic Charities Counseling & Adoption Center	-	14,000
Children's Aid Society	20,000	20,000
Children's Center of Mercer County	8,000	7,000
Community Counseling Center	15,000	15,000
Girl Scouts Western Pennsylvania	5,500	5,500
Good Shepherd Center	9,500	9,500
Keystone Blind Association	30,000	31,500
Lakeview Area Library	2,300	2,300
Lakeview Meals-on-Wheels	1,850	1,800
Mental Health Association of Mercer County	14,000	14,000
Mercer Area Library	8,000	7,000
Mercer County Family Center	8,000	10,000
Mercer County Juvenile Advisory Council	2,000	-
Prince of Peace Center	35,000	33,000
Salvation Army, Greenville Corp	17,000	14,000
Salvation Army, Mercer Service Unit	3,000	3,000
Salvation Army, Shenango Valley Corp	47,500	50,000
Salvation Army, Stoneboro, on behalf of Lakeview Helping Hands	2,000	2,000
Shenango Valley Community Library	8,000	4,000
Shenango Valley Urban League	40,000	40,000
Shenango Valley YMCA	28,150	24,000
TOTAL ALLOCATIONS	<u>\$ 350,000</u>	<u>\$ 370,600</u>