

**UNITED WAY OF THE RIVER CITIES, INC.
(A NON-PROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

UNITED WAY OF THE RIVER CITIES, INC.

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LIVE UNITED



United Way
of the River Cities

**Management's Report
United Way of the River Cities, Inc.
07/01/2015 to 06/30/2016 Financial Statements**

The United Way of the River Cities, Inc. (UWRC) is responsible for the preparation, integrity and fair presentation of its published financial statements. UWRC management is responsible for the reliability and objectivity of the financial statements. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management.

The Board of Directors, operating through its Finance Committee, provides oversight of the financial reporting process and safeguarding of assets against unauthorized acquisition, use, or disposition.

UWRC maintains a system of internal control over financial reporting and over safeguarding of assets which is designed to provide reasonable assurance to management, the Finance Committee, and the Board of Directors regarding the preparation of reliable published financial statements.

I, Laura P. Gilliam, Executive Director, and I, David L. Carter, Director of Finance, certify that:

1. We have reviewed these financial statements;
2. Based on our knowledge, the statements do not contain any untrue statement of a material fact, nor do they omit a material fact;
3. Based on our knowledge, the financial statements fairly present in all material respects the financial position, results of operations, changes in net assets, and cash flows of the United Way of the River Cities, Inc.; in accordance with accounting principles generally accepted in the United States of America.
4. We are responsible for establishing and maintaining a system of internal controls and procedures;
5. We are responsible for disclosing any significant deficiencies and material weaknesses in the internal controls over financial reporting, and any known fraud or allegations of fraud that involves management or other employees, of which we are not aware of any such conditions existing for the twelve (12) months ended June 30, 2016.

As of June 30, 2016, the United Way of the River Cities, Inc. believes its system of internal controls over financial reporting was effective for providing reliable financial statements.

Signed:

Laura P. Gilliam
Executive Director

David L. Carter
Director of Finance

Building Communities. Improving Lives. Making Every Contribution Count.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of the River Cities, Inc.
Huntington, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of the River Cities, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, functional expenses and cash flow for the year 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 controls 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 judgement, including the assessment of the risks of material misstatements 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 River Cities, Inc. as of June 30, 2016, and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of United Way of the River Cities, Inc. as of June 30, 2015, were audited by other auditors whose report dated January 30, 2016 expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2017, on our consideration of United Way of the River Cities, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of River Cities, Inc.'s internal control over financial reporting and compliance.

Dunn, Cooper, Adkins & Reynolds, CPAs, PLLC

February 1, 2017

UNITED WAY OF THE RIVER CITIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,241,813	\$ 1,283,209
Investment reserve portfolio	685,289	659,146
Accounts receivable	13,404	29,452
Grants receivable	27,399	28,606
Pledges receivable, net of allowance for uncollectible pledge of \$46,683 and \$49,760 in 2016 and 2015, respectively (Note 2)	326,212	340,191
Contribution receivable - charitable lead trust	-	8,462
Prepaid expenses	12,512	7,788
TOTAL CURRENT ASSETS	2,306,629	2,356,854
PROPERTY AND EQUIPMENT		
Land	260,000	260,000
Building and fixtures	538,026	536,695
Furniture and fixtures	92,781	59,791
Computers, equipment, software	122,758	110,534
Less: Accumulated depreciation	(321,947)	(326,736)
PROPERTY AND EQUIPMENT, NET	691,618	640,284
LONG-TERM ASSETS		
Beneficial interest - perpetual trust	406,040	342,330
TOTAL ASSETS	\$ 3,404,287	\$ 3,339,468
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 58,049	\$ 7,709
Agency grants payable	432,078	428,863
Agency audits payable	10,000	10,000
Designations payable	-	370
Accrued expenses	29,126	26,153
Deferred revenue	16,210	59,677
TOTAL LIABILITIES	545,463	532,772
NET ASSETS		
Unrestricted	2,443,998	2,402,467
Temporarily restricted	8,786	61,899
Permanently restricted	406,040	342,330
TOTAL NET ASSETS	2,858,824	2,806,696
TOTAL LIABILITIES AND NET ASSETS	\$ 3,404,287	\$ 3,339,468

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNITED WAY OF THE RIVER CITIES, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS:		
UNRESTRICTED REVENUES		
Campaign pledges	\$ 997,523	\$ 1,021,939
Less: Pass-through designations	(16,192)	(25,647)
Net campaign revenues	981,331	996,292
In-kind contributions	21,981	16,414
Gifts and bequests	19,029	17,569
Special events	27,653	1,650
Interest and dividend income	11,728	5,253
Grants	352,310	290,794
Program service revenue	-	28,891
TOTAL UNRESTRICTED REVENUES	1,414,032	1,356,863
Temporarily restricted net assets released from restriction:		
Satisfaction of specific grant programs	86,132	86,405
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	1,500,164	1,443,268
EXPENSES		
Program expense	1,119,119	1,107,454
Supporting services:		
Community impact	48,809	34,616
Administrative expense	197,435	177,339
Marketing expense	56,260	50,754
Fundraising expense	56,040	59,103
TOTAL EXPENSES	1,477,663	1,429,266
REALIZED AND UNREALIZED GAINS		
ON INVESTMENTS (NOTE 12)	19,030	3,751
INCREASE IN UNRESTRICTED NET ASSETS	41,531	17,753
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Temporarily restricted grants and contributions	33,019	118,604
Net assets released from restrictions	(86,132)	(86,405)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED		
NET ASSETS	(53,113)	32,199
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Net gains (losses) beneficial interest perpetual trust	63,710	(105,414)
NET ASSETS AT BEGINNING OF PERIOD	2,806,696	2,862,158
NET ASSETS AT END OF PERIOD	\$ 2,858,824	\$ 2,806,696

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNITED WAY OF THE RIVER CITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

Expenses	Program Services					
	General Campaign	CCSAPP	Education Matters	FSP	Big Cover Up	Discretionary Fund
Accounting services	\$ -	\$ 1,340	\$ 1,257	\$ 1,178	\$ -	\$ -
Advertising	-	2,566	1,972	8,498	-	-
Awards and grants	428,209	20,701	17,298	-	5,000	925
Bank service fees	1,015	112	105	99	-	-
Campaign materials	2,654	177	165	155	-	-
Contract services	-	14,701	28,773	11,774	-	-
Depreciation	-	4,905	4,600	4,310	-	-
Dues and subscriptions	-	1,191	1,238	1,046	-	-
Education and training	-	420	395	369	-	-
Equipment purchases	-	1,145	1,480	1,007	-	-
Fundraising and processing fees	8,941	-	-	-	-	-
General supplies	-	217	356	217	-	-
In-kind expense (national advertising)	-	-	-	-	-	-
Insurance and liability bond	-	810	760	712	-	-
Janitorial expense	-	725	680	637	-	-
Maintenance - facilities	2,348	2,325	2,180	2,043	-	-
Marketing materials	-	21,309	2,746	2,795	-	-
Miscellaneous	-	283	1,726	344	-	-
Office supplies	-	1,601	515	1,328	-	-
Payroll taxes and fringe benefits	-	24,189	21,501	22,536	-	-
Postage	1,277	420	168	238	-	-
Printing	-	496	1,208	938	-	-
Program supplies	-	24,265	26,365	276	-	-
Property taxes	-	3	4	4	-	-
Provision for uncollectible pledges	10,268	50	150	100	-	-
Refreshments for meetings	-	7,829	115	4,337	-	-
Salaries and wages	-	99,087	94,117	85,796	-	-
Server hosting	-	1,320	1,172	1,216	-	-
Storage expense	-	197	185	174	-	-
Telephone	-	1,353	1,269	1,189	-	-
Tokens - appreciation	-	-	-	745	-	-
Travel and meetings	4	14,260	8,790	6,383	-	-
Utilities	-	682	639	599	-	-
UWW membership	-	1,637	1,536	1,439	-	-
Website maintenance	-	565	530	496	-	-
TOTAL	\$ 454,716	\$ 250,881	\$ 223,995	\$ 162,978	\$ 5,000	\$ 925

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNITED WAY OF THE RIVER CITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

Program Services (cont'd)			Supporting Services					Total Supporting Services	Total Expenses
Lawrence 211	Stuff the Bus	Total Program	Community Impact	Fundraising	Marketing	Management & General			
\$ 1	\$ 14	\$ 3,790	\$ 891	\$ 1,013	\$ 628	\$ 3,578	\$ 6,110	\$ 9,900	
1	21	13,058	1,396	1,588	984	5,616	9,584	22,642	
-	-	472,133	-	-	-	-	-	472,133	
-	1	1,332	74	85	52	302	513	1,845	
-	2	3,153	117	133	82	470	802	3,955	
16,217	7	71,472	481	547	339	1,934	3,301	74,773	
3	49	13,867	3,259	3,707	2,297	13,108	22,371	36,238	
1	12	3,488	790	899	557	3,179	5,425	8,913	
1	4	1,189	278	317	196	1,119	1,910	3,099	
-	11	3,643	761	866	536	3,066	5,229	8,872	
-	-	8,941	-	-	-	-	-	8,941	
-	2	792	144	164	101	580	989	1,781	
-	-	-	-	-	21,981	-	21,981	21,981	
-	8	2,290	538	611	379	2,163	3,691	5,981	
-	7	2,049	481	547	339	1,934	3,301	5,350	
1	23	8,920	1,544	1,756	1,088	6,208	10,596	19,516	
1,012	27	27,889	1,758	2,000	1,239	7,069	12,066	39,955	
-	2	2,355	187	213	132	755	1,287	3,642	
-	4	3,448	265	303	187	1,068	1,823	5,271	
15	241	68,482	7,146	8,128	5,036	28,724	49,034	117,516	
9	1	2,113	102	116	72	410	700	2,813	
-	-	2,642	3	4	2	17	26	2,668	
-	66	50,972	-	-	-	-	-	50,972	
-	-	11	3	2	2	9	16	27	
-	-	10,568	-	-	-	-	-	10,568	
31	-	12,312	173	600	-	1,847	2,620	14,932	
78	1,014	280,092	24,121	27,434	17,001	96,958	165,514	445,606	
1	12	3,721	777	884	548	3,125	5,334	9,055	
-	2	558	130	148	92	527	897	1,455	
1	14	3,826	899	1,023	634	3,614	6,170	9,996	
-	-	745	-	117	-	40	157	902	
1,593	84	31,114	576	655	406	2,315	3,952	35,066	
1	7	1,928	453	515	319	1,820	3,107	5,035	
1	16	4,629	1,087	1,238	766	4,372	7,463	12,092	
-	6	1,597	375	427	265	1,508	2,575	4,172	
<u>\$ 18,967</u>	<u>\$ 1,657</u>	<u>\$ 1,119,119</u>	<u>\$ 48,809</u>	<u>\$ 56,040</u>	<u>\$ 56,260</u>	<u>\$ 197,435</u>	<u>\$ 358,544</u>	<u>\$ 1,477,663</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNITED WAY OF THE RIVER CITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

Expenses	Program Services					
	General Campaign	CCSAPP	Education Matters	FSP	Big Cover Up	Discretionary Fund
Accounting services	\$ -	\$ 1,651	\$ 1,256	\$ 1,017	\$ -	\$ -
Advertising	-	14,158	77	63	-	-
Awards and grants	423,776	3,056	5,128	-	9,847	-
Bank service fees	839	96	73	59	-	-
Campaign materials	2,800	440	1,471	220	-	-
Contract services	-	4,419	7,412	7,990	-	-
Depreciation	-	4,295	3,268	2,645	-	-
Dues and subscriptions	-	1,940	1,108	830	-	-
Education and training	-	-	-	-	-	-
Equipment purchases	-	1,731	1,317	1,143	-	-
Fundraising and processing fees	2,523	-	-	-	-	-
General supplies	-	554	388	340	-	-
In-kind expense (national advertising)	-	-	-	-	-	-
Insurance and liability bond	-	981	747	604	-	-
Janitorial expense	-	852	648	525	-	-
Maintenance - facilities	1,976	907	691	559	-	-
Marketing materials	-	6,739	4,939	15,901	-	-
Miscellaneous	-	84	64	52	-	300
Office supplies	-	1,174	593	1,205	-	-
Payroll taxes and fringe benefits	-	25,989	16,202	18,084	-	-
Postage	911	517	241	278	4	-
Printing	-	923	249	946	-	-
Program supplies	-	17,655	13,472	1,340	-	-
Property taxes	-	4	4	3	-	-
Provision for uncollectible pledges	40,198	-	-	-	-	-
Refreshments for meetings	-	180	-	3,070	-	-
Salaries and wages	-	129,926	102,445	77,932	-	-
Server hosting	-	978	744	602	-	-
Storage expense	-	71	54	44	-	-
Telephone	-	1,674	1,274	1,882	-	-
Tokens - appreciation	-	-	-	302	-	-
Travel and meetings	122	19,765	8,954	11,499	-	723
Utilities	-	1,150	875	708	-	-
UWW membership	-	1,497	1,140	922	-	-
Website maintenance	-	862	708	542	-	-
TOTAL	\$ 473,145	\$ 244,268	\$ 175,542	\$ 151,307	\$ 9,851	\$ 1,023

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNITED WAY OF THE RIVER CITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

Program Services (cont'd)			Supporting Services					Total Supporting Services	Total Expenses
Lawrence 211	Power of the Purse	Total Program	Community Impact	Fundraising	Marketing	Management & General			
\$ -	\$ -	\$ 3,924	\$ 654	\$ 1,007	\$ 652	\$ 3,263	\$ 5,576	\$ 9,500	
-	-	14,298	39	61	39	200	339	14,637	
-	18,655	460,462	-	-	-	-	-	460,462	
-	28	1,095	38	59	38	191	326	1,421	
-	879	5,810	141	217	140	704	1,202	7,012	
29,800	-	49,621	165	255	165	826	1,411	51,032	
-	-	10,208	1,703	2,621	1,697	8,497	14,518	24,726	
101	-	3,979	511	787	509	2,550	4,357	8,336	
-	-	-	-	5,115	-	4,880	9,995	9,995	
-	-	4,191	686	1,056	684	3,423	5,849	10,040	
-	-	2,523	-	-	-	-	-	2,523	
-	-	1,282	201	310	201	1,007	1,719	3,001	
-	-	-	-	-	16,414	-	16,414	16,414	
-	-	2,332	388	598	387	1,940	3,313	5,645	
-	-	2,025	337	519	336	1,682	2,874	4,899	
-	-	4,133	359	553	358	1,793	3,063	7,196	
393	-	27,972	2,574	3,962	2,565	12,838	21,939	49,911	
-	-	500	32	50	32	162	276	776	
51	-	3,023	211	326	210	1,053	1,800	4,823	
-	-	60,275	4,808	7,401	4,791	23,972	40,972	101,247	
15	447	2,413	91	140	90	454	775	3,188	
-	-	2,118	3	4	3	16	26	2,144	
-	1,837	34,304	-	-	-	-	-	34,304	
-	-	11	2	2	2	8	14	25	
-	-	40,198	149	585	-	458	1,192	41,390	
54	-	3,304	-	-	-	-	-	3,304	
-	-	310,303	18,070	27,808	18,006	90,081	153,965	464,268	
-	-	2,324	387	596	386	1,933	3,302	5,626	
-	-	169	27	43	27	140	237	406	
17	-	4,847	663	1,021	661	3,308	5,653	10,500	
-	-	302	10	362	-	149	521	823	
26	-	41,089	990	1,523	986	4,936	8,435	49,524	
-	-	2,733	455	701	455	2,272	3,883	6,616	
-	-	3,559	593	914	591	2,960	5,058	8,617	
-	15	2,127	329	507	329	1,643	2,808	4,935	
<u>\$ 30,457</u>	<u>\$ 21,861</u>	<u>\$ 1,107,454</u>	<u>\$ 34,616</u>	<u>\$ 59,103</u>	<u>\$ 50,754</u>	<u>\$ 177,339</u>	<u>\$ 321,812</u>	<u>\$ 1,429,266</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNITED WAY OF THE RIVER CITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 52,128	\$ (55,462)
Adjustments to reconcile change in net assets		
Depreciation	36,238	24,726
Loss on abandoned fixed assets	1,417	-
(Increase) in value of investment reserve portfolio	(26,143)	-
(Increase) in value of investment held by UWRC Foundation, Inc.	-	(3,751)
(Gain) loss on the beneficial interest - perpetual trust	(63,710)	105,414
Decrease (increase) in pledges receivable	13,979	42,482
Decrease (increase) in accounts receivable	16,048	75,790
Decrease (increase) in grants receivable	1,207	152
Decrease (increase) in beneficial interest - charitable trust	8,462	-
Decrease (increase) in prepaid expenses	(4,724)	(289)
(Decrease) increase in grants payable	3,215	(8,549)
(Decrease) increase in designations payable	(370)	(3,367)
(Decrease) increase in accounts payable and accrued expenses	53,313	(6,995)
(Decrease) increase in deferred revenue	(43,467)	(87,197)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	47,593	82,954
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(659,146)
Proceeds from sale of investments	-	173,891
Purchase of fixed assets	(88,989)	(7,480)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(88,989)	(492,735)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(41,396)	(409,781)
 CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,283,209	1,692,990
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 1,241,813	\$ 1,283,209

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Way of the River Cities, Inc. (the Organization) is a local non-profit organization with a mission to partner with our diverse and united community to solve its greatest needs. Working together, the Board of Directors, staff and volunteers employ multiple strategies to achieve the Organization's mission and vision. The Board oversees all aspects of the Organization, including funding decisions. The Organization works with funded partners and other organizations to address issues within four main Focus Areas -- Education, Income, Health, and Safety Net Services. In addition to providing funding to funded partners, the Organization supports four initiatives:

- Cabell County Substance Abuse Prevention Partnership (CCSAPP) – Cabell County Substance Abuse Prevention Partnership (CCSAPP) is a community coalition that works to reduce local substance abuse with strong collaborative partnerships and community ownership, using awareness, education and community-wide solutions. CCSAPP works to raise community awareness; provide substance abuse education; increase community access to substance abuse prevention information and promote efforts to decrease risk factors and increase protective factors for Cabell County youth. CCSAPP works closely with Cabell County Schools on prevention efforts.
- Financial Stability Partnership (FSP) – FSP is a community collaboration that seeks to end poverty in the community. FSP implements the IRS VITA program, which provides trained volunteers to complete tax returns for the income-qualifying individuals. The initiative also conducts youth and adult literacy trainings and workshops, and asset building activities to increase the financial stability of families in the region. The coalition consists of for-profit and non-profit organizations throughout the five-county service area.
- Education Initiative – UWRC's Education initiative is a community collaboration that works on a continuum to ensure that children succeed. Early childhood efforts focus on early brain development and preparing children for kindergarten through the Success by 6 and Brain Under Construction Zone programs. Education Matters addresses dropout prevention by focusing on successful transitions into middle and high school, and by deploying Americorps mentors in the middle schools to work with at-risk youth.

Financial Statement Presentation

Under generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence or absence of donor-imposed restrictions. At June 30, 2016 and 2015, the Organization had unrestricted, temporarily restricted and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature or any donor restrictions.

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Campaign Funds

Annual campaigns are conducted to raise support for funded partners in the subsequent funding year. Grants/awards to funded partners approved prior to the funding year are deducted from the designated annual campaign support and are reported as liabilities until paid. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made.

Joint Costs

During the years June 30, 2016 and 2015, the Organization incurred joint costs for salaries and benefits and other costs for the fund raising campaign and the administration of said campaign. These costs were allocated to program, fund raising, marketing, and management and general expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities held within the investment portfolio with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in unrestricted net assets in the reporting period in which the income and gains are recognized.

Contribution Receivable-Charitable Lead Trust

The Organization's beneficial interest in a charitable lead trust was recorded as a temporarily restricted net asset when the Organization was notified of the trust's existence. The assets for the contribution receivable from the trust consist of securities and are held and managed by a local bank, and the Organization has no control over those assets. Changes in the fair value of the contribution receivable are reflected in the temporarily restricted class of net assets. Distributions from the trust are reflected as reductions in the contribution receivable and reclassifications from temporarily restricted to unrestricted net assets.

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Beneficial Interest Perpetual Trust

The Organization's beneficial interest – perpetual trust is comprised of a 1986 donor established trust from which the Organization receives a percentage of the trust's income for its unrestricted use. The fair value of the Organization's beneficial interest in the perpetual trust is reported in the statement of financial position as a permanently restricted net asset.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation for financial reporting purposes is computed on the straight-line method over the estimated useful lives of the various assets between three and forty years.

Contributed Assets

Donations of miscellaneous items are recorded as contributions at their estimated fair value at the date of donation. It is the Organization's policy to imply a time restriction, based on the assets useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year in the amount of expense relating to the donation of the miscellaneous assets.

In-Kind Contributions

During the year ended June 30, 2016, the value of in-kind contributions meeting the requirements for recognition in the financial statements was \$21,981. In-kind contributions resulted from national advertising provided by United Way Worldwide.

Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition. The Organization receives more than 1,500 volunteer hours per year.

Functional Allocation of Expenses

The cost of providing United Way of the River Cities, Inc.'s various programs and supportive services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes

United Way of the River Cities, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified by the Internal Revenue Service as other than a private foundation. The Organization's Forms 990, Returns of Organization Exempt from Income Tax are subject to examination by the IRS, generally, for three years after they are filed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Campaign Materials

The Organization uses campaign material to promote its campaign and its programs among the audiences it serves. The costs of marketing and printing these campaign materials are expensed as incurred. During the years ended June 30, 2016 and 2015, campaign materials cost \$43,910 and \$56,923, respectively.

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – PLEDGES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

The allowance for uncollectible pledges is based on historical statistical information and management’s judgement of uncollectible pledges for the current campaign year. The allowance is calculated by using a sliding three year analysis. Within this analysis, consideration is given to the previous allowance booked plus subsequent write-offs to provide an actual write-off to pledges made. Management believes that the allowance will be adequate to absorb all withdrawn pledges.

As of June 30, 2016, pledges receivable and related allowances were as follows:

	2015	2014	
	<u>Campaign</u>	<u>Campaign</u>	<u>Total</u>
Pledges receivable	\$363,021	\$ 9,874	\$372,895
Allowance for uncollectible pledges	<u>(44,480)</u>	<u>(2,203)</u>	<u>(46,683)</u>
NET PLEDGES RECEIVABLE	<u><u>\$318,541</u></u>	<u><u>\$ 7,671</u></u>	<u><u>\$326,212</u></u>

As of June 30, 2015, pledges receivable and related allowances were as follows:

	2014	2013	
	<u>Campaign</u>	<u>Campaign</u>	<u>Total</u>
Pledges receivable	\$384,011	\$ 5,940	\$389,951
Allowance for uncollectible pledges	<u>(45,337)</u>	<u>(4,423)</u>	<u>(49,760)</u>
NET PLEDGES RECEIVABLE	<u><u>\$338,674</u></u>	<u><u>\$ 1,517</u></u>	<u><u>\$340,191</u></u>

NOTE 3 – CONTRIBUTION RECEIVABLE – CHARITABLE TRUST

During 2000, a donor established a trust with a local bank naming the Organization as a beneficiary of a charitable lead annuity trust. Under terms of the split-interest agreement, the Organization is to receive \$305,000 from the trust over a fifteen year period expiring in 2015 with annual payments varying based on the trust agreement. At the time of the expiration of the trust, the trust is to terminate and the remaining trust assets are to be distributed to others. The present value of future benefits expected to be received by the Organization was estimated to be \$192,899, based on utilizing the federal discount rate of 6% at the time the trust was established. This was originally recorded in 2000 as a temporarily restricted contribution and as a contribution receivable-charitable lead trust. The Organization received \$8,462 and \$0 from the trust in the years ended June 30, 2016 and 2015. These receipts are recorded as reductions to the receivable with a corresponding reclassification from temporarily restricted to unrestricted net assets. Additionally, the trust is revalued at the end of each period to reflect changes to the discount rate.

Related activity for the years ended June 30, 2016, was as follows:

Contributions receivable (net of unamortized discount of \$22) at June 30, 2015	\$	8,462
Less: Payments received		<u>(8,462)</u>
Contributions receivable at June 30, 2016	<u>\$</u>	<u>-</u>

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2016 and 2015 is summarized by major classification as follows:

		<u>2016</u>	
		<u>Cost</u>	<u>Accumulated Depreciation</u>
Land		\$ 260,000	\$ -
Buildings		538,026	200,047
Furniture and fixtures		92,781	25,140
Computers, equipment and software		<u>122,758</u>	<u>96,760</u>
Totals		<u>\$ 1,013,565</u>	<u>\$ 321,947</u>

		<u>2015</u>	
		<u>Cost</u>	<u>Accumulated Depreciation</u>
Land		\$ 260,000	\$ -
Buildings		536,695	186,601
Furniture and fixtures		59,791	48,759
Computers, equipment and software		<u>110,534</u>	<u>91,376</u>
Totals		<u>\$ 967,020</u>	<u>\$ 326,736</u>

Depreciation expense for the years ended June 30, 2016 and 2015, totaled \$36,238 and \$24,726 respectively.

NOTE 5 – TRANSFER OF ASSETS TO RECIPIENT ORGANIZATIONS

The Organization raises monies which helps support 27 programs of 24 Funded Partners throughout the Cabell, Wayne, Lincoln and Mason Counties in West Virginia and Lawrence County in Ohio. The Organization includes these amounts in program expenses in the statement of activities for the respective year's campaign.

NOTE 6 – FUNDS DESIGNATED FOR CURRENT GRANTS AND ADMINISTRATIVE COSTS

Historically, it has been a policy of United Way of the River Cities, Inc. to designate a balance of net assets (funds) on hand to handle current grants and administrative costs. As of June 30, 2016 and 2015, the designated net asset balances were within these specifications.

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – EMPLOYEE BENEFIT PLANS

403(b) Defined Contribution Plan

United Way of the River Cities, Inc. approved a Section 403(b) defined contribution plan in 2012. The plan covers all employees who are 21 years of age or older with one year of service eligibility measured from the first day of the year in which the employee has completed 1,000 hours of employment. The employer matches the employee's contribution to the plan up to 4% of the employee's salary. The employees become vested after three years of service. Total contributions to the plan including administrative costs were \$12,270 and \$11,550 for the years ended June 30, 2016 and 2015.

Medical Insurance (Premium Only Plan)

United Way of the River Cities, Inc. established in May 1991 a pre-tax medical insurance plan whereby health insurance premiums are deducted from employee's earnings before payroll taxes thus saving the employee federal and state income taxes as well as FICA taxes on the amount of the insurance premium withheld. All full-time employees electing health insurance coverage are eligible to participate. The Plan qualifies under Section 125 of the Internal Revenue Code.

NOTE 8 – RELATED ORGANIZATION

In an effort to offset campaign and administrative expenses with funds from other than campaign pledges, a separate entity was established through the contribution of securities by certain individuals, thus creating United Way of the River Cities Foundation, Inc.

During the years ended June 30, 2016 and 2015, no transfers from United Way of the River Cities, Inc. to the Foundation occurred. However, in 2016 and 2015, \$91,296 and \$90,708 were transferred from the Foundation to the United Way of the River Cities, Inc. The transfers were to help offset the administrative costs of the Organization.

NOTE 9 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in checking, savings and money market accounts as well as certificate of deposits at various banking institutions throughout the Tri-State area in which it conducts its campaigns. Accounts at each institution are insured by the Federal Deposit Insurance Corporation.

The Organization at various times throughout the year, maintained deposits in excess of federally insured limits. Accounting Standards Codification Topic 825-10-50 identifies these items as a concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality institutions. Bank balances on deposit June 30, 2016 and 2015, totaled of \$1,296,224 and \$1,720,254, respectively.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of the aforementioned temporary cash investments and pledges receivable. Concentrations of credit risk with respect to pledges receivable are due to contributors' dispersions across an economically analogous geographic area. A change in the economic climate could alter the collections of the current receivables and could affect the ability to raise funds for future campaigns.

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization has a number of financial instruments, consisting of cash, pledges receivable and contributions receivable, money market funds, and marketable securities. The Organization estimates that the fair value of these financial instruments at June 30, 2016 and 2015, does not materially differ from the aggregated carrying values of its financial instruments recorded in the accompanying statement of financial position.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization uses appropriate valuation techniques based on the inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Investments at June 30, 2016 and 2015, are reported at fair value in the accompanying statement of financial position using quoted prices in active markets for identical assets (Level 1). According to FASB ASC 820-10-35-58, if an organization will never be able to redeem its investment at the net asset value per share, as is the case in a perpetual trust, the measurement should be categorized as a Level 3 fair value measurement

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS - CONTINUED

Assets at Fair Value on a Recurring Basis

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2016 and 2015, are as follows:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
	<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Investment Revenue Portfolio				
Cash and cash equivalents	\$ 685,289	\$685,289	\$ -	\$ -
Other Assets:				
Beneficial interest - perpetual trust	406,040	-	-	406,040
Total	<u>\$ 1,091,329</u>	<u>\$685,289</u>	<u>\$ -</u>	<u>\$406,040</u>
	<u>Total</u>	<u>Fair Value Measurements Using</u>		
	<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Investment Revenue Portfolio				
Cash and cash equivalents	\$ 659,146	\$659,146	\$ -	\$ -
Other Assets:				
Contributions receivable - charitable lead trust	8,462	8,462	-	-
Beneficial interest - perpetual trust	342,330	-	-	342,330
Total	<u>\$ 1,009,938</u>	<u>\$667,608</u>	<u>\$ -</u>	<u>\$342,330</u>

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the years ended June 30, 2016 and 2015.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The Organization has no assets or liabilities that are recorded at fair value on a nonrecurring basis.

NOTE 11 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors and omissions, injuries to employees; employees' health and life and natural disasters. The Organization manages these risks of loss through the purchase of various insurance policies. Additionally, numerous internal controls and policies and procedures are put in place to mitigate such risks.

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – INVESTMENT HELD BY UNITED WAY OF THE RIVER CITIES FOUNDATION, INC.

In 1998, the Organization transferred \$200,000 to the United Way of the River Cities Foundation, Inc. to invest for the Organization for the following restrictive purposes: 1) \$100,000 in the event that the Organization's respective year's campaign does not reach its goal due to an economic down-turn or if the Agency has a local emergency, and 2) \$100,000 to be used for a local natural disaster such as floods, fires and tornadoes. These funds are only to be distributed to the Organization's agencies and not directly to individuals. Earnings from the investments are added to the corpus of these funds each year based on the Foundation's rate of return. In 2010, due to an economic down-turn, the United Way of the River Cities, Inc. transferred \$131,481 of the invested funds back to be used to meet current needs. The amount represents the initial \$100,000, designated to be used if the campaign did not reach goal, plus accumulated investment earnings. In 2015 the Organization's Board voted to change the designation of the remaining \$100,000, plus earnings, to investment funds and accordingly, those funds were removed from the Foundation's portfolio and included with other investments to fund the Organization's new investment reserve portfolio.

Earnings amounted to \$0 and \$3,751 for the years ended June 30, 2016 and 2015. The total value of United Way of the River Cities, Inc.'s investment with the United Way of the River Cities Foundation, Inc. was \$0 and \$0 at June 30, 2016 and 2015, respectively.

The earnings of \$19,030 shown on the statement of activities for the year ended June 30, 2016 are not related to the investment held by the United Way of the River Cities Foundation, Inc., but instead, are related to the Organization's new investment reserve portfolio.

NOTE 13 – BENEFICIAL INTEREST OF PERPETUAL TRUST

In 1986, a donor established a trust with a local bank naming the Organization as a beneficiary of the charitable trust upon the benefactor's death; payments from this trust started in 1996. Under terms of the split-interest agreement, the Organization is to receive 12.5% of the trust's income annually for its unrestricted use. The Organization reports the interest in the trust using the fair value of the trust's assets as determined by quoted market price, with the fair value change reported as a change in beneficial interest of permanently restricted net assets in the *statement of activities* which was \$63,710 and (\$105,414) for the years ended June 30, 2016 and 2015, respectively. The measurement for a beneficial interest in a perpetual trust is categorized at Level 3 fair value measurement because the Organization is not to receive the Trust's assets. The fair value of the trust is reported in the statement of financial position as beneficial interest in perpetual trust and as a permanently restricted net asset. The Organization recorded \$19,029 and \$17,569 unrestricted net income in the years ended June 30, 2016 and 2015, respectively.

UNITED WAY OF THE RIVER CITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – FEDERAL FINANCIAL ASSISTANCE

The Organization has been awarded a grant from the U.S. Department of Health and Human Services, Drug Free Communities Support Program to provide funding for the Drug Free Community Project. The grant is considered to be an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

Grant activity for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Reimbursable expenses, beginning of period	\$ -	\$ -
Grant receipts	59,886	117,204
Grant expenditures	(59,886)	(117,204)
Reimbursable expenses, end of period	\$ -	\$ -

NOTE 15 – SUBSEQUENT EVENTS

The Organization applied for years 6 – 10 of the Drug Free Communities (DFC) Support Program grant to the Department of Health and Human Services (DHHS) Substance Abuse and Mental Health Services Administration (SAMHSA) Center for Substance Abuse Prevention (see Note 14). The original grant was a five (5) year grant from September 30, 2010 through September 29, 2015. The Organization received notice in September 2015 that DHHS SAMHSA did not approve the application. The Organization made operational adjustments to ensure that most of the services provided by the DFC grant would continue. The Organization reapplied for the DFC grant during 2016, and they were approved for an additional \$125,000 per year from September 30, 2016 through September 29, 2021.

Subsequent events have been evaluated through February 1, 2017, which is the date these financial statements were available to be issued.

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

To the Board of Directors
United Way of the River Cities, Inc.
Huntington, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of the River Cities, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered United Way of the River Cities, Inc.’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of The River Cities, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of the Report

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

February 1, 2017