



UNITED WAY OF THE VIRGINIA PENINSULA

FINANCIAL REPORT

JUNE 30, 2017

UNITED WAY OF THE VIRGINIA PENINSULA

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Directors of
United Way of the Virginia Peninsula
Newport News, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of the Virginia Peninsula, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Virginia Peninsula as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PB Mares, LLP

Newport News, Virginia
November 9, 2017

FINANCIAL STATEMENTS

UNITED WAY OF THE VIRGINIA PENINSULA

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,221,986	\$ 1,790,599
Pledges receivable	2,032,912	2,169,486
Less provision for uncollectibles	(391,226)	(327,645)
Operating receivables	6,066	146,438
Other current assets	18,068	20,482
Total current assets	2,887,806	3,799,360
Other Assets		
Investments	4,755,944	4,312,752
Property and equipment, net of accumulated depreciation	73,498	20,626
Total other assets	4,829,442	4,333,378
Total assets	\$ 7,717,248	\$ 8,132,738
LIABILITIES AND NET ASSETS		
Current liabilities		
Allocations and designations payable	\$ 2,400,656	\$ 2,682,305
Operating payables	610,045	797,117
Other liabilities	87,939	97,172
Total current liabilities	3,098,640	3,576,594
Net Assets		
Unrestricted		
Unappropriated	2,787,770	2,727,144
Board appropriated	1,800,000	1,800,000
Temporarily restricted	30,838	29,000
Total net assets	4,618,608	4,556,144
Total liabilities and net assets	\$ 7,717,248	\$ 8,132,738

UNITED WAY OF THE VIRGINIA PENINSULA

STATEMENT OF ACTIVITIES Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Gross campaign results	\$ 4,544,173	\$ 30,838	\$ 4,575,011
Less donor designations	(1,665,300)	-	(1,665,300)
Less provision for uncollectibles	(218,688)	-	(218,688)
Net campaign revenue	2,660,185	30,838	2,691,023
Contributions related to prior year's campaign	24,697	-	24,697
Other contributions	114,926	-	114,926
Service fees	120,565	-	120,565
Investment income	79,690	-	79,690
Unrealized gain on investments	362,618	-	362,618
Realized gain on investments	17,333	-	17,333
Miscellaneous income	2,651	-	2,651
Net assets released from restrictions	29,000	(29,000)	-
Total public support and revenue	3,411,665	1,838	3,413,503
Expenses			
Program services			
Gross funds awarded/distributed	3,636,179	-	3,636,179
(Less donor designations)	(1,665,300)	-	(1,665,300)
Net funds awarded/distributed	1,970,879	-	1,970,879
United Way of America dues	25,053	-	25,053
Allocation services	359,170	-	359,170
Collective impact	299,862	-	299,862
Total program services	2,654,964	-	2,654,964
Supporting services			
Organizational administration	333,331	-	333,331
Fundraising	343,768	-	343,768
United Way of America dues	18,976	-	18,976
Total supporting services	696,075	-	696,075
Total Expenses	3,351,039	-	3,351,039
Change in Net Assets	60,626	1,838	62,464
Net Assets Beginning	4,527,144	29,000	4,556,144
Net Assets Ending	\$ 4,587,770	\$ 30,838	\$ 4,618,608

UNITED WAY OF THE VIRGINIA PENINSULA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Gross campaign results	\$ 4,828,225	\$ 29,000	\$ 4,857,225
Less donor designations	(1,873,522)	-	(1,873,522)
Less provision for uncollectibles	(168,607)	-	(168,607)
Net campaign revenue	2,786,096	29,000	2,815,096
Contributions related to prior year's campaign	159,648	-	159,648
Other contributions	61,697	-	61,697
Service fees	186,494	-	186,494
Investment income	74,567	-	74,567
Unrealized loss on investments	(214,638)	-	(214,638)
Realized gain on investments	98,288	-	98,288
Miscellaneous income	1,806	-	1,806
Total public support and revenue	3,153,958	29,000	3,182,958
Expenses			
Program services			
Gross funds awarded/distributed	3,819,522	-	3,819,522
(Less donor designations)	(1,873,522)	-	(1,873,522)
Net funds awarded/distributed	1,946,000	-	1,946,000
United Way of America dues	8,214	-	8,214
Allocation services	167,602	-	167,602
Total program services	2,121,816	-	2,121,816
Supporting services			
Organizational administration	591,650	-	591,650
Fundraising	294,406	-	294,406
Marketing and communications	109,087	-	109,087
United Way of America dues	37,779	-	37,779
Total supporting services	1,032,922	-	1,032,922
Total Expenses	3,154,738	-	3,154,738
Change in Net Assets	(780)	29,000	28,220
Net Assets Beginning	4,527,924	-	4,527,924
Net Assets Ending	\$ 4,527,144	\$ 29,000	\$ 4,556,144

UNITED WAY OF THE VIRGINIA PENINSULA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL
	Allocation Services	Collective Impact	TOTAL	Organizational Administration	Fundraising	TOTAL	
Expenses							
Salaries	\$ 230,407	\$ 212,016	\$ 442,423	\$ 118,879	\$ 216,212	\$ 335,091	\$ 777,514
Payroll taxes	16,748	15,411	32,159	8,641	15,716	24,357	56,516
Employee benefits	29,368	27,025	56,393	15,153	27,559	42,712	99,105
	276,523	254,452	530,975	142,673	259,487	402,160	933,135
Advertising	3,651	2,119	5,770	1,188	11,359	12,547	18,317
Combined Federal Campaign	-	-	-	122,580	-	122,580	122,580
Community relations and events	22,669	426	23,095	2,163	6,133	8,296	31,391
Dues and subscriptions	1,006	190	1,196	220	193	413	1,609
Equipment rental	1,113	1,024	2,137	574	1,279	1,853	3,990
Equipment repairs and maintenance	5,719	4,264	9,983	2,391	4,348	6,739	16,722
Insurance	2,573	2,368	4,941	1,328	2,415	3,743	8,684
Miscellaneous	457	368	825	4,185	2,523	6,708	7,533
Occupancy	18,673	17,183	35,856	9,635	17,523	27,158	63,014
Postage and shipping	1,580	1,454	3,034	837	1,483	2,320	5,354
President auto	1,663	1,188	2,851	953	1,318	2,271	5,122
Printing and copying	2,922	1,370	4,292	768	17,041	17,809	22,101
Professional fees	-	-	-	32,519	-	32,519	32,519
Supplies	-	-	-	3,219	1,498	4,717	4,717
Telephone and networks	2,186	2,011	4,197	1,128	2,051	3,179	7,376
Training and travel	8,282	2,102	10,384	1,732	5,589	7,321	17,705
Unemployment	7,182	6,609	13,791	3,706	6,740	10,446	24,237
	356,199	297,128	653,327	331,799	340,980	672,779	1,326,106
Depreciation expense	2,971	2,734	5,705	1,532	2,788	4,320	10,025
	359,170	299,862	659,032	333,331	343,768	677,099	1,336,131
United Way of America Dues	13,047	12,006	25,053	6,732	12,244	18,976	44,029
Allocations/Awards	3,636,179	-	3,636,179	-	-	-	3,636,179
(Less donor designations)	(1,665,300)	-	(1,665,300)	-	-	-	(1,665,300)
Total Expenses	\$ 2,343,096	\$ 311,868	\$ 2,654,964	\$ 340,063	\$ 356,012	\$ 696,075	\$ 3,351,039

See Notes to Financial Statements.

UNITED WAY OF THE VIRGINIA PENINSULA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL
	Allocation Services	Organizational Administration	Fundraising	Marketing and Communications	Fundraising	Marketing and Communications	
Expenses							
Salaries	\$ 122,344	\$ 304,793	\$ 178,256	\$ 79,630	\$ 562,679	\$ 685,023	
Payroll taxes	8,149	20,302	11,874	5,304	37,480	45,629	
Employee benefits	17,730	44,169	25,832	11,540	81,541	99,271	
	148,223	369,264	215,962	96,474	681,700	829,923	
Advertising	-	-	7,394	-	7,394	7,394	
Combined Federal Campaign	-	122,020	-	-	122,020	122,020	
Community relations and events	-	-	3,097	-	3,097	3,097	
Dues and subscriptions	21	167	31	14	212	233	
Equipment rental	310	772	451	202	1,425	1,735	
Equipment repairs and maintenance	2,329	5,801	3,393	1,516	10,710	13,039	
Insurance	1,345	3,350	1,959	875	6,184	7,529	
Miscellaneous	-	6,130	28,711	-	34,841	34,841	
Occupancy	7,924	19,741	11,545	5,158	36,444	44,368	
Postage and shipping	-	3,882	-	-	3,882	3,882	
President auto	2,614	6,511	3,808	1,701	12,020	14,634	
Printing and copying	-	2,690	10,285	-	12,975	12,975	
Professional fees	-	30,738	-	-	30,738	30,738	
Supplies	-	2,196	725	-	2,921	2,921	
Telephone and networks	1,044	2,600	1,521	679	4,800	5,844	
Training and travel	1,370	9,756	1,996	892	12,644	14,014	
Utilities	122	303	177	79	559	681	
Depreciation expense	165,302	585,921	291,055	107,590	984,566	1,149,868	
	2,300	5,729	3,351	1,497	10,577	12,877	
	167,602	591,650	294,406	109,087	995,143	1,162,745	
United Way of America Dues	8,214	20,464	11,968	5,347	37,779	45,993	
Allocations/Awards	3,819,522	-	-	-	-	3,819,522	
(Less donor designations)	(1,873,522)	-	-	-	-	(1,873,522)	
Total Expenses	\$ 2,121,816	\$ 612,114	\$ 306,374	\$ 114,434	\$ 1,032,922	\$ 3,154,738	

See Notes to Financial Statements.

UNITED WAY OF THE VIRGINIA PENINSULA

STATEMENTS OF CASH FLOWS Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ 62,464	\$ 28,220
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	10,025	12,877
Net realized and unrealized (gain) loss on investments	(379,951)	116,350
Loss on disposal of property and equipment	7,859	-
Provision for uncollectibles	218,688	168,607
Changes in assets and liabilities:		
Pledges receivable	(18,533)	(44,049)
Operating receivables	140,372	54,793
Other current assets	2,414	1,692
Operating payables	(187,072)	(182,014)
Other liabilities	(9,233)	49,951
Allocations and designations payable	(281,649)	(612,309)
Net cash used in operating activities	(434,616)	(405,882)
Cash Flows From Investing Activities		
Proceeds from the sale of investments	211,525	4,725,138
Purchases of investments	(274,766)	(4,473,089)
Payments for the purchase of property and equipment	(70,756)	(16,412)
Net cash provided by (used in) investing activities	(133,997)	235,637
Net decrease in cash and cash equivalents	(568,613)	(170,245)
Cash and Cash Equivalents		
Beginning	1,790,599	1,960,844
Ending	\$ 1,221,986	\$ 1,790,599

UNITED WAY OF THE VIRGINIA PENINSULA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization: The United Way of the Virginia Peninsula (UWVP) is a nonprofit corporation chartered under the laws of the Commonwealth of Virginia. The UWVP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is an organization that is not a private foundation under Section 170(b)(1)(A)(vi).

The UWVP conducts fundraising campaigns, acts as an administrative agent and distributes funds to human service agencies in Hampton Roads according to donor designations and Community Investment Team recommendations.

In November of 2016, UWVP hired a consultant to assist staff in conducting a needs assessment. A comprehensive study of UWVP's service area gathered demographic, income, diversity, and economic realities data. Over 4,000 individuals were polled and focus groups, facilitated by staff, with leaders of key sectors in our community were conducted. Poverty emerged as the most pressing issue. The assessment led to UWVP's "Pathways Out of Poverty", a community-led collective impact agenda focused on 'Ten Community Aspirations' representing the interrelated building blocks of a better life.

On June 21, 2017, UWVP convened over 250 community members to discuss "Pathways Out of Poverty". During this community forum, breakout sessions focused on each of the 'Ten Community Aspirations'. Notes were compiled into a report and distributed to the community. This report continues to shape 'Pathways Out of Poverty' and how UWVP works together in the community to produce a collective impact on people's lives.

Through collective impact UWVP intends to help 10% of households who are currently in poverty or part of the working poor, approximately 8,875 households, and 23,000 individuals, out of poverty by the year 2023. As the community appointed backbone organization, UWVP is bringing representatives of government, business, and non-profit organizations to the table to create and bring innovative solutions to poverty.

Basis of Presentation: The accompanying financial statements do not include the accounts of United Way agencies, each of which have an independent board of directors and conduct an independent services program.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under ASC Topic 958, the UWVP 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. The UWVP had \$30,838 and \$29,000 of temporarily restricted net assets at June 30, 2017 and 2016, respectively. The UWVP did not have any permanently restricted net assets as of June 30, 2017 and 2016.

Unrestricted Net Assets

Includes general-purpose contributions, grants and other revenues. For 2017 and 2016, UWVP's Board of Directors approved a fixed Board appropriated reserve of \$1,800,000. Board appropriated funds represent a reserve on the investments in the event of a significant campaign reduction.

UNITED WAY OF THE VIRGINIA PENINSULA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Temporarily Restricted Net Assets

Includes contributions that are restricted by donors or grantors for special projects or other uses, including program funds subject to long-term restrictions. When a donor restriction expires or purpose is met, restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

Cash and Cash Equivalents: For purposes of reporting cash flows, the UWVP considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Pledges Receivable: Pledges are recognized when the donor makes a promise to give to the UWVP that is, in substance, unconditional. The UWVP provides an allowance for uncollectible pledges based upon prior collection experience and management's assessment of the collectability of existing specific accounts.

Property and Equipment: All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or if donated, at approximate fair market value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective classes of property and ranges from 3 years to 7 years. Gains and losses arising from retirements or dispositions are recognized in the statements of activities.

Investments: FASB ASC Topic 958, Not-for-profit Entities and ASC Topic 820, Fair Value Measurements require investments in marketable securities with readily determinable fair values and all investments in debt securities to be reported at their fair market values in the Statements of Financial Position. Unrealized gains and losses are recorded in the Statements of Activities. The UWVP reports investment income net of investment expenses of \$34,177 and \$30,923 for the years ended June 30, 2017 and 2016, respectively. The UWVP has determined that there are no donor-imposed restrictions on investment income.

Advertising: Advertising costs are expensed as incurred.

Donated Items: Donated property, materials and equipment are reflected as contributions at their estimated fair market values at the date received. No amounts are reflected in the financial statements for donated services since no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the UWVP's program services and in its fund-raising campaigns.

UNITED WAY OF THE VIRGINIA PENINSULA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fund Raising Campaigns: The UWVP conducts or participates in the following fund-raising campaigns:

United Way of the Virginia Peninsula Annual Campaign

The annual campaign is run by the UWVP for support of their organization and also includes donor-designated contributions. Pledges are recorded and allowances are provided for amounts estimated to be uncollectible. It is the practice of the UWVP to include donor-designated contributions received in general fundraising campaigns in the current unrestricted fund unless specifically restricted by the donor. These designated contributions will be paid separately to the respective agencies, proportionately and based on collections by participating company, organization or individual.

Peninsula Combined Federal Campaign

The annual Peninsula Combined Federal Campaign (CFC) is a campaign run to specifically solicit funds from Federal civilian and military employees in accordance with federal regulations 5 CFR Part 950 and guidance from the Office of Personnel Management. The UWVP acts as the Principal Combined Fundraising Organization (PCFO) that is chosen annually by the Local Federal Coordinating Committee. All pledges received are recorded in separate accounts until distributed to the participating agencies. The CFC makes up \$1,055,352 and \$1,150,184 of gross campaign results, \$843,067 and \$945,006 of donor designations and \$89,705 and \$83,158 of the provisions for uncollectibles for the years ended June 30, 2017 and 2016, respectively. The final campaign for which the UWVP will act as the PCFO for the CFC will be the Fall 2016 Campaign ended February 28, 2018.

UWVP existed as a federation through the fall 2015 Peninsula and South Hampton Roads CFC campaigns and final payments were made to agencies in the spring of 2017. Payments are made to each participating organization by distributing a proportionate share of receipts based on donor designations to each organization. No fees are deducted from Peninsula or South Hampton Roads CFC funds received by the UWVP Federation for distribution to the participating organizations. For the fall 2016 CFC campaigns, UWVP ceased operating as a federation and only had the roles of PCFO for the Combined Federal Campaign and that of an individual independent participating agency.

Functional Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. During 2017, the UWVP created a new program activity, collective impact, as described in Note 1 and has allocated costs accordingly.

Use of 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 and assumptions.

Income Taxes: FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The UWVP's management has evaluated the impact of the standard to its financial statements. The UWVP's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed.

UNITED WAY OF THE VIRGINIA PENINSULA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The UWVP's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

New Accounting Pronouncements: In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. In ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This ASU requires a modified retrospective transition approach, which includes a number of optional practical expedients, described in ASU 2016-02, which may be applied. The ASU is effective for fiscal years beginning after December 15, 2019. The impact of the new standard has not been determined, however it is expected that there will be a material increase in UWVP's assets and liabilities.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, intended to improve financial reporting for a not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statement of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early application is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While this ASU will change the presentation of the UWVP's financial statements it is not expected to alter the UWVP's reported financial position or activities.

Note 2. Concentrations

The UWVP maintains a portion of its cash in bank deposit accounts with a local branch of a national bank, which at times, were in excess of the \$250,000 limit insured by the Federal Deposit Insurance Corporation during the years ended June 30, 2017 and 2016, respectively.

The UWVP maintains its investments and money market funds with a local office of a national broker. At times, the balances were in excess of the \$500,000 limit insured by the Securities Investor Protection Corporation during the years ended June 30, 2017 and 2016, respectively.

In addition, the UWVP is potentially subject to concentrations of credit risk with regard to pledges receivable as most of the receivables are due from donors located in the same geographic area. Pledges receivable are not collateralized; however credit risk is limited due to the large number of donors and the collection history of the UWVP. Included in the UWVP's pledges receivable balances are gifts from two donor organizations that represent 34% and 32% of total receivables at June 30, 2017 and 2016, respectively. These gifts represent 57% and 62% of total public support and revenue for the years ended June 30, 2017 and 2016, respectively.

UNITED WAY OF THE VIRGINIA PENINSULA

NOTES TO FINANCIAL STATEMENTS

Note 3. Annual Campaign

Total pledges for the Annual Campaigns are included in this report as follows:

	<u>2017</u>	<u>2016</u>
Annual Campaigns	\$ 4,599,708	\$ 5,016,873
Less allowances for uncollectible pledges	391,226	327,645
Net annual campaign	<u>4,208,482</u>	<u>4,689,228</u>
Less cash received during the year	<u>2,566,796</u>	<u>2,847,387</u>
Pledges receivable, net	<u>\$ 1,641,686</u>	<u>\$ 1,841,841</u>

Note 4. Pledges Receivable

Net pledges receivable consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
2017 for 2018 and 2017 campaigns, less allowances for uncollectible pledges of \$223,263 and \$167,963, respectively	\$ 1,641,686	\$ -
2016 for 2017 and 2016 campaigns, less allowances for uncollectible pledges of \$209,522 and \$118,123, respectively	-	<u>1,841,841</u>
Total pledges receivable, net	<u>\$ 1,641,686</u>	<u>\$ 1,841,841</u>

Note 5. Investments

Investments consist of the following at June 30, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Common stocks	\$ 253,934	\$ 298,714	\$ 44,780
Exchange-traded and closed end funds	1,382,205	1,601,408	219,203
Mutual funds - equities	818,574	995,796	177,222
Mutual funds - fixed income	<u>1,835,972</u>	<u>1,860,026</u>	<u>24,054</u>
	<u>\$ 4,290,685</u>	<u>\$ 4,755,944</u>	<u>\$ 465,259</u>

UNITED WAY OF THE VIRGINIA PENINSULA

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments (Continued)

Investments consist of the following at June 30, 2016:

	Cost	Fair Value	Unrealized Gain (Loss)
Corporate bonds	\$ 25,051	\$ 25,624	\$ 573
Common stocks	224,215	219,951	(4,264)
Exchange-traded and closed end funds	1,362,423	1,396,684	34,261
Mutual funds - equities	820,597	872,289	51,692
Mutual funds - fixed income	1,777,540	1,798,204	20,664
	<u>\$ 4,209,826</u>	<u>\$ 4,312,752</u>	<u>\$ 102,926</u>

Note 6. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities approximate fair value because of the short maturity of these instruments.

Pursuant to FASB ASC 820, *Fair Value Measurements*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 classifies the inputs used to measure fair value into the following hierarchy:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs used in the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

UWVP endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

UNITED WAY OF THE VIRGINIA PENINSULA

NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value of Financial Instruments (Continued)

Following is a description of the methodologies used by UWVP to determine fair value of its investments. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Common stock, exchange-traded and closed end funds, and mutual funds: Valued at quoted market prices. (Level 1).

Corporate bonds: Valued at closing price reported on the active market on which the individual securities trade which approximates fair value. (Level 2).

The following table summarizes, by level within the fair value hierarchy, the assets measured at fair value on a recurring basis as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Common stock	\$ 298,714	\$ -	\$ -	\$ 298,714
Exchange-traded and closed end funds	1,601,408	-	-	1,601,408
Mutual funds - equities	995,796	-	-	995,796
Mutual funds - fixed income	1,860,026	-	-	1,860,026
	<u>\$ 4,755,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,755,944</u>

The following table summarizes, by level within the fair value hierarchy, the assets measured at fair value on a recurring basis as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 25,624	\$ -	\$ 25,624
Common stock	219,951	-	-	219,951
Exchange-traded and closed end funds	1,396,684	-	-	1,396,684
Mutual funds - equities	872,289	-	-	872,289
Mutual funds - fixed income	1,798,204	-	-	1,798,204
	<u>\$ 4,287,128</u>	<u>\$ 25,624</u>	<u>\$ -</u>	<u>\$ 4,312,752</u>

Note 7. Property and Equipment

Property and equipment consist of the following at June 30, 2017 and 2016:

	2017	2016
Furniture and equipment	\$ 94,713	\$ 84,511
Software	132,735	81,554
	<u>227,448</u>	<u>166,065</u>
Less accumulated depreciation	153,950	145,439
	<u>\$ 73,498</u>	<u>\$ 20,626</u>

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NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plan

The UWVP has a 401(k) plan covering substantially all employees who have completed one year of service and who are over the age of 21. Employer contributions to the 401(k) plan are 6% of salary. The UWVP's matching contribution expense amounted to \$42,023 and \$41,384 for the years ended June 30, 2017 and 2016, respectively.

Note 9. Operating Leases

In July 2015, UWVP leased office space under an operating lease that would expire in June 2020. The first three months of rent were abated. The base rent was \$4,837 per month and increased 2.5% annually. Rental expense was \$63,014 and \$46,103 for the years ended June 30, 2017 and 2016, respectively. No rent expense was allocated to the Peninsula Combined Federal Campaign (CFC) for the year ended June 30, 2017. The UWVP allocated rent expense totaling \$4,912 for the year ended June 30, 2016, to the CFC.

In July 2016, the lease was amended to allow the UWVP to relocate to a larger office space and extend the lease term. The lease term was extended through September 2021. The base rent increased to \$5,423 per month and increases 2.5% annually.

The UWVP leases various equipment under operating leases set to expire at various dates through 2021.

Minimum future annual rentals are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 71,823
2019	69,994
2020	70,991
2021	72,165
2022	17,955
	<u>\$ 302,928</u>

Note 10. Subsequent Events

The UWVP has evaluated all events subsequent to June 30, 2017 through November 9, 2017, which is the date these financial statements were available to be issued. The UWVP has determined that except as disclosed below, there are no subsequent events that require disclosure pursuant to the FASB Accounting Standards Codification.

On July 12th 2017 the United Fund of Greater Williamsburg (dba United Way of Greater Williamsburg) merged into United Way of the Virginia Peninsula, Inc. United Way of the Virginia Peninsula, Inc. remained as the surviving entity.

UNITED WAY OF THE VIRGINIA PENINSULA

NOTES TO FINANCIAL STATEMENTS

Note 10. Subsequent Events (Continued)

The primary reasons for the merger were:

- To increase the organizations' impact in the areas of Education, Financial Stability and Health across the five counties (James City, Mathews, New Kent, Gloucester, York) and four cities (Newport News, Hampton, Williamsburg, Poquoson) by sharing resources, talent, relationships and best practices.
- To build our capacity to better engage people and organizations to enhance our position as the number one platform for community impact in our region.
- To provide a richer, more rewarding donor experience, to enable a seamless experience for those organizations who had been working with both United Way organizations separately.
- To better coordinate services to our constituents and the communities throughout the region.
- To streamline our processes and eliminate duplication of effort and increase operational efficiency, resulting in more dollars being available for the work of community impact.

At the time of the merger, the following data summarizes the financial position of United Way of Greater Williamsburg:

Total assets	\$	295,920
Total liabilities	\$	212,863
Total net assets	\$	83,056