

LYCOMING COUNTY UNITED WAY, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lycoming County United Way, Inc.
Williamsport, Pennsylvania:

Report on the Financial Statements

We have audited the accompanying financial statements of Lycoming County United Way, Inc. (a Pennsylvania nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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 Lycoming County United Way, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Larson, Kellett & Associates, P.C.

Montoursville, Pennsylvania
January 9, 2018

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Cash and cash equivalents:		
Deposits with financial institutions	\$ 343,581	\$ 526,927
Petty cash	<u>350</u>	<u>350</u>
Total cash and cash equivalents	343,931	527,277
Pledges receivable, net	330,958	396,765
Grant receivable	10,000	
Prepaid expense	2,647	4,113
Investments	1,498,393	1,345,091
Beneficial interest in assets held by First Community Foundation of Pennsylvania	416,443	400,618
Equipment and furniture and fixtures, net	<u>9,836</u>	<u>10,565</u>
TOTAL ASSETS	<u>\$2,612,208</u>	<u>\$2,684,429</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 27,675	\$ 2,098
Accrued payroll and payroll taxes withheld	18,651	9,238
Donor designations payable	14,517	23,112
Obligation under capital lease	<u>5,014</u>	<u>6,342</u>
Total liabilities	<u>65,857</u>	<u>40,790</u>
NET ASSETS:		
Unrestricted:		
Undesignated	2,187,788	2,269,743
Board designated:		
Community Building Panel	34,960	55,713
Wellsboro Area United Fund	<u>65,748</u>	<u>65,748</u>
Total unrestricted	2,288,496	2,391,204
Temporarily restricted	23,703	18,283
Permanently restricted	<u>234,152</u>	<u>234,152</u>
Total net assets	<u>2,546,351</u>	<u>2,643,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,612,208</u>	<u>\$2,684,429</u>

See Notes to Financial Statements

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES, GAINS AND OTHER SUPPORT:		
Campaign revenue applicable to current year:		
Contributions received - current year	\$1,164,530	\$1,357,951
Contributions received in prior year (released from restriction)	18,283	85,695
Less provision for uncollectible pledges	<u>(26,373)</u>	<u>(39,427)</u>
 Total campaign revenue applicable to current year	 1,156,440	 1,404,219
 Federal and state grants	 163,114	 153,114
Program fees	17,215	17,700
Investment return, net	194,745	(23,631)
Donated goods and services	30,827	97,851
Reimbursed expenses	58	1,169
Transfer from Wellsboro Area United Fund	<u> </u>	<u>65,748</u>
 Total revenues, gains and other support	 <u>1,562,399</u>	 <u>1,716,170</u>
 ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES:		
Program services:		
Agency allocations	899,419	980,475
Funds distribution	68,239	66,418
Community problem solving services	42,356	41,225
Other allocations and grants	21,444	18,670
Federal and state grants	158,674	148,677
Marketing/communications	<u>50,192</u>	<u>22,907</u>
 Total program services	 <u>1,240,324</u>	 <u>1,278,372</u>
Supporting services:		
Management and general	152,508	123,435
Grant fund administration	8,613	8,462
Fund raising	245,781	306,731
CFC/SECA fund raising	<u>17,881</u>	<u>17,406</u>
 Total supporting services	 <u>424,783</u>	 <u>456,034</u>
 Total allocations and other functional expenses	 <u>1,665,107</u>	 <u>1,734,406</u>
 Decrease in unrestricted net assets	 <u>(102,708)</u>	 <u>(18,236)</u>
 CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Campaign revenue applicable to next allocation year:		
Pledges received - next allocation year	23,703	18,283
Contributions received in prior year (released from restriction)	<u>(18,283)</u>	<u>(85,695)</u>
 Increase (decrease) in temporarily restricted net assets	 <u>5,420</u>	 <u>(67,412)</u>
 CHANGE IN NET ASSETS	 (97,288)	 (85,648)
 NET ASSETS, BEGINNING OF YEAR	 <u>2,643,639</u>	 <u>2,729,287</u>
 NET ASSETS, END OF YEAR	 <u>\$2,546,351</u>	 <u>\$2,643,639</u>

See Notes to Financial Statements

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	AGENCY ALLOCATIONS	FUNDS DISTRIBUTION	COMMUNITY PROBLEM SOLVING SERVICES	OTHER ALLOCATIONS AND GRANTS	FEDERAL AND STATE GRANTS	MARKETING/ COMMUNICATIONS	TOTAL PROGRAM SERVICES
Allocations to agencies	<u>\$899,419</u>	<u>\$</u>	<u>\$</u>	<u>\$21,444</u>	<u>\$158,674</u>	<u>\$</u>	<u>\$1,079,537</u>
Community and agency services provided by the United Way:							
Salaries		37,255	23,124			12,847	73,226
Employee benefits		10,754	6,675			3,708	21,137
Payroll taxes		<u>3,185</u>	<u>1,977</u>			<u>1,098</u>	<u>6,260</u>
Total personnel		<u>51,194</u>	<u>31,776</u>			<u>17,653</u>	<u>100,623</u>
Professional fees		2,871	1,782			27,654	32,307
Materials and supplies		819	508			282	1,609
Telephone		462	286			159	907
Postage and shipping		398	247			137	782
Occupancy		4,586	2,847			1,581	9,014
Rental and maintenance of equipment		270	167			93	530
Printing and publications		2,503	1,554			863	4,920
Local staff travel		346	215			119	680
Local meetings and conferences		814	505			281	1,600
Membership dues		55	34			19	108
Miscellaneous		1,073	666			370	2,109
Interest		94	59			32	185
National and state dues							
Liability insurance							
Trustee fees		1,839	1,141			634	3,614
Board designated funds							
Depreciation		494	307			170	971
Credit card fees		421	262			145	828
Special events							
In-kind expenses							
Total other		<u>17,045</u>	<u>10,580</u>			<u>32,539</u>	<u>60,164</u>
TOTAL	<u>\$899,419</u>	<u>\$ 68,239</u>	<u>\$ 42,356</u>	<u>\$21,444</u>	<u>\$158,674</u>	<u>\$50,192</u>	<u>\$1,240,324</u>

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	MANAGEMENT AND GENERAL	GRANT FUND ADMINISTRATION	FUND RAISING	CFC/SECA FUND RAISING	TOTAL SUPPORTING SERVICES	COMBINED TOTAL 2017
Allocations to agencies	\$	\$	\$	\$	\$	\$ 1,079,537
Community and agency services provided by the United Way:						
Salaries	56,525	4,882	112,536	9,763	183,706	256,932
Employee benefits	16,317	1,409	32,485	2,818	53,029	74,166
Payroll taxes	4,833	417	9,621	835	15,706	21,966
Total personnel	77,675	6,708	154,642	13,416	252,441	353,064
Professional fees	4,356	376	8,673	752	14,157	46,464
Materials and supplies	1,242	107	2,472	214	4,035	5,644
Telephone	700	61	1,394	121	2,276	3,183
Postage and shipping	604	52	1,202	104	1,962	2,744
Occupancy	6,958	601	13,852	1,202	22,613	31,627
Rental and maintenance of equipment	409	35	814	71	1,329	1,859
Printing and publications	3,798		7,890	656	12,344	17,264
Local staff travel	525	45	1,045	90	1,705	2,385
Local meetings and conferences	1,235	107	2,459	213	4,014	5,614
Membership dues	83	7	166	14	270	378
Miscellaneous	1,628	141	3,241	281	5,291	7,400
Interest	143	12	285	25	465	650
National and state dues	21,816				21,816	21,816
Liability insurance	2,159				2,159	2,159
Trustee fees	2,789	241	5,554	482	9,066	12,680
Board designated funds	25,000				25,000	25,000
Depreciation	749	65	1,492	129	2,435	3,406
Credit card fees	639	55	1,272	111	2,077	2,905
Special events			8,501		8,501	8,501
In-kind expenses			30,827		30,827	30,827
Total other	74,833	1,905	91,139	4,465	172,342	232,506
TOTAL	\$ 152,508	\$ 8,613	\$ 245,781	\$ 17,881	\$ 424,783	\$ 1,665,107

See Notes to Financial Statements

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	AGENCY ALLOCATIONS	FUNDS DISTRIBUTION	COMMUNITY PROBLEM SOLVING SERVICES	OTHER ALLOCATIONS AND GRANTS	FEDERAL AND STATE GRANTS	MARKETING/ COMMUNICATIONS	TOTAL PROGRAM SERVICES
Allocations to agencies	<u>\$980,475</u>	<u>\$</u>	<u>\$</u>	<u>\$ 18,670</u>	<u>\$148,677</u>	<u>\$</u>	<u>\$1,147,822</u>
Community and agency services provided by the United Way:							
Salaries		35,473	22,018			12,232	69,723
Employee benefits		11,259	6,988			3,883	22,130
Payroll taxes		<u>3,147</u>	<u>1,953</u>			<u>1,086</u>	<u>6,186</u>
Total personnel		<u>49,879</u>	<u>30,959</u>			<u>17,201</u>	<u>98,039</u>
Professional fees		2,913	1,809			1,005	5,727
Materials and supplies		659	409			227	1,295
Telephone		693	429			239	1,361
Postage and shipping		535	333			185	1,053
Occupancy		4,527	2,810			1,562	8,899
Rental and maintenance of equipment		272	169			94	535
Printing and publications		1,844	1,145			636	3,625
Local staff travel		334	207			115	656
Local meetings and conferences		331	205			115	651
Membership dues		72	45			25	142
Miscellaneous		1,009	626			348	1,983
Interest		115	71			40	226
National and state dues							
Liability insurance							
Trustee fees		1,772	1,100			611	3,483
Depreciation		532	330			183	1,045
Credit card fees		339	210			117	666
Loss on disposal of equipment and furniture and fixtures		592	368			204	1,164
Special events							
In-kind expenses							
Total other		<u>16,539</u>	<u>10,266</u>			<u>5,706</u>	<u>32,511</u>
TOTAL	<u>\$980,475</u>	<u>\$ 66,418</u>	<u>\$ 41,225</u>	<u>\$ 18,670</u>	<u>\$148,677</u>	<u>\$ 22,907</u>	<u>\$1,278,372</u>

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	MANAGEMENT AND GENERAL	GRANT FUND ADMINISTRATION	FUND RAISING	CFC/SECA FUND RAISING	TOTAL SUPPORTING SERVICES	COMBINED TOTAL 2016
Allocations to agencies	\$	\$	\$	\$	\$	\$ 1,147,822
Community and agency services provided by the United Way:						
Salaries	53,822	4,648	107,155	9,297	174,922	244,645
Employee benefits	17,083	1,475	34,011	2,951	55,520	77,650
Payroll taxes	4,775	412	9,506	825	15,518	21,704
Total personnel	<u>75,680</u>	<u>6,535</u>	<u>150,672</u>	<u>13,073</u>	<u>245,960</u>	<u>343,999</u>
Professional fees	4,420	382	8,800	763	14,365	20,092
Materials and supplies	999	86	1,990	173	3,248	4,543
Telephone	1,051	91	2,093	182	3,417	4,778
Postage and shipping	814	70	1,620	141	2,645	3,698
Occupancy	6,869	593	13,676	1,186	22,324	31,223
Rental and maintenance of equipment	413	36	820	71	1,340	1,875
Printing and publications	2,798		5,812	483	9,093	12,718
Local staff travel	506	44	1,008	87	1,645	2,301
Local meetings and conferences	502	43	1,000	87	1,632	2,283
Membership dues	110	10	219	19	358	500
Miscellaneous	1,531	132	3,047	264	4,974	6,957
Interest	174	15	347	30	566	792
National and state dues	20,490				20,490	20,490
Liability insurance	2,170				2,170	2,170
Trustee fees	2,689	233	5,354	464	8,740	12,223
Depreciation	806	70	1,605	139	2,620	3,665
Credit card fees	514	44	1,023	89	1,670	2,336
Loss on disposal of equipment and furniture and fixtures	899	78	1,789	155	2,921	4,085
Special events			8,005		8,005	8,005
In-kind expenses			97,851		97,851	97,851
Total other	<u>47,755</u>	<u>1,927</u>	<u>156,059</u>	<u>4,333</u>	<u>210,074</u>	<u>242,585</u>
TOTAL	<u>\$123,435</u>	<u>\$ 8,462</u>	<u>\$306,731</u>	<u>\$ 17,406</u>	<u>\$456,034</u>	<u>\$ 1,734,406</u>

See Notes to Financial Statements

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (97,288)	\$ (85,648)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	3,406	3,665
Investment return	(115,007)	48,511
Provision for uncollectible pledges	(26,373)	(39,427)
Loss on disposal of equipment and furniture and fixtures		4,085
Change in:		
Pledges receivable, net	92,180	27,385
Grant receivable	(10,000)	
Prepaid expense	1,466	(1,467)
Accounts payable	25,577	2,098
Accrued payroll and payroll taxes withheld	9,413	(1,067)
Donor designations payable	<u>(8,595)</u>	<u>9,992</u>
Net cash used by operating activities	<u>(125,221)</u>	<u>(31,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(666,077)	(402,641)
Purchase of equipment and furniture and fixtures	(2,677)	
Proceeds from sale of investments	627,782	372,412
(Increase) decrease in beneficial interest in assets held by First Community Foundation of Pennsylvania	<u>(15,825)</u>	<u>21,728</u>
Net cash used by investing activities	<u>(56,797)</u>	<u>(8,501)</u>
CASH USED BY FINANCING ACTIVITIES,		
Repayment of obligation under capital lease	<u>(1,328)</u>	<u>(1,187)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(183,346)	(41,561)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>527,277</u>	<u>568,838</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 343,931</u>	<u>\$ 527,277</u>

See Notes to Financial Statements

LYCOMING COUNTY UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

1. GENERAL:

Lycoming County United Way, Inc. (Organization) was organized as a nonprofit organization for the purpose of raising funds to distribute to charitable organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily-restricted or permanently-restricted support that increases those net asset classes.

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Promises to Give/Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments

Investments in marketable securities with readily determinable fair values, investments in debt securities are valued at their fair value in the statements of financial position. Unrealized gains and losses are included as increases or decreases in net assets. See Note 6 for a discussion on fair value measurements.

For purposes of determining realized gain or loss on sale, the cost of securities sold is determined by using the specific identification method.

Pledges Receivable and Uncollectible Pledges

Pledges receivable are stated net of an allowance for uncollectible pledges which was \$92,814 and \$105,569 at June 30, 2017 and 2016, respectively. Pledges receivable are written off against the allowance account when they are deemed to be

LYCOMING COUNTY UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

uncollectible. The allowance account is revised periodically based upon a review of its adequacy by the Organization's management.

Equipment and Furniture and Fixtures and Depreciation

Equipment and furniture and fixtures purchases are stated at cost. Donated assets are recorded at their estimated fair value at the date of donation. If donors stipulate how long the assets must be used, then the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of equipment and furniture and fixtures are recorded as unrestricted support.

Depreciation of equipment and furniture and fixtures is provided using the straight-line method over the estimated useful lives of the assets.

Donated Goods and Services

The Organization recognizes donated goods and services in the accompanying statements of activities at their estimated value at the date of receipt. Donated goods and services recorded totaled \$30,827 and \$97,851 at June 30, 2017 and 2016, respectively. Donated goods and services consist primarily of advertising services, the use of office space, and campaign supplies. Additionally, a substantial number of volunteers have donated significant amounts of their time providing the Organization's services, where no value has been determined.

Leasing

The Organization leases office space and parking spaces under an operating lease arrangement.

The Organization leases a copier under a capital lease arrangement (See Note 10).

Functional Expenses

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time for the related activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates. A material estimate that is susceptible to significant change relates to the determination of the adequacy of the allowance for uncollectible pledges. Management believes that the allowance for uncollectible pledges is adequate. While management uses available information to determine the allowance, changes in economic conditions may require revisions of the estimate in future years.

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, pledges receivable, investments, and accounts payable. The carrying value of these financial instruments approximate their fair value at June 30, 2017 and 2016.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2017 or 2016.

Cash Flows

For purposes of the statements of cash flows, the Organization considers all short-term investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Recent Accounting Standards

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The ASU is effective for annual periods beginning after December 15, 2019. The Organization has not yet determined the effect of the adoption of this standard on the financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 was issued to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2017. The Organization has not determined the effect of the adoption of this standard on the financial statements.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2018. ASU 2016-15 is not expected to have a significant impact on the Organization's financial statements.

LYCOMING COUNTY UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

3. PLEDGES RECEIVABLE:

Pledges receivable consisted of the following unconditional promises to give as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year:		
Prior campaigns	\$ 48,987	\$ 39,128
Current year campaign	<u>374,785</u>	<u>456,206</u>
Gross unconditional pledges	423,772	502,334
Less allowance for uncollectible pledges	<u>92,814</u>	<u>105,569</u>
Pledges receivable, net	<u>\$330,958</u>	<u>\$396,765</u>

4. INVESTMENTS:

Investments at fair value by major category consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Mutual funds:		
Fixed income	\$ 252,947	\$ 336,187
Equity	630,168	471,859
International	539,051	466,606
Real estate	<u>76,227</u>	<u>70,439</u>
Total	<u>\$1,498,393</u>	<u>\$1,345,091</u>

The following schedule summarizes the investment return (loss) in the statements of activities:

	<u>2017</u>	<u>2016</u>
<u>Unrestricted</u>		
Interest and dividends	\$ 28,641	\$ 27,207
Increase (decrease) in beneficial interest in assets held by First Community Foundation of Pennsylvania	51,276	(2,463)
Net realized and unrealized gain (loss) on investments	<u>114,828</u>	<u>(48,375)</u>
Total investment return, net	<u>\$194,745</u>	<u>\$ (23,631)</u>

5. BENEFICIAL INTEREST IN ASSETS HELD BY FIRST COMMUNITY FOUNDATION OF PENNSYLVANIA:

The Organization transferred permanently restricted net assets and donor contributed funds to the First Community Foundation of Pennsylvania (Foundation). The Foundation maintains and administers these funds solely for the benefit of the Organization; however, the Foundation has been granted variance power to modify any restriction on these funds.

The Foundation is required to distribute annually all or part of the income earned on these funds as the Foundation deems reasonable and proper, after consultation with the Organization. Principal may be distributed upon request by the Organization, approval by the Foundation and in accordance with the donor's original restrictions.

The cumulative amount recognized in the statements of financial position as beneficial interest in assets held by the Foundation totaled \$416,443 and \$400,618 at June 30, 2017 and 2016, respectively, as valued by the Foundation.

6. FAIR VALUE MEASUREMENTS:

The framework for measuring fair value 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 I measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are described as follows:

Level I: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level II: 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 II input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Beneficial interest in assets held by others: Fair value as determined by the custodian.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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 different fair value measurements at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 252,947			\$ 252,947
Equity	630,168			630,168
International	539,051			539,051
Real estate	76,227			76,227
Beneficial interest in assets held by First Community Foundation of Pennsylvania	_____	_____	<u>\$416,443</u>	<u>416,443</u>
Total	<u>\$1,498,393</u>	<u>\$ _____</u>	<u>\$416,443</u>	<u>\$1,914,836</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 336,187			\$ 336,187
Equity	471,859			471,859
International	466,606			466,606
Real estate	70,439			70,439
Beneficial interest in assets held by First Community Foundation of Pennsylvania	_____	_____	<u>\$400,618</u>	<u>400,618</u>
Total	<u>\$1,345,091</u>	<u>\$ _____</u>	<u>\$400,618</u>	<u>\$1,745,709</u>

Change in fair value measurements for Level III financial assets for the years ended June 30, 2017 and 2016, are summarized as follows:

	<u>2017</u>	<u>2016</u>
Beginning of year	\$400,618	\$422,346
Purchases		
Settlements	(30,648)	(14,468)

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	<u>2017</u>	<u>2016</u>
Investment return, net	\$ 46,473	\$ (7,260)
End of year	<u>\$416,443</u>	<u>\$400,618</u>

7. EQUIPMENT AND FURNITURE AND FIXTURES:

Equipment and furniture and fixtures at June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Equipment	\$33,628	\$33,883
Furniture and fixtures	<u>633</u>	<u>633</u>
Total	34,261	34,516
Less accumulated depreciation	<u>24,425</u>	<u>23,951</u>
Equipment and furniture and fixtures	<u>\$ 9,836</u>	<u>\$10,565</u>

Depreciation expense included in the statements of functional expenses amounted to \$3,406 and \$3,665 for the years ended June 30, 2017 and 2016, respectively.

8. RESTRICTIONS ON NET ASSETS:

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support allocations or general operations.

Net assets in the amount of \$18,283 and \$85,695 were released from restrictions by time restrictions expiring for net campaign pledges received for the years ended June 30, 2017 and 2016, respectively.

9. EMPLOYEE BENEFIT PLAN:

The Organization maintains a tax deferred annuity benefit plan covering all eligible employees. Contributions to the plan amounted to \$22,984 and \$24,479 for the years ended June 30, 2017 and 2016, respectively.

10. OBLIGATION UNDER CAPITAL LEASE:

The Organization leases a copier under the terms of a capital lease expiring in 2020. The asset and liability under capital lease are recorded at the fair value of the asset. The asset is included in equipment and furniture and fixtures in the accompanying statements of financial position and is depreciated over its estimated useful life.

Accumulated depreciation related to equipment acquired under capital lease totaled \$1,506 and \$753 for the years ended June 30, 2017 and 2016, respectively.

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The following summarizes the required future annual minimum lease payments under the capital lease together with the present value of the net minimum lease payments.

2018	\$1,979
2019	1,979
2020	<u>1,979</u>
Total	5,937
Less amounts representing interest	<u>923</u>
Present value of net minimum lease payments	<u>\$5,014</u>

The interest rate on the capital lease is 11.92% and is imputed based on the lessor's implicit rate of return.

11. CONCENTRATION OF CREDIT RISK:

The Organization has concentrated its credit risk for cash by maintaining deposits in three financial institutions. The maximum loss that would result from that risk at June 30, 2016 totaled \$159,529 for the excess of the deposit liabilities reported by the institutions over the amounts that are insured by the Federal Deposit Insurance Corporation. At June 30, 2017 all deposits were covered by the Federal Deposit Insurance Corporation.

12. CONTINGENT LIABILITY - GRANTS:

The Organization receives grants from federal, state and local governments. Subsequent audits may disallow expenditures financed by governmental grant programs. It is the opinion of management that requests for reimbursement, if any, by either the federal, state, or local government based on subsequent audits will not be material in relation to the Organization's financial statements as of June 30, 2017.

13. SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES:

During the years ended June 30 2017 and 2016, the Organization received investments totaling \$492 and \$4,091, respectively, in payment of outstanding pledges receivable.

During the years ended June 30, 2017 and 2016, the Organization paid interest of \$650 and \$792, respectively.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 9, 2018, which is the date the financial statements were available to be issued.