

INLAND EMPIRE UNITED WAY

**Financial Statements for the Year Ended June 30, 2016
And Independent Auditor's Report
With
Comparative Totals for the Year Ended June 30, 2015**

INLAND EMPIRE UNITED WAY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Inland Empire United Way

Report on the Financial Statements

We have audited the accompanying financial statements of the Inland Empire United Way (the "Organization") which comprise the statements of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows 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 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 audit. We conducted our audit 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 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 Organization'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 Organization'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.

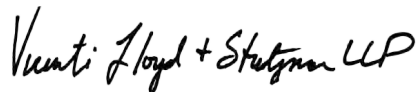
To the Board of Directors
Inland Empire United Way

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated December 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 7, 2016

INLAND EMPIRE UNITED WAY

STATEMENT OF FINANCIAL POSITION

June 30, 2016

(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 1,359,702	\$ -	\$ 1,359,702	\$ 1,146,013
Pledges receivable		2,098,552	2,098,552	1,672,757
Less allowance for uncollectible		(144,121)	(144,121)	(220,750)
Operating receivables	-		-	3,870
Short-term investments	500,000		500,000	500,000
Inventory	2,565,439		2,565,439	2,140,099
Prepaid expenses	66,916		66,916	19,935
Deposits	23,182		23,182	21,150
Total current assets	<u>4,515,239</u>	<u>1,954,431</u>	<u>6,469,670</u>	<u>5,283,074</u>
Non-current assets:				
Equipment and leasehold improvements	1,272,342		1,272,342	1,136,134
Less accumulated depreciation	(1,019,589)		(1,019,589)	(962,594)
Net equipment and leasehold improvements	252,753	-	252,753	173,540
Works of art, held for sale	-	20,000	20,000	180,000
Total non-current assets	<u>252,753</u>	<u>20,000</u>	<u>272,753</u>	<u>353,540</u>
Total assets	<u>\$ 4,767,992</u>	<u>\$ 1,974,431</u>	<u>\$ 6,742,423</u>	<u>\$ 5,636,614</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Designations payable	\$ 27,779	\$ -	\$ 27,779	\$ 60,205
Operating accounts payable	204,913		204,913	48,205
Accrued expenses	250,185		250,185	414,709
Total liabilities	<u>482,877</u>	<u>-</u>	<u>482,877</u>	<u>523,119</u>
Net Assets:				
Unrestricted net assets				
Unappropriated	3,962,564		3,962,564	3,160,458
Board appropriated	322,551		322,551	321,030
Temporarily restricted		1,974,431	1,974,431	1,632,007
Total net assets	<u>4,285,115</u>	<u>1,974,431</u>	<u>6,259,546</u>	<u>5,113,495</u>
Total liabilities and net assets	<u>\$ 4,767,992</u>	<u>\$ 1,974,431</u>	<u>\$ 6,742,423</u>	<u>\$ 5,636,614</u>

See accompanying notes to the financial statements.

INLAND EMPIRE UNITED WAY

STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2016 (With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
<u>PUBLIC SUPPORT AND OTHER REVENUES</u>				
Campaign Revenue:				
Gross campaign result (prior years)	\$ 130,003	\$	\$ 130,003	\$ 152,220
Less designations & pass-through	(41,236)		(41,236)	(32,547)
Net campaign revenue (prior years)	88,767	-	88,767	119,673
Gross campaign result (current year)		3,593,082	3,593,082	3,439,209
Less designations & pass through		(1,113,766)	(1,113,766)	(1,303,226)
Less bad debt expense		(233,187)	(233,187)	(225,330)
Net campaign revenue (current year)	-	2,246,129	2,246,129	1,910,653
Net campaign revenue	88,767	2,246,129	2,334,896	2,030,326
Other Revenues:				
Gifts in kind	2,313,378		2,313,378	2,162,810
Service fees	28,653		28,653	33,605
Program fees	845		845	42,109
Grants and contracts	2,390,676		2,390,676	1,993,432
Investment income	2,365		2,365	1,588
Sales and miscellaneous income	100		100	(998)
Sponsorships	65,112		65,112	21,635
Net assets released from restriction	1,903,705	(1,903,705)	-	-
Total other revenue	6,704,834	(1,903,705)	4,801,129	4,254,181
Total public support and other revenues	6,793,601	342,424	7,136,025	6,284,507
<u>EXPENSES</u>				
Program Services:				
Gross funds awarded/distributed	1,716,209		1,716,209	2,117,035
Less donor designations	(1,113,766)		(1,113,766)	(1,303,226)
Net funds awarded/distributed	602,443	-	602,443	813,809
Community Programs:				
211 Initiative	1,688,588		1,688,588	1,321,088
Education & Health Initiative	2,396,620		2,396,620	2,575,117
Volunteer Initiative	468,123		468,123	541,202
Other Initiatives	214,095		214,095	353,873
Desert Communities	145,964		145,964	-
Total community service	4,913,390	-	4,913,390	4,791,280
Supporting Services:				
Management and general	275,279		275,279	211,298
Fund raising	480,864		480,864	482,695
Total supporting services	756,143	-	756,143	693,993
Total expenses	6,271,976	-	6,271,976	6,299,082
Change in net assets before acquisition income	521,625	342,424	864,049	(14,575)
Excess of fair value of net assets over consideration in acquisition of the acquired entity	282,002		282,002	-
Net Assets - beginning of year	3,481,488	1,632,007	5,113,495	5,128,070
Net Assets - end of year	\$ 4,285,115	\$ 1,974,431	\$ 6,259,546	\$ 5,113,495

See accompanying notes to the financial statements.

INLAND EMPIRE UNITED WAY

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016
 (With Comparative Totals for 2015)

	2016	2015
Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities		
Change in net assets	\$ 864,049	\$ (14,575)
Adjustments to Reconcile Change in		
Net Assets to Net Cash Provided by		
Operating Activities		
Non-cash gifts received	(2,313,378)	(1,982,810)
Non-cash gifts made	1,884,078	2,091,579
Non-cash gifts received - works of art		(180,000)
Impairment loss - non-cash gifts received	160,000	
Depreciation	20,776	52,989
Decrease in allowance	(76,629)	(19,652)
(Increase)/decrease in:		
Pledge and other receivables	(421,925)	135,062
Inventory	(3,960)	3,960
Prepaid expenses and deposits	(49,013)	17,427
Increase/(decrease) in:		
Designations payable	(32,426)	8,681
Accrued expenses and operating accounts payable	(7,816)	237,747
Total adjustments	(840,293)	364,983
Net Cash Provided by Operating Activities	23,756	350,408
Cash Flows from Investing Activities		
Leasehold improvements and equipment purchased	(81,427)	(203,880)
Cash acquired from acquisition	271,360	-
Maturity of short-term investments	500,000	550,000
Purchase of short-term investments	(500,000)	(500,000)
Net Cash Provided (Used) by Investing Activities	189,933	(153,880)
Net Increase in Cash and Cash Equivalents	213,689	196,528
Cash and Cash Equivalents - Beginning of Year	1,146,013	949,485
Cash and Cash Equivalents - End of Year	\$ 1,359,702	\$ 1,146,013
Non cash disclosure:		
Fair value of equipment acquired in merger	\$ 10,642	\$ -

See accompanying notes to the financial statements.

INLAND EMPIRE UNITED WAY

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2016

(With Comparative Totals for 2015)

	Community Programs					Supporting Services			Total		
	211 Initiative	Education & Health Initiative	Volunteer Initiative	Other Initiatives	Desert Communities	Total	Management & General	Fund Raising	Total	2016	2015
Personnel Expenses:											
Salaries and wages	\$ 1,039,390	\$ 269,507	\$ 314,071	\$ 113,054	\$ 77,102	\$ 1,813,124	\$ 55,071	\$ 273,401	\$ 328,472	\$ 2,141,596	\$ 1,857,193
Payroll taxes	92,443	22,332	25,579	8,496	7,459	156,309	3,537	22,894	26,431	182,740	161,474
Travel and per diem	11,461	2,094	5,879	1,013	4,736	25,183	243	4,173	4,416	29,599	22,873
Employee benefits	168,307	52,452	35,059	17,697	10,056	283,571	4,009	41,086	45,095	328,666	317,789
Total Personnel Expenses	<u>1,311,601</u>	<u>346,385</u>	<u>380,588</u>	<u>140,260</u>	<u>99,353</u>	<u>2,278,187</u>	<u>62,860</u>	<u>341,554</u>	<u>404,414</u>	<u>2,682,601</u>	<u>2,359,329</u>
Other Operating Expenses:											
Consulting	5,081	565	459	35,710	2,550	44,365	297	3,246	3,543	47,908	182,081
Contract labor	907	146	119	12,140	10,148	23,460	1,877	187	2,064	25,524	33,002
Events	6,537	146	25,257	(7,879)	1,389	25,450	-	48,008	48,008	73,458	78,651
Fees	163	917	21	12	380	1,493	527	10,134	10,661	12,154	3,255
Food	-	106,972	-	-	6,538	113,510	-	-	-	113,510	92,443
Gifts in-kind	-	1,884,078	-	-	-	1,884,078	-	-	-	1,884,078	2,091,579
Impairment of donated assets	-	-	-	-	-	-	160,000	-	160,000	160,000	-
Insurance	23,685	3,811	3,301	1,688	(152)	32,333	2,005	4,880	6,885	39,218	41,110
Legal and accounting	-	-	-	520	(463)	57	18,329	-	18,329	18,386	20,280
Maintenance/repairs - equipment	4,973	2,519	564	303	1,104	9,463	360	3,591	3,951	13,414	14,157
Maintenance/repairs - facility	10,068	1,620	1,317	718	1,313	15,036	1,402	2,075	3,477	18,513	12,882
Miscellaneous expenses	9,269	1,106	4,481	269	485	15,610	15,324	4,047	19,371	34,981	26,726
Printing	2,186	118	863	9	727	3,903	11	6,860	6,871	10,774	8,701
Rent/lease - equipment	2,147	434	281	153	1,384	4,399	182	442	624	5,023	3,165
Rent/lease - facility	106,125	17,076	13,882	7,564	8,093	152,740	8,836	21,867	30,703	183,443	207,000
Seminar/training expense	8,556	2,357	8,591	4,983	(134)	24,353	(3,566)	2,015	(1,551)	22,802	45,361
Subscriptions, dues and association fees	15,840	1,299	4,882	369	1,980	24,370	409	6,563	6,972	31,342	19,152
Supplies	27,875	12,774	7,541	1,366	1,520	51,076	7,627	5,767	13,394	64,470	41,690
Telephone & internet	104,900	4,427	5,102	4,067	6,041	124,537	1,936	7,278	9,214	133,751	80,027
Utilities	19,441	3,128	2,543	1,385	3,139	29,636	1,646	4,006	5,652	35,288	33,963
Volunteer meetings and meals	773	792	2,517	8,152	569	12,803	(7,681)	457	(7,224)	5,579	4,881
Total Other Functional Expense	<u>348,526</u>	<u>2,044,285</u>	<u>81,721</u>	<u>71,529</u>	<u>46,611</u>	<u>2,592,672</u>	<u>209,521</u>	<u>131,423</u>	<u>340,944</u>	<u>2,933,616</u>	<u>3,040,106</u>
Depreciation expense	8,784	2,784	3,240	904	-	15,712	1,232	3,832	5,064	20,776	52,989
United Way Fairshare	19,677	3,166	2,574	1,402	-	26,819	1,666	4,055	5,721	32,540	32,849
Total Operating Expense	<u>1,688,588</u>	<u>2,396,620</u>	<u>468,123</u>	<u>214,095</u>	<u>145,964</u>	<u>4,913,390</u>	<u>275,279</u>	<u>480,864</u>	<u>756,143</u>	<u>5,669,533</u>	<u>5,485,273</u>
Funds awarded/distributed	-	-	-	1,620,009	96,200	1,716,209	-	-	-	1,716,209	2,117,035
Less donor designations	-	-	-	(1,031,442)	(82,324)	(1,113,766)	-	-	-	(1,113,766)	(1,303,226)
Total Functional Expense	<u>\$ 1,688,588</u>	<u>\$ 2,396,620</u>	<u>\$ 468,123</u>	<u>\$ 802,662</u>	<u>\$ 159,840</u>	<u>\$ 5,515,833</u>	<u>\$ 275,279</u>	<u>\$ 480,864</u>	<u>\$ 756,143</u>	<u>\$ 6,271,976</u>	<u>\$ 6,299,082</u>

See accompanying notes to the financial statements.

INLAND EMPIRE UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE AND MISSION OF ORGANIZATION

The Inland Empire United Way (the "Organization" or "IEUW") was organized under the laws of the State of California as a nonprofit public benefit corporation on January 14, 1992, as the Mt. Baldy United Way. In 2004, Mt. Baldy United Way merged with the Redlands United Way and became known as the Inland Empire United Way. Effective July 1, 2015, the Organization acquired the Desert Communities United Way (DCUW) whose operations were merged into the Organization to become part of IEUW. The Organization maintains local offices in both Rancho Cucamonga and Apple Valley.

The Organization works in partnership with local community leaders, businesses, government agencies, nonprofit organizations and individuals to build a stronger community. The mission of the Organization is to engage the caring power of communities to make positive, sustainable changes, improve lives, and assist in times of disaster.

The Organization's service area covers regions of Los Angeles, San Bernardino and Riverside counties in California. Following the acquisition of DCUW, the Organization also services the Pomona Valley, Victorville, Apple Valley, Hesperia, Adelanto and surrounding areas.

BASIS OF PRESENTATION

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-For-Profit Organizations*. Accordingly, the financial statements are prepared on the accrual basis of accounting.

The Organization maintains its accounts in accordance with the principles of fund accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, all financial transactions have been recorded in and reported by the following net asset groups:

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Organization in accordance with its bylaws. The use of portions of these assets has been designated by the Board of Directors for specific purposes.

Temporarily restricted net assets are primarily comprised of pledges receivable from the annual campaign, which are restricted for allocation to agencies, program funding and operating expenses in the coming year, or which carry time or purpose restrictions as specified by the donor.

INLAND EMPIRE UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets.

ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) requires the use of certain estimates by management. The significant items in these statements that are affected by management estimates are allowance for doubtful accounts, depreciation, valuation of donated services and materials, and allocations of functional expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits in banks, cash on hand and money market accounts. For the purpose 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.

CONCENTRATION OF CREDIT RISK

The Organization maintains cash in multiple banks located in Southern California which are secured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. Occasionally, the Organization may maintain balances in excess of the insured amount. The Organization has not experienced any losses due to this type of exposure and management does not consider this concentration to be a significant credit risk.

CAMPAIGN PLEDGES AND APPROPRIATIONS

An annual fundraising campaign is conducted each fall to obtain donations and pledges to fund the subsequent year's operations. Accordingly, a receivable is recorded at year-end for outstanding campaign pledges. Substantially all of the pledges receivable at June 30, 2016, are from corporations and individuals.

The Organization maintains reserves for potential uncollectible pledges which, in the aggregate, have not exceeded management's expectations. The reserve for uncollectible pledges is computed based upon historical averages adjusted by management estimates of current economic factors, applied to gross campaign revenue excluding donor designations. After two years, uncollected campaign pledges are written off.

Donations and pledges to specific programs are recorded as temporarily restricted revenues in the campaign year and released into unrestricted net assets as time restrictions are satisfied in the subsequent years. Donor designated pledges are accounted for as a liability until dispensed to the

INLAND EMPIRE UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

designated agency. Those amounts are not accounted for as revenue by the Organization but are reported as part of campaign results from which the amounts are then deducted to arrive at campaign revenue.

Donor designated pledges are assessed a fundraising and a processing fee based on actual historical costs in accordance with United Way of America membership standards as outlined in their publication entitled *United Way of America Implementation Requirements for Membership Standard M (Cost Deduction for Designated Funds)*.

INVESTMENTS

The Organization maintains investments in certificates of deposit with original maturities of over 90 days. Investments are reported at fair value. The Organization maintains its certificates of deposit with several financial institutions which are secured by the Federal Deposit Insurance Corporation up to \$250,000.

INVENTORY AND GIFTS IN-KIND

Inventory consists primarily of school supplies, children's books, children's clothing and foodstuffs, and is valued at the lower of cost or net realizable value, on the first-in-first out method. This inventory is held primarily for distribution without charge to schools, teachers, and children through the Organization's various programs. Significant portions of the inventory are donated, primarily by large corporations within the Organization's service area. These donations are recorded as in-kind gifts at the estimated fair market value of the items at the time of the donation.

PROPERTY AND EQUIPMENT AND DEPRECIATION

It is the practice of the Organization to capitalize equipment and leasehold improvements in excess of \$500. Purchased equipment and leasehold improvements are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date of the gift. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is calculated using the straight-line method over three to seven years.

CONTRIBUTIONS

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional, and are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if

INLAND EMPIRE UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

FUNCTIONAL EXPENSES

Functional expenses are charged to each program based on direct expenditures incurred. Any program expenses not directly chargeable are allocated to program services and supporting services based on analysis of personnel time as recommended by the United Way in its publication, *United Way of America Functional Expenses and Overhead Reporting Standards* (revised 2003).

DONATED SERVICES

During the year ended June 30, 2016, the value of contributed services received that met the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at its facilities, but these services do not meet the criteria for recognition as contributed services.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and section 23701d of the California Revenue and Taxation Code. It is classified by the Internal Revenue Service as other than a private foundation.

The Organization has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Organization's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Organization files informational returns in the U.S. federal jurisdiction and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

INLAND EMPIRE UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

COMPARATIVE TOTALS

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 2: CASH

Cash and cash equivalents consist of the following:

	2016	2015
Petty cash	\$ 1,100	\$ 1,000
Cash in interest bearing checking and savings accounts	1,130,397	867,170
Cash in money market accounts	228,205	277,843
	\$ 1,359,702	\$ 1,146,013

NOTE 3: INVESTMENTS

Investments at June 30, 2016, consist of certificates of deposit of \$500,000 recorded at fair value. Fair value has been determined based on level 1 value measurements. Level 1 is defined as quoted prices in an active market for identical assets.

NOTE 4: WORKS OF ART – HELD FOR SALE

The Organization was the recipient of donated artwork during fiscal year 2015. The artwork was initially recorded at the appraisal value of \$180,000 at the time of donation. The artwork may be sold, but the Organization is required to sell the artwork at the original appraised value if sold within the three subsequent years after receipt. At the end of the time restriction, the Organization may sell the artwork at current market value. Management anticipates that sale at the original appraisal value is not likely.

During fiscal year 2016, the artwork was evaluated for impairment and the fair value of the artwork was written down to \$20,000. The Organization believes the impairment loss is other than temporary and the impairment loss is reflected in the current operating activity as part of Management and General Expenses.

INLAND EMPIRE UNITED WAY

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016**

NOTE 5: PLEDGES RECEIVABLE

Pledges receivable consist of:

	2016	2015
Current year's campaign	\$ 1,791,036	\$ 1,293,688
Prior year's campaigns	307,516	379,069
	2,098,552	1,672,757
Less allowance for uncollectible	(144,121)	(220,750)
	\$ 1,954,431	\$ 1,452,007

Pledges receivable from three major corporate donors, that also collect individual employee pledges and remit them to the Organization, comprise approximately 55% of the total gross receivables for both the current and prior campaign years.

NOTE 6: EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements include the following at June 30:

	2016	2015
Leasehold improvements	\$ 373,425	\$ 358,834
Vehicles	106,439	106,439
Computer equipment	168,473	155,666
Furniture and equipment	289,683	256,987
Computer software	334,322	258,208
	1,272,342	1,136,134
Less: accumulated depreciation	(1,019,589)	(962,594)
Net equipment and leasehold improvements	\$ 252,753	\$ 173,540

NOTE 7: NET ASSETS

The components of net assets were as follows on June 30:

	2016	2015
Unrestricted:		
Designated for campaign reserve	\$ 322,551	\$ 321,030
Unappropriated	3,962,564	3,160,458
Total Unrestricted	4,285,115	3,481,488
Temporarily Restricted:		
Pledges and designations receivable, net of allowance for uncollectible	1,954,431	1,452,007
Works of art - held for sale	20,000	180,000
Total Temporarily Restricted	1,974,431	1,632,007
Total net assets	\$ 6,259,546	\$ 5,113,495

INLAND EMPIRE UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8: OPERATING LEASES

The Organization leases office space under two separate operating lease agreements that extend beyond twelve months with lease terms expiring through 2019. In addition to the base rent, the Organization is required to pay utilities, insurance, and maintenance. Rental expense for the year ended June 30, 2016, was \$230,504. Future minimum rental payments required under the above operating leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 239,734
2018	244,138
2019	210,790
Total	<u>\$ 694,662</u>

There are no future minimum rentals to be received in connection with the leased property.

NOTE 9: EMPLOYEE BENEFITS

Employee benefits payable consist of payroll taxes, 403(b) retirement plan, health care benefits, long-term disability and workers' compensation insurance. Accrued vacation totaled \$126,240 at June 30, 2016. This liability is included with the amount reported as accrued expenses.

NOTE 10: RETIREMENT PLAN

Effective November 1, 1993, Mt. Baldy United Way established a 403(b) retirement plan for its employees. All employees are eligible for salary deferrals and employer matching contributions immediately upon employment. The employees may contribute up to 20% of their annual wages and the Organization will match 25% of the employee contribution up to 8% of employee compensation. The Board may change the employer contribution annually. Employer matching contributions to the plan were \$8,503 for the year ended June 30, 2016. Participants are 100% vested in all contributions.

INLAND EMPIRE UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 11: DESERT COMMUNITIES UNITED WAY

Effective July 1, 2015, the Organization acquired the Desert Communities United Way and merged its activities into IEUW. Management expects the merging of operations will result in cost savings which will further the mission and goals of the Organization and expand its service area to include the Pomona Valley, Victorville, Apple Valley, Hesperia, Adelanto and surrounding areas. The Organization maintains a local office in Apple Valley.

The following table summarizes the Desert Communities United Way and the amounts of the assets acquired and liabilities assumed and recognized at the acquisition date.

Assets acquired:	
Cash	\$ 271,360
Fixed assets, net of accumulated depreciation	10,642
Fair value of total assets acquired	<u>282,002</u>
Liabilities assumed:	
Total liabilities assumed	<u>-</u>
Recognized amounts of identifiable assets acquired net of liabilities assumed	<u>\$ 282,002</u>

NOTE 12: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 7, 2016 which is the date these financial statements were available to be issued.