

**UNITED WAY OF THE
GREATER TRIANGLE, INC.**

FINANCIAL STATEMENTS

*As of and for the Years Ended June 30, 2016
and 2015*

And Report of Independent Auditor

UNITED WAY OF THE GREATER TRIANGLE, INC.

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Report of Independent Auditor

To the Board of Directors of
United Way of the Greater Triangle, Inc.
Morrisville, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of United Way of the Greater Triangle, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Greater Triangle, Inc. as of June 30, 2016 and 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The transmittal letter is presented for purposes of additional analysis and is not a required part of the basic financial statements. The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on the transmittal letter.

Cherry Rickett LLP

Raleigh, North Carolina
September 26, 2016

UNITED WAY OF THE GREATER TRIANGLE, INC.
TRANSMITTAL LETTER

JUNE 30, 2016 AND 2015

September 26, 2016

Financial Statement Users,

United Way of the Greater Triangle's financial results for the period ending June 30, 2016 were substantially impacted by the organization's intentional decision to align the timing of major community investments with a change in fiscal year effective June 30, 2015. The organization refers to this large pool of investments as Changing Generations awards, with a specific focus on investments in community partners utilizing a collaborative two-generational approach to address challenges facing families living in or near poverty. The inaugural set of Changing Generation awards issued in September 2015, totaled \$2,701,123, and were ten months in duration to coincide with the organization's recently adopted fiscal year end of June 30th.

Another round of Changing Generations grant awards were issued by the organization in April 2016 covering the twelve months spanning July 2016 through June 2017 and totaled \$3,315,345. In accordance with Generally Accepted Accounting Principles, the organization recorded the aggregate \$6,016,468 of Changing Generation awards as community investment expenses in the period ending June 30, 2016. Recording two pools of Changing Generation awards covering twenty-two months in the same fiscal period had a \$2,701,123 negative effect on the organization's net asset balance based on the timing of the grant award decisions. Net of this timing the organization would have achieved an accounting deficit of \$482,582.

Sincerely,



Stanley M. Koonce
CEO and President
United Way of the Greater Triangle

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,601,725	\$ 3,694,242
Investments	186,633	188,417
Contributions receivable, net	4,165,518	4,637,921
Other receivables	99,604	289,598
Prepaid expenses and other	92,268	50,028
Total Current Assets	<u>7,145,748</u>	<u>8,860,206</u>
Property and equipment, net	<u>104,635</u>	<u>29,250</u>
Total Assets	<u><u>\$ 7,250,383</u></u>	<u><u>\$ 8,889,456</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Donor designations payable	\$ 1,204,433	\$ 2,081,011
Allocations payable	5,181,121	2,603,550
Accounts payable and accrued expenses	305,551	438,144
Current portion of capital lease obligations	-	1,992
Total Current Liabilities	<u>6,691,105</u>	<u>5,124,697</u>
Deferred rent	<u>30,098</u>	<u>51,874</u>
Total Liabilities	<u><u>6,721,203</u></u>	<u><u>5,176,571</u></u>
Net Assets:		
Unrestricted:		
Board designated	119,282	148,131
Undesignated	<u>223,339</u>	<u>3,286,565</u>
Total Unrestricted	342,621	3,434,696
Temporarily restricted	103,689	248,189
Permanently restricted	<u>82,870</u>	<u>30,000</u>
Total Net Assets	<u><u>529,180</u></u>	<u><u>3,712,885</u></u>
Total Liabilities and Net Assets	<u><u>\$ 7,250,383</u></u>	<u><u>\$ 8,889,456</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Campaign Promises to Give Received:				
Prior year campaigns	\$ 580,632	\$ -	\$ -	\$ 580,632
Current year campaigns	10,495,892	-	-	10,495,892
Less - donor designations	(2,563,931)	-	-	(2,563,931)
Less - estimated uncollectible promises to give	(437,770)	-	-	(437,770)
Net Campaign Revenue	<u>8,074,823</u>	<u>-</u>	<u>-</u>	<u>8,074,823</u>
Grants	1,404,411	3,000	-	1,407,411
Administrative fees earned	213,435	-	-	213,435
Investment income	19,392	-	-	19,392
Gifts in Kind	22,400	-	-	22,400
Other income	233,945	3,130	-	237,075
	<u>1,893,583</u>	<u>6,130</u>	<u>-</u>	<u>1,899,713</u>
Net assets (released from)/ additions to restrictions	97,760	(150,630)	52,870	-
Total Support and Revenue	<u>10,066,166</u>	<u>(144,500)</u>	<u>52,870</u>	<u>9,974,536</u>
Expenses:				
Program Expenses:				
Community investments	8,931,005	-	-	8,931,005
Direct services	508,618	-	-	508,618
Community impact	1,356,823	-	-	1,356,823
Supporting Services:				
Fundraising	1,180,246	-	-	1,180,246
Administration	1,181,549	-	-	1,181,549
Total Expenses	<u>13,158,241</u>	<u>-</u>	<u>-</u>	<u>13,158,241</u>
Changes in net assets	(3,092,075)	(144,500)	52,870	(3,183,705)
Net assets, beginning of year	3,434,696	248,189	30,000	3,712,885
Net assets, end of year	<u>\$ 342,621</u>	<u>\$ 103,689</u>	<u>\$ 82,870</u>	<u>\$ 529,180</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue:				
Campaign Promises to Give Received:				
Prior year campaigns	\$ 348,349	\$ -	\$ -	\$ 348,349
Current year campaigns	13,240,248	-	-	13,240,248
Less - donor designations	(4,694,835)	-	-	(4,694,835)
Less - estimated uncollectible promises to give	(407,314)	-	-	(407,314)
Net Campaign Revenue	<u>8,486,448</u>	<u>-</u>	<u>-</u>	<u>8,486,448</u>
Grants	969,885	4,500	-	974,385
Administrative fees earned	435,977	-	-	435,977
Investment income	25,291	-	-	25,291
Other income	277,842	4,095	-	281,937
	<u>1,708,995</u>	<u>8,595</u>	<u>-</u>	<u>1,717,590</u>
Net assets released from restrictions	303,887	(303,887)	-	-
Total Support and Revenue	<u>10,499,330</u>	<u>(295,292)</u>	<u>-</u>	<u>10,204,038</u>
Expenses:				
Program Expenses:				
Community investments	6,057,562	-	-	6,057,562
Direct services	465,930	-	-	465,930
Community impact	1,327,710	-	-	1,327,710
Supporting Services:				
Fundraising	1,192,207	-	-	1,192,207
Administration	1,148,727	-	-	1,148,727
Total Expenses	<u>10,192,136</u>	<u>-</u>	<u>-</u>	<u>10,192,136</u>
Changes in net assets	307,194	(295,292)	-	11,902
Net assets, beginning of year	<u>3,127,502</u>	<u>543,481</u>	<u>30,000</u>	<u>3,700,983</u>
Net assets, end of year	<u>\$ 3,434,696</u>	<u>\$ 248,189</u>	<u>\$ 30,000</u>	<u>\$ 3,712,885</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services				Support Services			
	Community	Direct	Community	Total	Fundraising	Administration	Total	Total
	Investments	Services	Impact					
Distributions to community agencies	\$ 8,931,005	\$ -	\$ -	\$ 8,931,005	\$ -	\$ -	\$ -	\$ 8,931,005
Salaries and temp help	-	235,401	766,734	1,002,135	734,070	606,319	1,340,389	2,342,524
Promotion, printing, and supplies	-	148	5,649	5,797	9,568	60,012	69,580	75,377
Membership dues and subscriptions	-	160	6,060	6,220	1,052	10,302	11,354	17,574
Rent and occupancy costs	-	74,133	82,378	156,511	96,108	137,297	233,405	389,916
Payroll taxes	-	16,647	51,356	68,003	54,777	42,877	97,654	165,657
Employee benefits	-	44,907	138,540	183,447	147,767	115,667	263,434	446,881
Contracted services and technical consultation	-	94,652	44,920	139,572	18,235	4,089	22,324	161,896
Depreciation	-	1,466	5,131	6,597	5,987	8,552	14,539	21,136
Affiliation dues	-	16,886	52,093	68,979	55,563	43,493	99,056	168,035
Conferences, travel, and training	-	2,488	46,589	49,077	20,721	27,123	47,844	96,921
Business/financial service fees	-	-	-	-	-	38,508	38,508	38,508
Professional fees	-	-	-	-	-	38,067	38,067	38,067
Office services and supplies	-	6,130	12,064	18,194	14,692	19,457	34,149	52,343
Computer services and supplies	-	14,414	36,889	51,303	5,325	16,621	21,946	73,249
Special events	-	434	105,740	106,174	12,658	6,176	18,834	125,008
Insurance	-	752	2,631	3,383	3,069	4,384	7,453	10,836
Interest expense	-	-	-	-	-	42	42	42
Miscellaneous expenses	-	-	49	49	654	2,563	3,217	3,266
	<u>\$ 8,931,005</u>	<u>\$ 508,618</u>	<u>\$ 1,356,823</u>	<u>\$ 10,796,446</u>	<u>\$ 1,180,246</u>	<u>\$ 1,181,549</u>	<u>\$ 2,361,795</u>	<u>\$ 13,158,241</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Services				Support Services			
	Community	Direct	Community	Total	Fundraising	Administration	Total	Total
	Investments	Services	Impact					
Distributions to community agencies	\$ 6,057,562	\$ -	\$ -	\$ 6,057,562	\$ -	\$ -	\$ -	\$ 6,057,562
Salaries and temp help	-	199,284	751,632	950,916	750,942	590,174	1,341,116	2,292,032
Promotion, printing, and supplies	-	2,954	4,817	7,771	20,778	12,425	33,203	40,974
Membership dues and subscriptions	-	219	5,054	5,273	9,561	10,753	20,314	25,587
Rent and occupancy costs	-	69,786	81,525	151,311	74,732	151,728	226,460	377,771
Payroll taxes	-	14,052	52,998	67,050	50,720	41,614	92,334	159,384
Employee benefits	-	39,302	148,236	187,538	141,864	116,393	258,257	445,795
Contracted services and technical consultation	-	95,180	78,623	173,803	20,647	24,945	45,592	219,395
Depreciation	-	2,326	6,977	9,303	6,396	12,986	19,382	28,685
Affiliation dues	-	14,108	53,209	67,317	50,922	41,779	92,701	160,018
Conferences, travel, and training	-	2,087	46,551	48,638	22,057	28,122	50,179	98,817
Business/financial service fees	-	-	-	-	-	39,960	39,960	39,960
Professional fees	-	-	3,000	3,000	-	24,406	24,406	27,406
Office services and supplies	-	5,240	13,081	18,321	13,139	23,372	36,511	54,832
Computer services and supplies	-	19,722	3,434	23,156	3,148	16,401	19,549	42,705
Special events	-	190	76,028	76,218	24,741	7,205	31,946	108,164
Insurance	-	848	2,545	3,393	2,333	4,737	7,070	10,463
Interest expense	-	-	-	-	-	169	169	169
Miscellaneous expenses	-	632	-	632	227	1,558	1,785	2,417
	<u>\$ 6,057,562</u>	<u>\$ 465,930</u>	<u>\$ 1,327,710</u>	<u>\$ 7,851,202</u>	<u>\$ 1,192,207</u>	<u>\$ 1,148,727</u>	<u>\$ 2,340,934</u>	<u>\$ 10,192,136</u>

The accompanying notes to the financial statements are an integral part of this statement.

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,183,705)	\$ 11,902
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation expense	21,136	28,685
Realized/unrealized losses on investments	1,784	9,277
Change in net assets and liabilities:		
Contributions receivable, net	472,403	18,133
Other receivables	189,994	(111,704)
Prepaid expenses and other	(42,240)	14,763
Donor designations payable	(876,578)	(150,011)
Allocations payable	2,577,571	(197,468)
Accounts payable, accrued expenses, and other liabilities	(132,593)	36,261
Deferred rent	(21,776)	(15,794)
Net cash flows from operating activities	<u>(994,004)</u>	<u>(355,956)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(96,521)</u>	<u>(3,302)</u>
Net cash flows from investing activities	<u>(96,521)</u>	<u>(3,302)</u>
Cash flows from financing activities:		
Payments made under capital lease obligations	<u>(1,992)</u>	<u>(2,543)</u>
Net cash flows from financing activities	<u>(1,992)</u>	<u>(2,543)</u>
Net decrease in cash and cash equivalents	(1,092,517)	(361,801)
Cash and equivalents, beginning of year	3,694,242	4,056,043
Cash and equivalents, end of year	<u>\$ 2,601,725</u>	<u>\$ 3,694,242</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 42</u>	<u>\$ 169</u>

UNITED WAY OF THE GREATER TRIANGLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Organization and significant accounting policies and practices

Organization – United Way of the Greater Triangle, Inc. (the “Organization”) was formed in 1996 for the purpose of consolidating the resources of the Durham County, Orange County, and Wake County United Way organizations and to streamline activities to better serve the needs of the people in the Greater Triangle region of North Carolina. In July 2009, the United Way of Johnston County merged into the Organization. The Organization conducts an annual Triangle-wide fundraising campaign on behalf of the counties it encompasses.

Effective April 28, 2009, the Organization’s legal name was changed from Triangle United Way, Inc. to United Way of the Greater Triangle, Inc.

Effective January 20, 2015, the Organization changed its fiscal year end from December 31 to June 30; this change was made to better align the financial reporting period with the Organization’s business cycle.

Basis of Presentation – The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Cash and Cash Equivalents – The Organization considers all demand deposits at financial institutions and all highly liquid debt instruments purchased with original maturities of three months or less to be cash and cash equivalents. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. The Organization had \$2,751,510 and \$3,007,015 of cash and cash equivalents in excess of these insured amounts at June 30, 2016 and 2015, respectively.

Investments – 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 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are described as follows.

Level 1 – 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 2 – Inputs to the valuation methodology include:

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

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

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

The asset’s 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.

UNITED WAY OF THE GREATER TRIANGLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Organization and significant accounting policies and practices (continued)

There have been no changes in the methodologies used at June 30, 2016 and 2015. There were no significant transfers in or out of Level 1, 2, or 3 investments for the years ended June 30, 2016 and 2015.

Investments at June 30, 2016 and 2015 consist of certificates of deposit with original maturities in excess of three months, and the Triangle Community Foundation Legacy Society Fund (the "Fund") - endowment style pooled investment fund consisting of: cash, money market, equity, fixed income, and debt securities which are considered Level 1 investments. The Fund also consists of alternative investments which are considered Level 3 investments. Certificates of deposit are stated at cost which approximates fair value and are considered Level 1 investments. Investments held by the Fund are recorded at fair value based on available market prices and data. Each year a portion of the Fund's balance is considered spendable, unrestricted and invested in cash or a similarly liquid investment. The remainder of the balance is considered endowed, non-spendable, permanently restricted, and used to generate future earnings.

For the year ended June 30, 2016 and 2015, the Organization held a certificate of deposit of \$20,104 and \$20,034, respectively. For the year ended June 30, 2016 and 2015, the Organization held investments in the Fund of \$166,072 (with \$103,202 spendable) and \$168,067 (with \$162,902 spendable), respectively. The fair value of the Organization's proportional share of alternative investments held in the Fund at June 30, 2016 and 2015 is \$16,095 and \$1,884 respectively.

Composition of and changes in endowed net assets for the year ended June 30, 2016 were as follows:

Endowed Net Assets, beginning of year	\$ 1,884
Reclassification of donor gifts	<u>14,211</u>
Endowed Net Assets, end of year	<u>\$ 16,095</u>

The decrease in the spendable balance in the Fund and increase in alternative investments in the current year is due to a reclassification of donor gifts from unrestricted net assets to permanently restricted net assets. This reclassification of donor gift was communicated by Triangle Community Foundation to the Organization to ensure compliance with the Uniform Prudent Management of Institutional Funds Act. The effect of this change is included in the Statement of Activities as an addition to the permanently restricted balance.

Financial Instruments and Credit Risk Concentration – Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of short-term investments (cash equivalents) and contributions receivable. The Organization's investment policy is intended to limit its exposure to credit risk. The Organization has not experienced any significant losses in such accounts and believes it is not exposed to any significant financial risk therein.

Contributions Receivable – Unconditional promises to give are expected to be collected within one campaign cycle, which is typically the 18-month period beginning each August. Conditional promises to give are not included as support until such time as the conditions upon which they depend are substantially met.

An allowance for uncollectible, undesignated promises to give is established at the completion of each annual campaign cycle. The Organization's estimate for the allowance for uncollectible promises to give is based on its historical experience of the relationship between actual bad debts for a campaign year and the related net campaign revenues for the same campaign year. The allowance for uncollectible promises to give as of June 30, 2016 and 2015 was \$515,586 and \$517,308, respectively and represent between 5.5% and 6.5% of unrestricted giving in the 2015 and 2014 campaign cycles, respectively.

UNITED WAY OF THE GREATER TRIANGLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Organization and significant accounting policies and practices (continued)

Designations – Designations result from contributions directed to individual organizations and agencies by the donor. When received, these funds are distributed to the intended organizations, net of an administrative fee (if applicable).

Property and Equipment – Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years. Maintenance, repairs, and minor equipment purchases are expensed when incurred. It is the Organization's policy to capitalize expenses that are greater than \$2,000. No donated assets were received during the years ended June 30, 2016 and 2015.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions as the donated or acquired long-lived assets are constructed or placed in service.

The Organization reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If this review indicates that the asset will not be recoverable, based on the expected cash flows of the related asset, an impairment loss is recognized and the asset's carrying value is reduced. No such impairment loss was recognized during the years ended June 30, 2016 and 2015.

Contributions – Contributions are recognized as revenue at the time the contribution or unconditional promise to give is received either by the Organization or an agent of the Organization, net of estimated uncollectible amounts. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts restricted by time or purpose are reported as temporarily or permanently restricted support and increase those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or donor restriction is met, contributions are reported as net assets released from restrictions in the statement of activities and changes in net assets.

Donated securities are recorded at their fair market value at the date of the gift. No donated securities were received during the years ended June 30, 2016 and 2015 .

Donated Services – The Organization recognizes donated services as those that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No material donated services meeting these requirements for recognition in the financial statements were received during the years ended June 30, 2016 and 2015.

A significant amount of services not meeting the requirements for recognition in the financial statements have been contributed by others towards the general operation and success of the Organization.

Investment Income – Investment income is credited to unrestricted net assets in the period earned, unless such income has been designated as restricted by donors.

UNITED WAY OF THE GREATER TRIANGLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Organization and significant accounting policies and practices (continued)

Grants – The Organization receives grant income from federal agencies and private industry sources to help support its direct service efforts. Federal grants were received through the North Carolina Department of Health and Human Services – Division of Aging and Adult Services under the Emergency Solutions Grant. In the period ending June 30, 2016 the Organization recognized \$270,070 in federal grant revenue and \$1,137,341 in private industry grant revenue. In the period ending June 30, 2015 recognized \$699,800 in federal grant revenue and \$274,585 in private industry grant revenue.

Unrestricted Net Assets – Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Temporarily Restricted Net Assets – Temporarily restricted net assets consists primarily of grant dollars from the John Rex Youth Thrive Initiative, which is purpose restricted. Substantially all temporarily restricted net assets released from restriction during the periods ending June 30, 2016 and 2015 were released due to the purpose restriction related to spending for the John Rex Youth Thrive Initiative.

Permanently Restricted Net Assets – The Broughton Scholarship fund was established in the amount of \$20,000 by the family of Melville Broughton to provide scholarships to staff members of Wake County's member agencies. The assets are subject to donor-imposed restrictions that the assets be permanently maintained by the Organization and the donor has permitted the Organization to use the funds for a specific purpose. The Broughton Volunteer Award recognizes excellence in volunteer service to the nonprofit community, and the Broughton Scholarship Award supports a recipient agency's training budget. No amounts were expended from this fund during the years ended June 30, 2016 and 2015.

Triangle Community Foundation maintains a Legacy Society Fund for the future benefit of the Organization. This Fund includes a permanently restricted balance of \$62,870 as of June 30, 2016 and \$10,000 as of June, 30 2015.

Functional Classification of Expenses – Operating expenses are allocated to specific functions based on management estimates of time and resources devoted to those functions. The following functional expense classifications are included in the foregoing financial statements:

Community Investments – Community Investments result from contributions directed to the Organization's general fund or other broad based initiatives. These funds are allocated for distribution to various agencies and programs based on need and other criteria deemed appropriate by the Board of Directors (the "Board"). Community Investments are accrued when approved by the Board of Directors or sub-committees with delegated authority.

Direct Services – Includes activities that deliver services funded by other sources other than the annual campaign, including:

- United Way 2-1-1, a community human services information and referral service which links individuals in need of services to those available services in the community.
- Teaming for Technology, a community service of the Organization, refurbishes donated computer equipment for nonprofit organizations and educational institutions to help them leverage resources, enhance delivery of services, and improve technological efficiencies. The donated computer equipment received is not recorded as an asset by the Organization.
- Federal grant expenditures received through the North Carolina Department of Health and Human Services – Division on Aging and Adult Services under the Emergency Solutions Grant.

UNITED WAY OF THE GREATER TRIANGLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 1—Organization and significant accounting policies and practices (continued)

Community Impact – Includes activities for ensuring that donors' gifts are invested wisely in the community and to examine the needs in each county and to determine how Organization resources can be maximized to achieve measurable results. The Organization's Community Impact function uses assessments and other data to identify gaps in local health and human services.

Fundraising – Includes activities of the Organization's Resource Development Department, which has primary responsibility for cultivating fundraising efforts for the Organization. This department cultivates new resources and opportunities to support health and human services in the communities of Durham, Johnston, Wake, and Orange counties. Through the Organization's Give United Fund, donations are directed to meeting the most critical needs in the local community.

Administration – Includes costs of activities related to the overall direction of the Organization. These expenses are not identifiable with a particular program or fundraising activity, but are indispensable to the conduct of those activities and essential to the Organization. Specific activities include organization oversight, business management, human resources, finance, and information technology.

Concentrations – The Organization's annual fundraising campaigns are concentrated in the Triangle region of North Carolina. In addition, for the years ended June 30, 2016 and 2015, one company in the region accounted for 4.70% and 6.97% of the Organization's total unrestricted giving, respectively.

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 that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status – The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax under the provisions of Section 501(a). Certain non-exempt activities are subject to federal income taxes. No such nonexempt activities were undertaken during the periods ending June 30, 2016 and 2015.

The Organization follows the Financial Accounting Standards Board ("FASB") guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements by prescribing 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 Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is "more likely than not" (more than a 50% likelihood) the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2016 and 2015 and, accordingly, no liability has been accrued.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service ("IRS"), general for three years after they were filed.

UNITED WAY OF THE GREATER TRIANGLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 2—Property and equipment

Property and equipment consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Computer, equipment, and software	\$ 157,331	\$ 193,327
Furniture and fixtures	101,569	101,569
Office equipment	118,405	77,384
Leasehold improvements	6,054	38,869
Assets under capital lease	-	53,755
Assets in development	91,505	-
	<u>474,864</u>	<u>464,904</u>
Accumulated depreciation	<u>(370,229)</u>	<u>(435,654)</u>
Property and equipment, net	<u>\$ 104,635</u>	<u>\$ 29,250</u>

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$21,136 and \$28,685, respectively.

Capital Leases – The Organization had no capital leases as of June 30, 2016.

The net book value of assets held under capital leases at June 30, 2015 was \$3,455. Accumulated depreciation at June 30, 2015, includes accumulated amortization for the assets held under the capital leases of \$6,910. Amortization expense for the assets held under the capital leases was \$2,073 for the years ended June 30, 2015, and is included in depreciation expense.

Note 3—Board designated net assets

The Organization’s Board has the ability to designate net assets for certain funds. A description of those funds is as follows:

Suther Funds – The C. M. and Margaret D. Suther Memorial Fund was established in 1980. Criteria established by the Trust Advisory Committee of Wachovia Bank guides the disbursement of the income from this fund to the Organization to support “renovations, repairs, and capital improvements” in Durham County. The Durham Cabinet oversees the distribution of this fund once distributions have been approved by the Board, which is limited to member agencies.

Response Funds – The intent of response funds is to allocate one-time grants to nonprofit health and human services agencies to address needs in the following categories: unanticipated emergencies, community partnership opportunities, and discretionary funds for individual/family needs. Community Investment committees, sub-committees of the Board of Directors, review and recommend grants throughout the year.

Special Allocations – In addition to traditional Community Investment awards, the Cabinets may decide to reserve net asset balances to address specified future critical needs. The Cabinets are responsible for making the decision as to when and the recipient of the funds.

UNITED WAY OF THE GREATER TRIANGLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 3—Board designated net assets (continued)

Board Designated Net Assets – At June 30, 2016, the Board had designated net assets to specific counties in the Greater Triangle region of North Carolina as follows:

	For the Benefit of				Total
	Durham	Orange	Wake	Johnston	
Reponse funds	\$ 10,515	\$ 1,814	\$ 28,238	\$ 7,814	\$ 48,381
Suther funds	70,901	-	-	-	70,901
	<u>\$ 81,416</u>	<u>\$ 1,814</u>	<u>\$ 28,238</u>	<u>\$ 7,814</u>	<u>\$ 119,282</u>

At June 30, 2015, the Board had designated net assets to specific counties in the Greater Triangle region of North Carolina as follows:

	For the Benefit of				Total
	Durham	Orange	Wake	Johnston	
Reponse funds	\$ 10,515	\$ 1,814	\$ 37,088	\$ 7,814	\$ 57,231
Suther funds	90,900	-	-	-	90,900
	<u>\$ 101,415</u>	<u>\$ 1,814</u>	<u>\$ 37,088</u>	<u>\$ 7,814</u>	<u>\$ 148,131</u>

Note 4—Operating leases

The Organization leases an office facility under an escalating operating lease with an end date in fiscal year 2018. Rent expense is recognized on the straight-line basis over the term of the lease agreement, and was approximately \$218,167 for both the years ended June 30, 2015 and 2016.

Future minimum rentals under noncancelable operating leases are as follows at June 30, 2016:

<u>Year Ending June 30,</u>	
2017	\$ 212,151
2018	35,943
Total	<u>\$ 248,094</u>

Note 5—Retirement plans

The Organization sponsors a noncontributory defined contribution pension plan (the “Plan”) covering all employees who qualify as to age and length of service. The Organization contributes 7% of each participant’s eligible compensation to the Plan on an annual basis. Employer contributions to the Plan for the years ended June 30, 2016 and 2015 were \$122,499 and \$125,535, respectively.

The Organization has also established a thrift plan, which is available to all employees who meet the eligibility requirements. The thrift plan includes an employer match up to a maximum employee contribution of 4% of eligible salary. Employer contributions to the thrift plan for the years ended June 30, 2016 and 2015 were \$64,348 and \$69,212, respectively.

Note 6—Subsequent events

The Organization has evaluated subsequent events through September 26, 2016, which represents the date the financial statements were available to be issued.