

*UNITED WAY OF BEDFORD COUNTY*

*INDEPENDENT AUDITOR'S REPORT*

*For The Years Ending*

*December 31, 2017 and December 31, 2016*



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*INDEPENDENT AUDITOR'S REPORT*



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## Independent Auditor's Report

Board of Directors  
United Way of Bedford County  
Bedford, Pennsylvania

We have audited the accompanying financial statements of the United Way of Bedford County (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – cash basis as of December 31, 2017 and 2016, and the related statements of support, revenue, and expenses – cash basis and functional expenses – cash basis 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities, and net assets – cash basis of the United Way of Bedford County as of December 31, 2017 and 2016, and its support, revenue, and expenses – cash basis and functional expenses – cash basis for the years then ended in accordance with the cash basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Very truly yours,

RITCHEY, RITCHEY & KOONTZ

*Ritchey, Ritchey & Koontz*

Bedford, Pennsylvania  
September 14, 2018



UNITED WAY OF BEDFORD COUNTY  
 Statements of Assets, Liabilities, and Net Assets-Cash Basis  
 As of December 31, 2017 and 2016

ASSETS

|                      | <u>2017</u>       | <u>2016</u>       |
|----------------------|-------------------|-------------------|
| Current Assets       |                   |                   |
| Cash                 | \$ 17,483         | \$ 4,708          |
| Savings              | <u>12,259</u>     | <u>22,206</u>     |
| Total current assets | 29,742            | 26,914            |
| Other Assets         |                   |                   |
| Endowment fund       | <u>97,148</u>     | <u>92,955</u>     |
| Total Assets         | <u>\$ 126,890</u> | <u>\$ 119,869</u> |

LIABILITIES AND NET ASSETS

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Current Liabilities              | <u>\$ 1,910</u>   | <u>\$ 1,043</u>   |
| Net Assets                       |                   |                   |
| Unrestricted                     | 27,832            | 25,871            |
| Permanently restricted           | <u>97,148</u>     | <u>92,955</u>     |
| Total Net Assets                 | <u>124,980</u>    | <u>118,826</u>    |
| Total Liabilities and Net Assets | <u>\$ 126,890</u> | <u>\$ 119,869</u> |

The accompanying notes are an integral part of these statements.



UNITED WAY OF BEDFORD COUNTY  
 Statements of Support, Revenue and Expenses-Cash Basis  
 For the years ended December 31, 2017 and 2016

|                                  | <u>Unrestricted</u> | Permanently<br><u>Restricted</u> | <u>2017</u>       | <u>2016</u>       |
|----------------------------------|---------------------|----------------------------------|-------------------|-------------------|
| <b>Revenue</b>                   |                     |                                  |                   |                   |
| Contributions                    | \$ 97,063           | \$ 0                             | \$ 97,063         | \$ 119,489        |
| Special events                   | 25,853              | 0                                | 25,853            | 27,263            |
| Interest and dividends           | <u>53</u>           | <u>2,396</u>                     | <u>2,449</u>      | <u>2,532</u>      |
| Total revenue                    | <u>122,969</u>      | <u>2,396</u>                     | <u>125,365</u>    | <u>149,284</u>    |
| <b>Expenses</b>                  |                     |                                  |                   |                   |
| Allocations & designations       | 51,850              | 0                                | 51,850            | 102,372           |
| Administrative costs             | 3,340               | 0                                | 3,340             | 2,917             |
| Payroll & payroll taxes          | 27,848              | 0                                | 27,848            | 30,977            |
| Insurance                        | 1,744               | 0                                | 1,744             | 1,442             |
| Campaign expense                 | 2,423               | 0                                | 2,423             | 6,912             |
| Professional fees                | 1,750               | 0                                | 1,750             | 1,700             |
| Printing, supplies & postage     | 3,001               | 0                                | 3,001             | 1,897             |
| Advertising                      | 1,491               | 0                                | 1,491             | 745               |
| Rent                             | 3,700               | 0                                | 3,700             | 2,750             |
| Utilities                        | 1,548               | 0                                | 1,548             | 1,503             |
| Special events                   | 17,926              | 0                                | 17,926            | 14,040            |
| Other                            | <u>4,387</u>        | <u>0</u>                         | <u>4,387</u>      | <u>4,562</u>      |
| Total expenses                   | <u>(121,008)</u>    | <u>0</u>                         | <u>(121,008)</u>  | <u>(171,817)</u>  |
| Ordinary Change in Net Assets    | <u>1,961</u>        | <u>2,396</u>                     | <u>4,357</u>      | <u>(22,533)</u>   |
| <b>Other Changes</b>             |                     |                                  |                   |                   |
| Increase (decrease) in endowment | <u>0</u>            | <u>1,797</u>                     | <u>1,797</u>      | <u>4,745</u>      |
| Total Change in Net Assets       | 1,961               | 4,193                            | 6,154             | (17,788)          |
| Net Assets, January 1            | <u>25,871</u>       | <u>92,955</u>                    | <u>118,826</u>    | <u>136,614</u>    |
| Net Assets, December 31          | <u>\$ 27,832</u>    | <u>\$ 97,148</u>                 | <u>\$ 124,980</u> | <u>\$ 118,826</u> |

The accompanying notes are an integral part of these statements.

UNITED WAY OF BEDFORD COUNTY  
 Statements of Support, Revenue and Expenses-Cash Basis  
 For the year ended December 31, 2016

|                                  | <u>Unrestricted</u> | Permanently<br><u>Restricted</u> | <u>Total</u>      |
|----------------------------------|---------------------|----------------------------------|-------------------|
| Revenue                          |                     |                                  |                   |
| Contributions                    | \$ 119,489          | \$ 0                             | \$ 119,489        |
| Special events                   | 27,263              | 0                                | 27,263            |
| Interest and dividends           | <u>59</u>           | <u>2,473</u>                     | <u>2,532</u>      |
| Total revenue                    | <u>146,811</u>      | <u>2,473</u>                     | <u>149,284</u>    |
| Expenses                         |                     |                                  |                   |
| Allocations & designations       | 102,372             | 0                                | 102,372           |
| Administrative costs             | 2,917               | 0                                | 2,917             |
| Payroll & payroll taxes          | 30,977              | 0                                | 30,977            |
| Insurance                        | 1,442               | 0                                | 1,442             |
| Campaign expense                 | 6,912               | 0                                | 6,912             |
| Professional fees                | 1,700               | 0                                | 1,700             |
| Printing, supplies & postage     | 1,897               | 0                                | 1,897             |
| Advertising                      | 745                 | 0                                | 745               |
| Rent                             | 2,750               | 0                                | 2,750             |
| Utilities                        | 1,503               | 0                                | 1,503             |
| Special events                   | 14,040              | 0                                | 14,040            |
| Other                            | <u>4,562</u>        | <u>0</u>                         | <u>4,562</u>      |
| Total expenses                   | <u>(171,817)</u>    | <u>0</u>                         | <u>(171,817)</u>  |
| Ordinary Change in Net Assets    | <u>(25,006)</u>     | <u>2,473</u>                     | <u>(22,533)</u>   |
| Other Changes                    |                     |                                  |                   |
| Increase (decrease) in endowment | <u>0</u>            | <u>4,745</u>                     | <u>4,745</u>      |
| Total Change in Net Assets       | (25,006)            | 7,218                            | (17,788)          |
| Net Assets, January 1            | <u>50,877</u>       | <u>85,737</u>                    | <u>136,614</u>    |
| Net Assets, December 31          | <u>\$ 25,871</u>    | <u>\$ 92,955</u>                 | <u>\$ 118,826</u> |

The accompanying notes are an integral part of these statements.

UNITED WAY OF BEDFORD COUNTY  
Statement of Functional Expenses-Cash Basis  
For the year ended December 31, 2017

| Expenses                     | <u>Program<br/>Services</u> | <u>Management<br/>&amp; General</u> | <u>Fundraising</u> | <u>Total</u>      |
|------------------------------|-----------------------------|-------------------------------------|--------------------|-------------------|
| Allocations & designations   | \$ 51,850                   | \$ 0                                | \$ 0               | \$ 51,850         |
| Administrative costs         | 3,006                       | 334                                 | 0                  | 3,340             |
| Payroll & payroll taxes      | 25,063                      | 2,785                               | 0                  | 27,848            |
| Insurance                    | 1,570                       | 174                                 | 0                  | 1,744             |
| Campaign expense             | 2,423                       | 0                                   | 0                  | 2,423             |
| Professional fees            | 1,575                       | 175                                 | 0                  | 1,750             |
| Printing, supplies & postage | 2,701                       | 300                                 | 0                  | 3,001             |
| Advertising                  | 1,342                       | 149                                 | 0                  | 1,491             |
| Rent                         | 3,330                       | 370                                 | 0                  | 3,700             |
| Utilities                    | 1,393                       | 155                                 | 0                  | 1,548             |
| Special events               | 0                           | 0                                   | 17,926             | 17,926            |
| Other                        | <u>4,387</u>                | <u>0</u>                            | <u>0</u>           | <u>4,387</u>      |
| Total expenses               | <u>\$ 98,640</u>            | <u>\$ 4,442</u>                     | <u>\$ 17,926</u>   | <u>\$ 121,008</u> |

The accompanying notes are an integral part of these statements.



UNITED WAY OF BEDFORD COUNTY  
Notes to Financial Statements  
December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of the United Way of Bedford County (the United Way) relates to the presentation of its financial statements and is presented to assist in their understanding. The financial statements and notes are representations of the United Way's management who is responsible for their integrity and objectivity.

Nature of the Reporting Entity

The United Way was incorporated during 1988. As the United Way has grown, its philosophies have changed to provide health and human service charitable contributions, which fall under the United Way guidelines. These contributions are intended to help provide services to the less fortunate in Bedford County, including the elderly, handicapped, and troubled youth.

The United Way conducts an annual fall fund drive and also raises money during the entire year. Volunteers solicit contributions from individuals, businesses, government and educational organizations throughout the Bedford County area. Also, during this time, the United Way accepts applications for allocated funds from qualified non profit organizations. Based on total contributions received and applications received, the United Way determines allocations for the next calendar year.

The amount shown for allocations and designations on the statement of support, revenue and expenses-cash basis are the actual amounts paid during the years presented. The cash balance at December 31 represents the amount available to pay the following year allocations and administrative expenses.

Accounting Basis

These financial statements were prepared under the cash basis of accounting, therefore, revenues are recognized when cash is received and expenses are recognized when paid. Payroll taxes due & payable are accrued at year end.

Revenue Recognition

The United Way considers donations as revenue in the year cash is received. Pledges are not recorded as revenue or as accounts receivable.

## Tax Status

The United Way is tax exempt under Section 501(c)(3) of the Internal Revenue Code. As a nonstock, nonprofit organization, it is exempt from all Pennsylvania corporate taxes. Federal income tax returns for 2017, 2016 and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. An income tax position may create an income tax contingency for any of the entities. As of December 31, 2017, there were no income tax positions that created an income tax contingency.

## Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within ninety days of the date acquired by the United Way. Investments include amounts held in certificates of deposit at local banking institutions.

The United Way is authorized to invest in obligations of the United States, obligations of the Commonwealth of Pennsylvania or to deposit funds in Federally insured banking institutions.

## Property, Plant, and Equipment

Any equipment purchased by the United Way is charged to expense in the year of purchase.

## Inventories, Materials and Supplies

Materials and supplies of the United Way are expensed as purchased.

## Net Asset Classifications

The financial statements present information regarding the United Way's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The three classes are differentiated by donor restrictions.

*Unrestricted net assets* are net assets that are not subject to donor stipulations.

*Temporarily restricted net assets* are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. There were no temporarily restricted net assets at December 31, 2017 and 2016.

*Permanently restricted net assets* are subject to donor stipulations or other legal restrictions requiring the principal to be maintained permanently by the United Way. Generally, the donors permit the United Way to use all or part of the income earned for either general or donor specified purposes.

## Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## Subsequent Events

Subsequent events have been considered through September 14, 2018, which is the date the financial statements were available to be issued.

## 2. DEPOSITS AND INVESTMENTS

### Deposits

At December 31, the carrying amount of the United Way's cash deposits in local banking institutions were as follows:

|          | <u>2017</u>      | <u>2016</u>      |
|----------|------------------|------------------|
| Checking | \$ 17,483        | \$ 4,708         |
| Savings  | <u>12,259</u>    | <u>22,206</u>    |
| Total    | <u>\$ 29,742</u> | <u>\$ 26,914</u> |

During the years ended December 31, 2017, and 2016, these amounts were fully insured by the Federal Deposit Insurance Company (FDIC).

## 3. ENDOWMENT

During the year ended December 31, 2002, a Bedford County resident donated a recreational vehicle to the United Way. The recreational vehicle was sold during the year and the proceeds, along with a donation from Sprint, were placed in an endowment fund. The original deposit was for \$70,000. As of December 31, 2017 and 2016, the fund value was \$97,148 and \$92,955, respectively. The terms of the endowment called for the fund to remain invested untouched for five years. After the original five year period, 25 percent of the annual interest can be used to offset office expenses on a yearly basis. There were no withdrawals from the fund during the years ended December 31, 2017 and 2016.

The endowment fund consists of donor restricted funds. Net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions as required by generally accepted accounting principles.

The United Way has interpreted Pennsylvania law as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. Based on this interpretation, the United Way classifies as permanently restricted net assets the original value of the gift, the

original value of any subsequent gifts to the permanent endowment and accumulations made in accordance with the direction of the donor gift instrument. The remaining portion of the donor restricted endowment funds is classified as unrestricted or temporarily restricted donor net assets as required by the donor.

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

|                           | <u>Permanently<br/>Restricted</u> |
|---------------------------|-----------------------------------|
| Balance January 1, 2016   | \$ 85,737                         |
| Investment income, net    | 2,473                             |
| Net appreciation          | <u>4,745</u>                      |
| Total investment return   | 7,218                             |
| Balance December 31, 2016 | 92,955                            |
| Investment income, net    | 2,396                             |
| Net appreciation          | <u>1,797</u>                      |
| Total investment return   | 4,193                             |
| Balance December 31, 2017 | <u>\$ 97,148</u>                  |

To satisfy its long-term rate-of-return objectives, the United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The United Way established asset allocation percentages for its investment account. The target asset allocations are based on investment objective, time horizon and risk tolerance established for the account.

As of December 31, the fund holdings were as follows:

|                      | <u>2017</u>      | <u>2016</u>      |
|----------------------|------------------|------------------|
| Sweep checking       | \$ 41,363        | \$ 38,110        |
| GNMA                 | 510              | 1,404            |
| Franklin Income Fund | <u>55,275</u>    | <u>53,441</u>    |
| Total                | <u>\$ 97,148</u> | <u>\$ 92,955</u> |

The fair value of the investments in mutual funds and fixed income securities are valued at the net asset value of shares held by the United Way at year end and are measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted prices in active markets for identical assets that the United Way has the ability to access at the measurement date. At December 31, 2017 and 2016, the fair value of the investments in mutual funds and fixed income securities was \$55,785 and \$54,845, respectively.