DASZKALBOLTON
accountants & advisors

United Way of Palm Beach County, Inc.

Financial Statements

June 30, 2016 and 2015

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Independent Auditors' Report

To the Board of Directors of
United Way of Palm Beach County, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of United Way of Palm Beach County, Inc. (the "Organization"), which comprise the statements of financial position at June 30, 2016, and the related statements of activities and changes in net assets, 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.

Auditors' 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 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 Palm Beach County, Inc. at June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Prior Period Financial Statements

The financial statements of the Organization at June 30, 2015 and for the year then ended, were audited by other auditors whose report, dated January 11, 2016, expressed an unmodified opinion on those statements.

Daszkal Bolton LLP

Boca Raton, Florida
January 3, 2017

United Way of Palm Beach County, Inc.
Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 4,133,367	$ 4,614,575
Receivables:		
Pledges receivable, net	3,577,362	3,058,065
Grants	175,085	143,556
Other	6,789	8,714
Prepaid expenses	36,798	52,290
Total current assets	7,929,401	7,877,200
Non-current assets:		
Investments	9,723,472	6,421,547
Beneficial interest in perpetual trust	48,098	45,108
Beneficial interest in charitable remainder trust	815,038	849,045
Property and equipment, net of accumulated depreciation	707,536	2,129,868
Total non-current assets	11,294,144	9,445,568
Total assets	$ 19,223,545	$ 17,322,768
Liabilities and Net Assets		
Current liabilities:		
Allocations payable	$ 3,135,704	$ 3,105,704
Designations payable	4,622,965	4,426,663
Accounts payable and accrued expenses	481,351	212,002
Deferred income	271,448	304,388
Current portion of annuity obligations	18,250	18,250
Total current liabilities	8,529,718	8,067,007
Non-current liabilities:		
Annuity obligations, net of current portion	60,326	64,004
Total liabilities	8,590,044	8,131,011
Commitments and contingencies		
Net assets:		
Unrestricted	7,155,895	6,069,107
Temporarily restricted	3,429,508	3,077,542
Permanently restricted	48,098	45,108
Total net assets	10,633,501	9,191,757
Total liabilities and net assets	$ 19,223,545	$ 17,322,768

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Campaign contributions	$ 2,544,911	$ 9,203,147	$ -	$ 11,748,058
Less:				
Designation to other agencies	-	(5,506,939)	-	(5,506,939)
Provision for uncollectible pledges	-	(516,966)	-	(516,966)
Other contributions	166,103	-	-	166,103
In-kind contributions	123,620	-	-	123,620
Legacies and bequests	8,500	-	-	8,500
Special events	124,665	-	-	124,665
Grants	2,639,986	35,931	-	2,675,917
Gain on sale of property	1,873,143	-	-	1,873,143
Investment income	162,028	369	-	162,397
Designation fees	190,069	-	-	190,069
Change in value of split interest agreements	(19,438)	(34,007)	2,990	(50,455)
Net assets released from restrictions	2,829,569	(2,829,569)	-	-
Total revenues, gains and other support	10,643,156	351,966	2,990	10,998,112
Expenses:				
Program services	6,725,396	-	-	6,725,396
Management and general	1,249,873	-	-	1,249,873
Fundraising and other events	1,581,099	-	-	1,581,099
Total expenses	9,556,368	-	-	9,556,368
Change in net assets	1,086,788	351,966	2,990	1,441,744
Net assets at beginning of year	6,069,107	3,077,542	45,108	9,191,757
Net assets at end of year	$ 7,155,895	$ 3,429,508	$ 48,098	$ 10,633,501

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Campaign contributions	$ 2,452,983	$ 10,741,640	$ -	$ 13,194,623
Less:				
Designation to other agencies	-	(6,989,771)	-	(6,989,771)
Provision for uncollectible pledges	-	(329,300)	-	(329,300)
Other contributions	203,285	-	-	203,285
In-kind contributions	67,301	-	-	67,301
Legacies and bequests	3,593	1,035	-	4,628
Special events	127,842	-	-	127,842
Grants	2,427,624	60,000	-	2,487,624
Investment income	103,296	2,494	-	105,790
Designation fees	432,508	-	-	432,508
Change in value of split interest agreements	29,063	(1,301)	245	28,007
Net assets released from restrictions	3,614,085	(3,614,085)	-	-
Total revenues, gains and other support	9,461,580	(129,288)	245	9,332,537
Expenses:				
Program services	6,570,418	-	-	6,570,418
Management and general	1,247,881	-	-	1,247,881
Fundraising and other events	1,591,542	-	-	1,591,542
Total expenses	9,409,841	-	-	9,409,841
Change in net assets	51,739	(129,288)	245	(77,304)
Net assets at beginning of year	6,017,368	3,206,830	44,863	9,269,061
Net assets at end of year	$ 6,069,107	$ 3,077,542	$ 45,108	$ 9,191,757

See accompanying notes to financial statements.

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 1,441,744	$ (77,304)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,426	153,224
Gain on sale of property	(1,873,143)	-
Net realized and unrealized gains/losses from investments	459	14,175
Provision for pledge loss	516,966	329,300
Increase (decrease) in value of split interest agreements	50,455	(28,007)
(Increase) decrease in operating assets:		
Pledges receivable	(1,036,263)	(275,056)
Grants receivable	(31,529)	(111,040)
Other receivables	1,925	10,364
Prepaid expenses	15,492	(7,112)
Increase (decrease) in operating liabilities:		
Allocations payable	30,000	(3,333)
Designations payable	196,302	2,552,861
Accounts payable and accrued expenses	269,349	44,232
Deferred income	(32,940)	(289,563)
Net cash (used in) provided by operating activities	(371,757)	2,312,741
Cash flows from investing activities:		
Purchases of investments	(5,722,095)	(117,853)
Proceeds from sales of investments	2,414,845	289,262
Proceeds from sale of property	3,861,306	-
Purchase of property and equipment	(645,257)	-
Net cash (used in) provided by investing activities	(91,201)	171,409
Cash flows from financing activities:		
Proceeds from line of credit	-	300,000
Payments on line of credit	-	(300,000)
Payments on annuity obligations	(18,250)	(21,900)
Net cash used in financing activities	(18,250)	(21,900)
Net (decrease) increase in cash and cash equivalents	(481,208)	2,462,250
Cash and cash equivalents, beginning of year	4,614,575	2,152,325
Cash and cash equivalents, end of year	$ 4,133,367	$ 4,614,575
Supplemental disclosure of cash flow information:		
Interest paid	$ -	$ 1,270

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services	Support Services: Management and General	Support Services: Fundraising and Other Events	Total
Allocations to agencies	$ 3,203,466	$ -	$ -	$ 3,203,466
Grants to others	2,321,653	-	-	2,321,653
Salaries	644,419	746,374	747,259	2,138,052
Employee benefits	99,944	138,013	138,907	376,864
Payroll taxes	59,594	55,886	57,818	173,298
Professional and consulting fees	120,042	110,487	59,025	289,554
Occupancy	53,201	51,691	63,176	168,068
Sponsored events and meetings	4,939	4,689	13,512	23,140
Printing and publications	23,924	1,440	104,407	129,771
Conferences	4,447	7,534	8,639	20,620
National and State affiliation dues	64,704	40,348	48,854	153,906
Telephone	15,483	12,744	16,864	45,091
Supplies	10,029	7,305	10,207	27,541
Travel	12,993	11,970	15,066	40,029
Depreciation	25,416	23,828	30,182	79,426
Insurance	10,831	10,154	12,861	33,846
Bank fees	2,220	1,722	86,674	90,616
Processing fees	-	-	56,819	56,819
Postage	716	1,580	11,542	13,838
Rental and maintenance of equipment	31,598	16,410	22,958	70,966
Recognition	143	2,648	1,311	4,102
Staff development	3,932	5,050	7,166	16,148
Special events	11,702	-	67,852	79,554
Total expenses	$ 6,725,396	$ 1,249,873	$ 1,581,099	$ 9,556,368

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services	Support Services: Management and General	Support Services: Fundraising and Other Events	Total
Allocations to agencies	$ 3,113,847	$ -	$ -	$ 3,113,847
Grants to others	2,281,832	-	-	2,281,832
Salaries	572,607	780,223	819,014	2,171,844
Employee benefits	95,870	131,256	124,827	351,953
Payroll taxes	52,543	62,396	59,309	174,248
Professional and consulting fees	87,114	90,767	47,381	225,262
Occupancy	66,340	29,525	46,791	142,656
Sponsored events and meetings	4,324	2,487	6,966	13,777
Printing and publications	25,270	30,289	69,639	125,198
Conferences	7,916	2,733	8,806	19,455
National and State affiliation dues	60,736	19,759	35,451	115,946
Telephone	18,490	8,403	17,128	44,021
Supplies	9,453	5,993	9,438	24,884
Travel	12,153	4,202	30,340	46,695
Depreciation	71,355	31,541	50,328	153,224
Insurance	30,320	13,402	21,385	65,107
Interest expense	-	1,270	-	1,270
Bank fees	1,478	1,145	57,506	60,129
Processing fees	-	-	63,884	63,884
Postage	2,002	1,258	13,082	16,342
Rental and maintenance of equipment	33,872	16,851	22,625	73,348
Recognition	2,454	1,209	5,325	8,988
Staff development	2,506	2,374	5,714	10,594
Subscriptions	1,104	2,720	1,673	5,497
Special events	16,832	8,078	74,930	99,840
Total expenses	$ 6,570,418	$ 1,247,881	$ 1,591,542	$ 9,409,841

See accompanying notes to financial statements.

Note 1 – Description of Organization

United Way of Palm Beach County, Inc. (the "Organization" or "United Way") is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Organization is governed by a volunteer Board of Directors. The Organization's mission is to improve measurably the lives of individuals and families in Palm Beach County by uniting the resources of donors, volunteers, agencies and the community. The Organization advances the common good by creating opportunities for a better life for all, with a focus on the impact areas of education, income and health – the building blocks for a good quality of life. The Organization conducts an annual fundraising campaign to obtain funds for investment in a variety of programs within these impact areas. Donors have the option to designate their contributions to a specific impact area or charitable organization. In addition to the annual campaign which is the Organization's largest source of support, the Organization receives private and public grants.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

In accordance with U.S. generally accepted accounting principles ("GAAP"), the Organization's financial statements have been prepared on the full accrual basis of accounting. Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

> *Unrestricted Net Assets*—Unrestricted net assets result from revenues derived from unrestricted contributions, grants, return on investments and other inflows of assets whose use is not limited by donor-imposed restrictions less expenditures.
>
> *Temporarily Restricted Net Assets*—Contributions and other inflows of assets whose use is limited by donor imposed stipulations that will expire by donor payment of a pledge, passage of time, or can be fulfilled and removed by actions of the Organization, such as usage for specific programs.
>
> *Permanently Restricted Net Assets*—Contributions and other inflows of assets whose use is limited by donor-imposed stipulations that the resources must be maintained permanently.

Revenue Recognition

The Organization recognizes contribution revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities.* Contributions received are recognized at fair value, including unconditional promises to give when the promise is made. Contributions that are to be collected more than one year in the future are recorded at their discounted present value. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods (time restriction) or are restricted by the donor for specific purposes (purpose restriction) are reported as temporarily restricted support. All pledged amounts accounted for as campaign revenue are considered to be temporarily restricted since amounts are unconditional promises to give with payments due in future periods. Unrestricted cash contributions are considered unrestricted campaign contributions upon receipt of the gifts.

Note 2 – Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

When a donor 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 are reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Organization is a beneficiary under various wills and trust agreements. Related amounts are recorded when either a will is declared valid by a probate court or the Organization is notified as an irrevocable beneficiary of a trust, and the expected proceeds are measurable.

The Organization conducts a donor-advised fund program for large individual contributions. Under this program, contributors are permitted to provide recommendations on the use of the funds. The funds are held until distributed pursuant to the Organization's approval.

Designation fees are fees that the Organization charges recipient agencies as cost recovery fees for processing designated pledges. Designated pledges include contributions that are designated by the contributor to the Organization's affiliated agencies or non-affiliated agencies. As the Organization serves as an intermediary, it recognizes a liability to the specified external agency concurrent with the recognition of the assets received from the donor. Designated contributions are subtracted from gross contributions to derive net campaign contribution revenue on the statements of activities and changes in net assets.

The Organization receives various grants from federal and local agencies and private companies for program and supporting services. These grants are generally funded on a cost reimbursement basis or when required services are performed. Accordingly, revenues from grants are generally recognized in the statements of activities and changes in net assets when expenses are made for the purpose specified. Grant funds that have been received but have not yet been expended for the purposes specified are generally reported as deferred revenue.

Combined Federal Campaign and Florida State Employees' Charitable Campaign

The Combined Federal Campaign ("CFC") is the only authorized solicitation of Federal employees in their workplaces on behalf of approved charitable organizations. United Way is one of the CFC participating charities where donors may direct their gift. Each local campaign is managed by a Local Federal Coordinating Committee which serves as a Board of Directors for the local campaign and makes admission determination for local charities and selects a Principal Combined Fund Organization ("PCFO") to administer the campaign. The U.S. Office of Personnel Management regulates the CFC and provides guidance and oversight to local campaigns. United Way previously served as the PCFO for the local CFC covering Palm Beach County as well as seven other counties. United Way honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member.

United Way will continue to administer the Palm Beach County Florida State Employees' Charitable Campaign ("FSECC") and the Combined Federal Campaign ("CFC") as federations, whereby donors are afforded an opportunity to donate to United Way and several of its partner agencies.

Note 2 – Summary of Significant Accounting Policies, continued

Combined Federal Campaign and Florida State Employees' Charitable Campaign, continued

Campaign results included in the accompanying statements of activities and changes in net assets were as follows:

	2016	2015
CFC:		
Campaign contributions	$ 19,707	$ 2,072,584
Designation to other agencies	(16,245)	(2,072,353)
Net amount	$ 3,462	$ 231
FSECC:		
Campaign contributions	$ 1,305	$ 1,517
Designation to other agencies	(738)	(1,221)
Net amount	$ 567	$ 296

Cash and Cash Equivalents

The Organization considers money market funds, repurchase agreements and all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. In addition to its operating account, United Way maintains a separate bank account for the CFC, as required by that national program. Certain funds in these accounts are subject to external restrictions or limitations on its use, including cash received under grant agreements which has not been expended for the specified purpose and cash held for others under agency relationships (including designated contributions received but not yet paid out to the other agencies). As of June 30, 2016 and 2015, cash and cash equivalents subject to these restrictions or limitations in the CFC bank account and United Way's operating accounts amounted to $574,891 and $570,875, respectively.

Investments

Investment balances and return on investments, net of fees, including net appreciation and depreciation, income and losses, are reported as either restricted or unrestricted, in accordance with donor specifications. Investments are presented at fair value as determined by methodologies relevant to each asset classification with any related gain or loss reported in the statements of activities and changes in net assets. Realized and unrealized gains and losses are recognized for changes in fair value between periods or when related securities are sold.

Investments include both board-designated and donor-restricted endowment assets and are managed in accordance with board approved investment and spending policies. The policies, including the policy establishing the portion of the portfolio to be spent annually, seek to preserve the value of the portfolio in real terms and to generate a reliable flow of earnings for support of the Organization. The board-designated endowment spending policy provides that 1) a minimum of $2,000,000 be invested before any income is distributed, and 2) the income available for distribution is calculated as 4.8% of the endowment fund's value, as measured on December 31st, based on an average of the past three years of the fund's market value. The investment policy statement provides for major classes of assets, including: cash and cash equivalents, fixed-income securities, domestic and international equities, emerging markets and real estate. The donor-restricted endowment permits annual distributions equal to 5% of the endowment fund balance as of the beginning of the applicable year, with a stipulation that any distributions in excess of that amount shall be permissible only for emergencies and must be approved by the Board of Directors.

Note 2 – Summary of Significant Accounting Policies, continued

Fair Value Measurement

ASC 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization categorizes its financial instruments, as well as certain other assets reported at fair value, based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. Financial instruments and other assets recorded at fair value on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date (examples include active exchange-traded equity and fixed income securities).

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets (examples may include corporate and municipal bonds); pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over the counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data. Level 2 assets also include investment funds that do not have a readily determinable fair value but meet other criteria and a net asset value per share, or its equivalent, is provided by the fund manager and the reporting entity has the ability to redeem its investment at the net asset value per share at the measurement date.

Level 3 - Unobservable inputs for the asset or liability. Level 3 assets may not permit redemptions at net asset value, or its equivalent, at the measurement date. Management uses inputs that reflect assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, hedge funds, non-public real estate and split-interest agreements).

Note 2 – Summary of Significant Accounting Policies, continued

Pledges Receivable and Grants Receivable

Pledges receivable are unconditional promises received from the annual fundraising campaign and are recorded when the promises to contribute are made. The Organization provides an allowance for estimated uncollectible amounts at the time campaign pledges are recorded. The provision for uncollectible pledges is based, among other things, on the Organization's past collection experience and the impact of changes in the current economic conditions. Pledges receivable with payment terms in excess of one year are recorded at the present value of the expected future cash flows. Amortization of the discounts related to pledges receivable are recognized over the period of the promise as contribution revenue.

Grants receivable are due from federal and local agencies and private companies and are stated at net realizable value.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. The Organization capitalizes all expenditures for property and equipment whose cost is equal to or in excess of $1,000 and whose useful life is greater than one year. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets:

	Years
Building	40
Building improvements	7 - 30
Furniture and equipment	3 - 15

Donated Services and Other In-kind Contributions

The Organization recognizes the fair value of donated services received if such services: (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a number of volunteers who give significant amounts of their time to the Organization's programs, fund-raising campaigns, and management. Time donated by these volunteers is not recorded in the financial statements, as these services do not meet the required recognition criteria in accordance with FASB ASC 958.

Non-cash assets that can be used or sold are recognized as in-kind contributions at fair value when received from or unconditionally promised by a donor.

The Organization recorded $123,620 and $67,301 related to donated services, and $0 and $15,500 related to tangible assets donated as in-kind contributions for the fiscal years ended June 30, 2016 and 2015, respectively.

Note 2 – Summary of Significant Accounting Policies, continued

Allocations Payable to Agencies

The Organization annually allocates funds to its affiliated agencies. The Board of Directors approves the total amount of allocations to be distributed for the next fiscal year. The amounts allocated to the individual agencies are determined by the Community Impact Committee. Once the board approves the allocations, the agencies are notified and agreements are executed with the agencies prior to June 30. The allocations are considered conditional promises to give as the agencies must execute the agreements and comply with the terms and conditions included therein in order to receive the funds. As the possibility of the agencies not executing the agreements or not meeting the routine performance requirements or other conditions are considered remote, the allocations are recognized as an expense and liability when the agreements are executed with the agencies, prior to June 30 of each year.

Designations Payable

The Organization honors donor designations to other non-profit agencies. To be eligible to receive a donation, the agency must be an active 501(c)(3) organization and comply with the Patriot Act.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized in the accompanying statements of activities and changes in net assets on a functional basis. Accordingly, certain costs have been charged to each category based on direct expenditures incurred or allocated among the program and support services based on the timesheet and full-time equivalent (FTE) allocation methods; the method used is dependent on the nature of the expenditure.

Charitable Gift Annuity Program & Split Interest Agreements

The Organization has a charitable gift annuity program, whereby the Organization receives a transfer of assets from a donor and agrees to pay an annuitant a fixed amount of money periodically for his or her lifetime. Upon the death of the annuitant, the remaining balance will be available for the unrestricted use of the Organization. When the gift annuity is established, the difference between the fair value of the assets transferred and the liability for the estimated future payments (discounted over the annuitant’s life expectancy using published mortality tables), is recorded as unrestricted contribution revenue. The Organization has not elected the fair value option for reporting purposes in subsequent periods. Accordingly, discount rate assumptions are not adjusted, and each reporting period the annuity obligation is re-measured based on changes in actuarial assumptions only (life expectancy). The resulting adjustment is recorded as unrestricted “change in value of split interest agreements” in the statements of activities and changes in net assets.

Note 2 – Summary of Significant Accounting Policies, continued

Charitable Gift Annuity Program & Split Interest Agreements, continued

Additionally, the Organization is a residual beneficiary of split-interest agreements whereby another entity serves as trustee. These split-interest agreements include a charitable remainder trust and a perpetual trust. Under the charitable remainder trust, the trustee holds and invests the assets and pays the annuitant(s) on a periodic basis for their lifetime. Upon the death of the annuitant(s), the Organization will receive the remaining balance (or proportionate share) from the trustee which is available for the unrestricted use of the Organization. Temporarily restricted contribution revenue (based on inherent time restrictions) is recognized when the Organization is notified of the existence of the remainder trust agreement based on the fair value of the assets less the fair value of the payments to be made to other beneficiaries (measured using a present value technique). The Organization has a beneficial interest in one perpetual trust which is classified as permanently restricted as the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. The Organization's proportionate share of the perpetual trust assets are used to measure the beneficial interest. As the cash or other assets contributed by donors under these split-interest agreements are held by independent trustees, the measurement objective for the beneficial interest at initial recognition and for subsequent periods is fair value. Changes in the fair values of the Organization's beneficial interest under these arrangements are recorded each reporting period as temporarily or permanently restricted, as applicable, "change in value of split interest agreements" in the statements of activities and changes in net assets.

Income Taxes

The Organization is a non-profit organization exempt from income taxes under Section 501(c)(3) of the IRC. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a)(1) of the IRC.

The Organization follows ASC 740, *Income Taxes*. ASC 740 creates a single model to address uncertainty in income tax provisions and prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, measurement, classification, interest and penalties, disclosure and transition. There was no impact on the Organization's financial statements as a result of the implementation of ASC 740. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

Accounting Estimates

The preparation of financial statements in conformity with GAAP generally requires management to make estimates and assumptions that affect the 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 public support and revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018. Management is evaluating the potential impact of this new guidance on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14 *Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*. Under the new guidance, not-for-profit entities are required to: (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the currently required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets; (2) present on the face of the statements of activities and changes in net assets the amount of the change in each of the two classes of net assets rather than that of the currently required three classes; (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method reconciliation if using the direct method; (4) provide enhanced disclosure on (a) governing board designations, appropriation, and similar actions that result in self-imposed limits on use of resources without donor-imposed restrictions as of the end of the period; (b) composition of net assets with donor restrictions at the end of the period; (c) qualitative information that communicates how the Organization manages its liquid resources to meet cash needs for general expenditures within one year of the balance sheet date; (d) qualitative information that communicates availability of the Organization's financial asset at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date; (e) amount of expenses by both their natural and functional classification; (f) methods used to allocate costs among programs and support functions; (g) additional disclosures on underwater endowment funds. The new reporting guidance is effective for fiscal years beginning after December 15, 2017. Management is evaluating the potential impact of this new guidance on the financial statements.

Date of Management's Review

The Organization evaluated events and transactions for potential recognition or disclosure in the financial statements through January 3, 2017, the date the financial statements were available to be issued.

Note 3 – Concentration of Credit Risk

The Organization maintains most of its cash balances at one financial institution. Cash accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2016 and 2015, the Organization's cash balances held at financial institutions exceeded FDIC insured limits by $3,914,662 and $4,407,645, respectively.

Note 3 – Concentration of Credit Risk, continued

Credit risk for pledges receivable is concentrated as well because substantially all of the balances are receivable from individuals/companies located within the same geographic region. Additionally, campaign pledges received from two (2) companies comprised 38% of the total gross campaign contributions for the years ended June 30, 2016 and 2015 and 33% and 39% of net pledges receivable as of June 30, 2016 and 2015, respectively.

The Organization receives most of its grant revenue from one grantor. Total grant revenue received from this grantor comprised 83% and 86% of total grant revenue for the years ended June 30, 2016 and 2015, respectively.

Note 4 – Investments

The Organization's investments at fair value are comprised of the following at June 30:

	2016	2015
Mutual funds:		
TD Ameritrade Cash	$ 34,948	$ -
Two year Global Fixed Income Portfolio	-	360,721
Short-Term Govt Portfolio	1,011,173	-
Short-Term Extended Quality Portfolio	2,556,130	1,891,642
U.S. Core Equity I Portfolio	3,704,476	2,561,523
Global Real Estate Securities Portfolio	668,003	362,115
International Core Equity Portfolio	1,201,169	915,118
Emerging Markets Core Equity Portfolio	547,573	330,428
Total investments	$ 9,723,472	$ 6,421,547

Investment income consists of the following for the years ended June 30:

	2016	2015
Interest and dividends	$ 161,938	$ 119,965
Realized gain on investments	39,074	10,850
Unrealized gain on investments	(38,615)	(25,025)
Total investment income	$ 162,397	$ 105,790

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

Note 5 – Pledges Receivable

	2016	2015
Campaign pledges, undesignated	$ 2,333,671	$ 2,030,277
Campaign pledges, designated	1,722,591	1,636,888
	4,056,262	3,667,165
Less: allowance for uncollectible pledges	(478,900)	(609,100)
Pledges receivable, net	$ 3,577,362	$ 3,058,065

Note 6 – Charitable Remainder Trust

The Organization has been named a remainder beneficiary of a charitable remainder annuity trust, which was created in 1987 upon the death of the trust settlor. Seven income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to a percentage of the initial fair market value of the trust assets. Upon the death of the last surviving individual beneficiary, twenty percent of the remaining principal is to be distributed to the Organization. The present value of the expected future cash flow payments to the beneficiaries, based on their estimated life expectancies and discounted at 3.5% for June 30, 2016 and 2015, was deducted from the fair market value of the trust principal. A noncurrent asset of $815,038 has been recognized, representing the Organization's share of the net fair market value of the trust principal at June 30, 2016 ($849,045 at June 30, 2015). Changes in the value of the trust have been reported in the statements of activities and changes in net assets as increases (decreases) in temporarily restricted net assets.

Note 7 – Fair Value Measurements

As of June 30, 2016 and 2015, the fair value of those assets recognized in the accompanying statements of financial position at fair value on a recurring basis and the level within the fair value hierarchy are as follows:

	As of June 30, 2016			
	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual funds	$ 9,723,472	$ -	$ -	$ 9,723,472
Total investments	$ 9,723,472	$ -	$ -	$ 9,723,472
Beneficial interest in split-interest agreements:				
Perpetual trust	$ -	$ -	$ 48,098	$ 48,098
Charitable remainder agreements	-	-	815,038	815,038
Total beneficial interest in split-interest agreements	$ -	$ -	$ 863,136	$ 863,136

Note 7 – Fair Value Measurements, continued

	As of June 30, 2015			
	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual funds	$ 6,421,547	$ -	$ -	$ 6,421,547
Total investments	$ 6,421,547	$ -	$ -	$ 6,421,547
Beneficial interest in split-interest agreements:				
Perpetual trust	$ -	$ -	$ 45,108	$ 45,108
Charitable remainder agreements	-	-	849,045	849,045
Total beneficial interest in split-interest agreements	$ -	$ -	$ 894,153	$ 894,153

The following tables summarize changes in fair value of the Level 3 assets for which unobservable inputs were used to determine fair value:

	Beginning Balance July 1, 2015	Changes in Value Included in Net Assets	Ending Balance June 30, 2016
Beneficial interest in split-interest agreement			
Perpetual trust	$ 45,108	$ 2,990	$ 48,098
Charitable remainder trust	849,045	(34,007)	815,038
Total beneficial interest in split-interest agreements	$ 894,153	$ (31,017)	$ 863,136

	Beginning Balance July 1, 2014	Changes in Value Included in Net Assets	Ending Balance June 30, 2015
Beneficial interest in split-interest agreement			
Perpetual trust	$ 44,863	$ 245	$ 45,108
Charitable remainder trust	850,346	(1,301)	849,045
Total beneficial interest in split-interest agreements	$ 895,209	$ (1,056)	$ 894,153

There were no transfers between Levels 1, 2 and 3 during the years ended June 30, 2016 or 2015.

As of June 30, 2016 and 2015, there were no financial assets or liabilities measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

Note 7 – Fair Value Measurements, continued

Level 1 fair value measurements using significant observable inputs include investments in mutual funds whose values are based on quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 3 fair value measurements using significant unobservable inputs include the Organization's beneficial interest in split-interest agreements. The subject of the fair value measurement (unit of account) for a beneficial interest in a trust is each individual beneficial interest. As there is currently no market in which beneficial interests in charitable trusts trade, there is no observable exit price for a beneficial interest. The valuation technique and inputs used in determining fair value of the beneficial interest in split-interest agreements varies depending on the specific terms of the agreements, and is based on information furnished by the independent trustee. Refer to Note 2 for a description of the terms of the Organization's split-interest agreements. The fair value of the beneficial interest in perpetual trust is measured using the Organization's proportionate share of the fair value of the trust assets. The fair market value of the trust assets are obtained from the trustee. For the charitable remainder trust, the fair value of the beneficial interest is estimated based on the fair value of the assets (as obtained from the trustee) less the fair value of the payments to be made to other beneficiaries. The latter is calculated using an income approach in the form of a present value technique based on assumptions including a risk adjusted discount rate of 3.5% as of June 30, 2016 and 2015 and published life expectancy tables.

Financial Instruments Not Measured at Fair Value

The carrying amounts of cash and cash equivalents, pledges, and grants receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of allocations and designations payable, accounts payable and accrued liabilities approximate fair value because of the terms and relatively short maturity of these financial instruments. The carrying amount of annuity obligations approximates fair value because it is recorded at net present value.

Note 8 – Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Land	$ -	$ 298,005
Building	-	3,051,996
Building improvements	-	313,636
Furniture and equipment	270,093	260,956
Construction in process	638,816	-
	908,909	3,924,593
Less: accumulated depreciation	(201,373)	(1,794,725)
Property and equipment, net	$ 707,536	$ 2,129,868

Depreciation expense for the years ended June 30, 2016 and 2015 was $79,426 and $153,224, respectively.

Note 9 – Net Assets

Net assets consist of the following at June 30:

	2016	2015
Unrestricted:		
Expended for property and equipment	$ 707,536	$ 2,129,868
Board designated:		
Program allocations	197,067	192,067
Donor advised funds	76,848	137,848
Endowment	5,752,330	6,229,383
Undesignated	422,114	(2,620,059)
Total unrestricted	$ 7,155,895	$ 6,069,107
Temporarily restricted:		
Undesignated pledges receivable, net	$ 2,058,148	$ 1,706,867
Bequest receivable	-	1,035
Donor restricted endowment	148,155	155,580
Emergency needs/disaster assistance funds	353,864	311,102
Beneficial interest in charitable remainder trust	815,038	849,045
Programs	18,372	16,936
Grants	35,931	36,977
Total temporarily restricted	$ 3,429,508	$ 3,077,542
Permanently restricted:		
Beneficial interest perpetual trust	$ 48,098	$ 45,108
Total permanently restricted	$ 48,098	$ 45,108

Temporarily restricted net assets include undesignated unconditional promises to give that are subject to time restrictions which have not been met, purpose restricted unconditional donor contributions, grants for which expenses satisfying the donor restrictions have not yet been incurred, and beneficial interest in gift annuities and trusts that are restricted by time.

Permanently restricted net assets consist of amounts held in trust by a third party. Under the terms of the trust, the Organization has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity, but will never receive the assets held in the trust. A noncurrent asset of $48,097 and $45,108 was recorded for the Organization's share of the fair market value of the trust principal at June 30, 2016 and 2015, respectively, which was based on the average percentage share of the annual distributions from the trust for the last five years. Changes in the value of the trust have been reported in the statements of activities and changes in net assets as increases in permanently restricted net assets.

Endowment Net Assets

The Organization's endowments consist of funds established for a variety of purposes. Its endowments include funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 9 – Net Assets, continued

The Organization has interpreted the Florida Uniform Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. As of June 30, 2016 and 2015, the Organization received no such permanent endowment gifts.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operating costs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. Actual results in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or law requires the Organization to retain as a fund of perpetual duration. Any such deficiencies of this nature would be reported in unrestricted net assets. During the years ended June 30, 2016 and 2015, there were no such deficiencies.

The composition of the Organization's endowment net assets was as follow:

	At June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 148,155	$ -	$ 148,155
Board designated endowment funds	5,752,330	-	-	5,752,330
Total	$ 5,752,330	$ 148,155	$ -	$ 5,900,485

	At June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 155,580	$ -	$ 155,580
Board designated endowment funds	6,229,383	-	-	6,229,383
Total	$ 6,229,383	$ 155,580	$ -	$ 6,384,963

Note 9 – Net Assets, continued

Changes to endowment net assets are as follows for the years ended June 30, 2015 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ 6,085,971	$ 153,085	$ -	$ 6,239,056
Investment return	99,382	2,495	-	101,877
Receipts/contributions	14,967	-	-	14,967
Appropriated for operating expenditures	-	-	-	-
Change in present value of annuity obligation	29,063	-	-	29,063
Endowment net assets, June 30, 2015	6,229,383	155,580	-	6,384,963
Investment return	9,302	198	-	9,500
Receipts/contributions	24,513	-	-	24,513
Appropriated for operating expenditures	(496,296)	(7,623)	-	(503,919)
Change in present value of annuity obligation	(14,572)	-	-	(14,572)
Endowment net assets, June 30, 2016	$ 5,752,330	$ 148,155	$ -	$ 5,900,485

Note 10 – Contingency

The Organization receives grants from various sources to supplement its programs. Grant revenue represents 24% and 27% of total revenues for the years ended June 30, 2016 and 2015, respectively. Any loss of funding could have a negative impact on community services provided by the Organization. These grants require the fulfillment of certain conditions as set forth in the instrument of a grant. Failure to fulfill the conditions, or failure to continue to fulfill them, could result in the return of the funds to grantors. Although this is a possibility, management believes that any potential loss would not have a material adverse effect on the financial statements.

Note 11 – Annuity Obligations

The Organization has established a planned giving program whereby donors may set up charitable gift annuities with the Organization. Under this program, donors can contribute cash, securities or property to the Organization, and in return receive a guaranteed fixed income for life. Contribution revenue is recognized as the difference between the fair value of the cash or property received and the annuity liability.

Liabilities were recognized for the life annuity payments at the present value of the expected future cash payments determined using actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift. The annuity liability is reduced as payments are made by the Organization to the donor. Upon death of the donor, any remaining annuity liability would be recognized as revenue in the current year.

Note 11 – Annuity Obligations, continued

The present value of future payment liabilities of charitable gift annuities is $78,576 and $82,254 as of June 30, 2016 and 2015, respectively. The annuity obligations are adjusted each year to reflect changes in the life expectancy of the beneficiaries.

The Organization is licensed by the State of Florida to enter into annuity agreements with donors. Florida Statutes require entities with such a license to maintain assets equal to the sum of reserves on outstanding agreements and a surplus of 25% of such reserves. Assets shall be invested only in securities permitted under Part II of Chapter 625 of the Florida Statutes.

Note 12 – Retirement Plan

The Organization has a 401(k) plan which is available to all non-limited duration employees who have been with the Organization at least three months. After one year of service, the Organization contributes 5% of the employee's total compensation and 50% of the employee's contribution up to a limit of 6% of compensation. Contributions totaled $118,359 and $99,869 for the years ended June 30, 2016 and 2015, respectively.

Note 13 – Operating Leases

The Organization leases office equipment and a vehicle under various non-cancelable agreements which expire over the next year. The total minimum rental commitment as of June 30, 2016 was $10,487.

Rent expense on the leases for June 30, 2016 and 2015, totaled $13,513 and $15,577, respectively.

Note 14 – Line of Credit

On November 30, 2011, the Organization entered into a line of credit agreement with a bank in the amount of $1,000,000. On January 28, 2014, there were modifications to the terms of the line of credit, which included an increase in the amount available for borrowing to $1,500,000. The line of credit has a one year term, is renewable annually, and is collateralized by all business assets of the Organization. Interest is payable monthly at Daily Libor plus 2.75%.

On November 16, 2015, there was an extension of the term to February 28, 2016. All other terms and conditions of the Note and other agreements and documents executed in connection with the original agreement remain in full force and effect.

On February 23, 2016, there was another extension of the term to December 31, 2016. All other terms and conditions of the Note and other agreements and documents executed in connection with the original agreement remain in full force and effect.

During the year, the Organization borrowed as needed and repaid as able. The highest outstanding balance at any time was $250,000. Interest paid and interest expense was $0 and $1,270 for the years ended June 30, 2016 and 2015, respectively. There was no outstanding balance on the line of credit at June 30, 2016 and 2015.

Note 15 – Subsequent Events

In July 2016 the Organization entered into a lease agreement for office space in West Palm Beach, Florida. The lease term began on July 1, 2016 and expires on July 11, 2026.

Future minimum lease payments under the operating lease are as follows:

Year Ending December 31,		
2017	$	-
2018		-
2019		-
2020		83,674
2021		150,408
Thereafter		810,492
Total minimum lease obligation	$	1,044,574