

United Way of Greater Mercer County
[a Non-Profit Organization]

Financial Statements

June 30, 2014 and 2013

United Way of Greater Mercer County
[a Non-Profit Organization]

Financial Statements

June 30, 2014 and 2013

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Independent Auditor's Report

Board of Directors
United Way of Greater Mercer County
[a Non-Profit Organization]

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Greater Mercer County, which comprise the statements of financial position as of June 30, 2014, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Greater Mercer County as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of United Way of Greater Mercer County, as of and for the year ended June 30, 2013, were audited by Sax Macy Fromm & Co., PC, whose practice was combined with Bollam, Sheedy, Torani & Co., L.L.P. to form SaxBST LLP as of January 1, 2014 and whose report, dated November 13, 2013, expressed an unmodified opinion on those statements.

Report on Supplementary Information in Relation to Financial Statements as a Whole

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended June 30, 2014 as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. The supplementary information for the year ended June 30, 2013, was audited by Sax Macy Fromm & Co., PC whose report, dated November 13, 2013, did not express an opinion or provide any assurance on it..

SaxBST LLP

Clifton, New Jersey
November 10, 2014

United Way of Greater Mercer County
[a Non-Profit Organization]

Statements of Financial Position

	June 30,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 864,365	\$ 364,080
Investments	964,783	853,236
Pledges receivable (net of uncollectible amount)	570,844	914,157
Grants receivable	361,150	432,085
Other assets	539	1,891
Other receivable	2,989	19,349
Prepaid expenses	10,066	8,017
Bequest receivable	109,992	127,951
Beneficial interest in assets held by a foundation	153,209	165,768
Property and equipment, net	21,075	36,538
TOTAL ASSETS	\$ 3,059,012	\$ 2,923,072
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 152,944	\$ 288,573
Due to service providers	55,557	74,674
Designations payable	134,188	137,064
Deferred rent	295,226	307,015
Total liabilities	637,915	807,326
NET ASSETS		
Undesignated	1,103,284	920,845
Board designated	1,157,124	999,590
Investment in property and equipment	21,075	36,538
Total Unrestricted	2,281,483	1,956,973
Temporary restricted	113,592	132,751
Permanently restricted	26,022	26,022
Total net assets	2,421,097	2,115,746
TOTAL LIABILITIES AND NET ASSETS	\$ 3,059,012	\$ 2,923,072

See Independent Auditor's Report and Notes to Financial Statements.

United Way of Greater Mercer County
[a Non-Profit Organization]

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Campaign results	\$ 3,363,935	\$ -	\$ -	\$ 3,363,935
Less donor designations	(1,821,366)	-	-	(1,821,366)
Plus prior year campaign collections	195,701	-	-	195,701
Less provision for uncollectible pledge	(71,632)	-	-	(71,632)
Net campaign results	<u>1,666,638</u>	<u>-</u>	<u>-</u>	<u>1,666,638</u>
SUPPORT				
Grants and contracts	401,685	172,960	-	574,645
Contributions from estates and trusts	6,397	-	-	6,397
Service fees	5,837	-	-	5,837
In-kind gifts	63,458	-	-	63,458
Designations revenue	260,492	-	-	260,492
Rental income	27,068	-	-	27,068
Miscellaneous revenue	3,194	-	-	3,194
Special event revenue	24,286	-	-	24,286
Investment income	25,067	-	-	25,067
Realized (loss) on investments	(1,204)	-	-	(1,204)
Realized (loss) on beneficial interest in assets held by a foundation	(2,811)	-	-	(2,811)
(Loss) on disposal of assets	-	-	-	-
Unrealized gain on investments	122,617	-	-	122,617
Unrealized gain on beneficial interest in assets held by a foundation	21,699	-	-	21,699
Net assets released due to satisfaction of purpose restrictions	192,119	(192,119)	-	-
Total revenues and support	<u>2,816,542</u>	<u>(19,159)</u>	<u>-</u>	<u>2,797,383</u>
FUNCTIONAL EXPENSES				
Program services				
Program and initiative expenses	1,907,257	-	-	1,907,257
Total program services	<u>1,907,257</u>	<u>-</u>	<u>-</u>	<u>1,907,257</u>
Supporting services				
Management and general	304,715	-	-	304,715
Resource development	280,059	-	-	280,059
Total supporting services	<u>584,774</u>	<u>-</u>	<u>-</u>	<u>584,774</u>
Total functional expenses	<u>2,492,031</u>	<u>-</u>	<u>-</u>	<u>2,492,031</u>
Increase (decrease) in net assets	324,510	(19,159)	-	305,351
NET ASSETS, beginning of year	<u>1,956,973</u>	<u>132,751</u>	<u>26,022</u>	<u>2,115,746</u>
NET ASSETS, end of year	<u><u>\$ 2,281,483</u></u>	<u><u>\$ 113,592</u></u>	<u><u>\$ 26,022</u></u>	<u><u>\$ 2,421,097</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

United Way of Greater Mercer County
[a Non-Profit Organization]

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Campaign results	\$ 3,461,468	\$ -	\$ -	\$ 3,461,468
Less donor designations	(1,868,496)	-	-	(1,868,496)
Plus prior year campaign collections	114,073	-	-	114,073
Less provision for uncollectible pledge	(141,818)	-	-	(141,818)
Net campaign results	<u>1,565,227</u>	<u>-</u>	<u>-</u>	<u>1,565,227</u>
SUPPORT				
Grants and contracts	389,650	135,210	-	524,860
Contributions from estates and trusts	7,253	-	-	7,253
Service fees	6,681	-	-	6,681
In-kind gifts	53,106	-	-	53,106
Designations revenue	160,647	-	-	160,647
Rental income	18,375	-	-	18,375
Miscellaneous revenue	10,377	-	-	10,377
Special event revenue	50,806	-	-	50,806
Investment income	38,865	-	-	38,865
Realized (loss) on investments	(2,681)	-	-	(2,681)
(Loss) on disposal of assets	(9,439)	-	-	(9,439)
Unrealized gain on investments	53,465	-	-	53,465
Unrealized gain on beneficial interest in assets held by a foundation	5,857	-	-	5,857
Net assets released due to satisfaction of purpose restrictions	264,405	(264,405)	-	-
Net revenues and support	<u>2,612,594</u>	<u>(129,195)</u>	<u>-</u>	<u>2,483,399</u>
FUNCTIONAL EXPENSES				
Program services				
Program and initiative expenses	1,751,078	-	-	1,751,078
Total program services	<u>1,751,078</u>	<u>-</u>	<u>-</u>	<u>1,751,078</u>
Supporting services				
Management and general	307,375	-	-	307,375
Resource development	296,176	-	-	296,176
Total supporting services	<u>603,551</u>	<u>-</u>	<u>-</u>	<u>603,551</u>
Total functional expenses	<u>2,354,629</u>	<u>-</u>	<u>-</u>	<u>2,354,629</u>
Increase (decrease) in net assets	257,965	(129,195)	-	128,770
NET ASSETS, beginning of year	<u>1,699,008</u>	<u>261,946</u>	<u>26,022</u>	<u>1,986,976</u>
NET ASSETS, end of year	<u>\$ 1,956,973</u>	<u>\$ 132,751</u>	<u>\$ 26,022</u>	<u>\$ 2,115,746</u>

See Independent Auditor's Report and Notes to Financial Statements.

**United Way of Greater Mercer County
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Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services			Supporting Services			Total Expenses
	Community Impact	Special Programs & Grants	Total Program Services Expenses	Management and General	Resource Development	Total Supporting Services	
Service provider fees	\$ 656,437	\$ -	\$ 656,437	\$ -	\$ -	\$ -	\$ 656,437
Payroll	218,926	355,548	574,474	151,586	155,769	307,355	881,829
Payroll taxes and benefits	58,986	95,190	154,176	48,144	40,960	89,104	243,280
Total payroll	<u>277,912</u>	<u>450,738</u>	<u>728,650</u>	<u>199,730</u>	<u>196,729</u>	<u>396,459</u>	<u>1,125,109</u>
2-1-1 contract expense	39,000	-	39,000	-	-	-	39,000
Donations in-kind	39,166	7,765	46,931	-	346	346	47,277
Program expenses	-	63,618	63,618	-	-	-	63,618
Professional fees	-	-	-	19,000	-	19,000	19,000
Consulting services	19,352	66,810	86,162	13,424	13,797	27,221	113,383
Rent	47,460	77,318	124,778	32,920	33,834	66,754	191,532
Utilities	506	824	1,330	351	361	712	2,042
Equipment expense	4,512	13,522	18,034	3,090	3,172	6,262	24,296
Office supplies	4,150	3,558	7,708	1,232	1,102	2,334	10,042
Telecommunications	5,370	8,748	14,118	3,725	3,828	7,553	21,671
Insurance	-	-	-	9,403	-	9,403	9,403
Advertising and promotional	1,399	16,333	17,732	851	863	1,714	19,446
Printing and materials	2,788	1,504	4,292	827	857	1,684	5,976
Travel expense	4,417	5,860	10,277	1,297	1,218	2,515	12,792
Training expense	4,641	495	5,136	1,378	1,233	2,611	7,747
Meetings and events	4,713	6,626	11,339	1,399	1,252	2,651	13,990
Postage	1,538	458	1,996	456	600	1,056	3,052
United Way worldwide dues	8,864	14,441	23,305	6,149	6,319	12,468	35,773
Dues and subscriptions	1,593	2,595	4,188	1,105	1,136	2,241	6,429
Bank and credit card fees	1,362	2,218	3,580	944	971	1,915	5,495
Depreciation	3,832	6,242	10,074	2,658	2,732	5,390	15,464
Board/staff retreat	16,087	-	16,087	4,776	4,273	9,049	25,136
Special event expenses	-	12,486	12,486	-	5,436	5,436	17,922
Total expenses	\$ 1,145,098	\$ 762,159	\$ 1,907,257	\$ 304,715	\$ 280,059	\$ 584,774	\$ 2,492,031

**United Way of Greater Mercer County
[a Non-Profit Organization]**

Statement of Functional Expenses
Year Ended June 30, 2013

	Program Services			Supporting Services			Total Expenses	
	Community Impact	Special Programs & Grants	Public Health Partnership	Total Program Services Expenses	Management and General	Resource Development		Total Supporting Services Expenses
Service provider fees	\$ 339,163	\$ -	\$ -	\$ 339,163	\$ -	\$ -	\$ -	\$ 339,163
Payroll	464,000	41,473	72,837	578,310	179,059	139,240	318,299	896,609
Payroll taxes and benefits	117,844	9,537	31,519	158,900	41,029	37,695	78,724	237,624
Total payroll	<u>581,844</u>	<u>51,010</u>	<u>104,356</u>	<u>737,210</u>	<u>220,088</u>	<u>176,935</u>	<u>397,023</u>	<u>1,134,233</u>
Contract services	38,585	-	-	38,585	-	-	-	38,585
Donations in-kind	51,947	-	-	51,947	-	-	-	51,947
Program expenses	175	18,975	40,302	59,452	-	-	-	59,452
Professional fees	-	-	-	-	19,750	-	19,750	19,750
Consulting services	109,110	6,254	15,387	130,751	10,497	17,645	28,142	158,893
Rent	192,536	19,151	44,115	255,802	32,146	54,033	86,179	341,981
Utilities	6,657	662	1,525	8,844	1,111	1,868	2,980	11,824
Equipment expense	12,886	1,282	2,953	17,121	2,152	3,616	5,768	22,889
Office supplies	4,603	595	1,039	6,237	745	1,296	2,041	8,278
Telecommunications	11,780	1,172	2,699	15,651	1,967	3,306	5,273	20,924
Insurance	-	-	-	-	9,100	-	9,100	9,100
Advertising and promotional	5,747	1,044	1,792	8,583	960	1,652	2,611	11,194
Printing and materials	4,349	433	1,044	5,826	725	1,221	1,947	7,773
Travel expense	4,897	1,545	2,507	8,949	653	1,107	1,760	10,709
Training expense	2,417	576	469	3,462	236	396	632	4,094
Meetings and events	7,620	3,102	3,614	14,336	1,262	2,182	3,444	17,780
Postage	2,670	346	612	3,628	446	749	1,195	4,823
United Way worldwide dues	16,907	1,342	-	18,249	2,814	4,750	7,564	25,813
Dues and subscriptions	2,757	274	632	3,663	460	774	1,234	4,897
Bank and credit card fees	3,209	319	735	4,263	536	901	1,437	5,700
Depreciation	9,642	959	2,209	12,810	1,610	2,706	4,316	17,126
Moving expenses	696	69	160	925	116	195	311	1,236
Special event expenses	-	5,621	-	5,621	-	20,844	20,844	26,465
Total expenses	<u>\$ 1,410,197</u>	<u>\$ 114,731</u>	<u>\$ 226,150</u>	<u>\$ 1,751,078</u>	<u>\$ 307,375</u>	<u>\$ 296,176</u>	<u>\$ 603,551</u>	<u>\$ 2,354,629</u>

United Way of Greater Mercer County
[a Non-Profit Organization]

Statements of Cash Flows

	Years Ended June 30,	
	2014	2013
CASH FLOW PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Increase in net assets	\$ 305,351	\$ 128,770
Adjustments to reconcile increase in net assets to net cash (used for) operating activities		
Unrealized (gain) loss on investments	(166,015)	(59,322)
Realized loss on investments	1,205	2,681
Change in reserve for uncollectible pledges	(71,632)	(190,000)
Loss on disposal of fixed assets	-	9,439
Depreciation and amortization	15,463	17,125
(Increase) decrease in assets		
Pledges receivable	414,945	496,611
Bequest receivable	17,959	17,104
Grants receivable	70,935	(77,435)
Prepaid expenses and other current assets	15,663	12,539
Beneficial Interest in assets held by a foundation	34,258	(6,046)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(135,630)	(30,593)
Due to service providers	(19,117)	74,674
Deferred rent	(11,789)	136,926
Grants payable	-	(592,625)
Designations payable	(2,876)	(32,265)
Net adjustments to reconcile increase (decrease) in net assets to net cash (used for) operating activities	163,369	(221,187)
	468,720	(92,417)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Proceeds from sale of securities	72,760	307,440
Purchase of investments	(41,195)	(121,190)
Purchase of cash equivalents with restricted cash	-	84,733
	31,565	270,983
Increase in cash and cash equivalents	500,285	178,566
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	364,080	185,514
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 864,365	\$ 364,080

See Independent Auditor's Report and Notes to Financial Statements.

United Way of Greater Mercer County [a Non-Profit Organization]

Notes to Financial Statements
June 30, 2014 and 2013

Note 1 - Organization and Purpose

United Way of Greater Mercer County (“the Organization”) is an independent non-profit organization, which has a long history of service to the community of more than 75 years. United Way of Greater Mercer County is committed to harnessing, leveraging and strategically engaging the collective power of donors, advocates and volunteers to drive measurable results that produce social and economic benefits to the community at large.

United Way of Greater Mercer County is an affiliate of United Way Worldwide. United Way Worldwide is a leadership and support organization for the network of 1,800 community based United Ways in 41 countries and territories around the world. United Way recruits people and organizations in communities who bring passion, expertise and resources needed to create lasting change.

United Way of Greater Mercer County contracts with New Jersey 2-1-1 Partnership (“2-1-1”) for its information and referral assistance in the community. 2-1-1 connects people with specific human service needs to programs serving the community. Referrals are made to quality programs and follow-up is done to assure satisfaction.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of United Way of Greater Mercer County have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

b. Basis of Presentation

External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. Unrestricted net assets are not subject to donor imposed restrictions. Temporarily restricted net assets are subject to donor imposed restrictions that will be met by the passage of time or which will be fulfilled by the actions of the organization. Permanently restricted net assets are subject to donor imposed stipulations that are to be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all of part of the income earned on any related investments for general or specific purposes. For the years ended June 30, 2014 and 2013, United Way of Greater Mercer County had accounting transactions in all three net asset categories.

c. Cash and Cash Equivalents

United Way of Greater Mercer County considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

United Way of Greater Mercer County
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Notes to Financial Statements
June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies - Continued

d. Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. The provision of uncollectible pledges is determined based upon historical experience with donors.

United Way of Greater Mercer County closely monitors pledges receivable. The receivables are evaluated and an allowance for doubtful accounts is established based on a history of write-offs and collections and other factors that might result in uncollectible balances. The allowance at June 30, 2014 and 2013 was \$175,000 and \$190,000, respectfully.

e. Public Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to United Way of Greater Mercer County, that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present values of their net realizable values, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Support that is restricted by a donor is reported as an increase in unrestricted net assets if the restriction expires during the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released due to satisfaction purpose restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the periods received.

United Way of Greater Mercer County receives donated services from volunteers, officers and directors, and other organizations to support fundraising and administrative efforts. The value of these donated services is not included in these financial statements as they do not meet the criteria for recognition. There are also several gift campaigns operated for the benefit of the community where goods are received by the United Way of Greater Mercer County and then distributed to recipients. The values of these donations has been recorded as contributions at their fair values at the date of donation and are reflected on the statement of activities under the caption "In-kind gifts". For the years ended June 30, 2014 and 2013, the total value of the donations received was \$24,292 and \$1,159, respectively.

f. Donor Designated Funds

United Way of Greater Mercer County receives funds that are considered pass through items that have been designated by the donor to other nonprofit entities. These funds have been treated as liabilities until the funds are disbursed as they are not pledges or revenue to United Way of Greater Mercer County. These funds also include several charitable giving campaigns run by local companies for which United Way of Greater Mercer County is processing the transactions for the employer.

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Notes to Financial Statements
June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies - Continued

g. Rental Income

Income derived from the rental of office space is recognized during the period in which the premises are occupied and rent is due from tenants.

United Way of Greater Mercer County donated office space to outside not for profit organizations. The value of these donations has been recorded at their fair values based on the lease agreement and are reflected on the statement of activities under the caption "In-kind gifts". For the years ended June 30, 2014 and 2013, the total value of donated rent revenue to outside not for profit organizations was \$39,166 and \$51,947, respectively.

h. Property, Equipment and Depreciation

Property and equipment are recorded at cost, except for donated items that are recorded at fair value on the date of donation. Donated property and equipment is recorded as restricted support when donors stipulate how long the assets must be used. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. Depreciation is provided for over the useful life of the underlying asset, ranging between a 3 to 39 year period, using the straight line method. Depreciation expense amounted to \$15,463 and \$17,126, respectively for the years ended June 30, 2014 and 2013.

Major replacements and improvements of property and equipment are capitalized. Minor replacements, repairs and maintenance are charged to expense as incurred. Upon retirement or sale, the cost of the assets disposed and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in operations.

i. Investments

United Way of Greater Mercer County carries investments at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest and dividend income is recognized when earned.

United Way of Greater Mercer County
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Notes to Financial Statements
June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies - Continued

j. Fair Value Measurements

United Way of Greater Mercer County values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value instruments, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement dates for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

In determining fair value, United Way of Greater Mercer County utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Mutual Funds, US Mortgage Pools, and Asset Backed Securities

The fair value of mutual funds, US mortgage pools, and asset backed securities is the market value based on quoted market prices or market prices provided by recognized broker dealers. Mutual funds, US mortgage pools, and asset backed securities have been classified as Level 1.

Beneficial Interest in Trusts

Valuation inputs utilized to determine the fair value of the beneficial interest in perpetual trusts include the market value of the underlying assets within trust as provided by the trustee and the Organization's proportionate share of the trust assets. Trust assets are held by a third party trustee. The Organization does not control the underlying assets of the trust nor does it have the ability to make investment decisions. Accordingly, beneficial interests trusts have been classified as Level 3.

United Way of Greater Mercer County

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Notes to Financial Statements
June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies - Continued

k. Income Taxes

United Way of Greater Mercer County is a not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been recorded in the statement of activities and changes in net assets.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. The Organization files income tax returns in the U.S. Federal jurisdiction, as well as in the New Jersey state jurisdiction. With few exceptions, the Organization is no longer subject to U.S. Federal, state, or local examinations by taxing authorities for years prior to June 30, 2011.

l. Functional Allocation of Expenses

The costs of providing program and support services have been summarized on a functional basis. Expenses are allocated to each function or program based on time spent by United Way of Greater Mercer County staff in each of these areas which is consistent with the benefit derived by each program. In recognition of the work in focusing more closely on efforts that support the strategic vision of the organization to achieve a lasting impact in the community served, all programmatic activity is aligned into what is called Community Impact.

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of 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.

n. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This standard outlines a single comprehensive model for Organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time.

This standard will be effective for annual reporting periods beginning after December 15, 2017, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the combined financial statements.

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Notes to Financial Statements
June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies - Continued

o. Subsequent Events

United Way of Greater Mercer County has evaluated for any subsequent events through November 10, 2014, which is the date these financial statements were available to be issued.

Note 3 - Pledges Receivable

Pledges receivable are the amounts due from individual and corporate contributors in the New York, New Jersey and Connecticut area as a result of the annual campaign. Campaign pledge contributions are generally paid within one year. United Way of Greater Mercer County provides an allowance for uncollectible pledges based on historical collection experience at the time campaign results are recorded.

Details of the pledges receivable are as follows:

	June 30,	
	2014	2013
Corporate and individual pledges receivable	\$ 745,844	\$ 1,104,157
Less allowance for uncollectible pledges	(175,000)	(190,000)
Net pledges receivable	\$ 570,844	\$ 914,157

Note 4 - Bequest Receivable

During the year ended June 30, 2006, United Way of Greater Mercer County received a bequest from an estate and is to receive funds as follows per the unit trust agreement:

	June 30,	
	2014	2013
Receivable in less than one year	\$ 24,356	\$ 24,356
Receivable in one to five years	97,424	121,780
Receivable in more than five years	6,089	6,089
Total bequest receivable	127,869	152,225
Less discount to net present value	(17,877)	(24,274)
Net bequest receivable	\$ 109,992	\$ 127,951

The present value of the future benefits expected to be received by United Way of Greater Mercer County is estimated based on the donor life expectancy and the use of a 5% discount rate.

In addition to the unit trust there were two charitable remainder annuity trusts formed as a result of the estate agreement. United Way of Greater Mercer County is named beneficiary of these trusts. The actual amount of the bequest is contingent on factors which can vary significantly over a long period of time and as a result, the receivables for these trusts have not been reflected in these financial statements. In addition the net present value of these trusts as of June 30, 2014 and 2013 was \$0 and \$37,012, respectively. On April 29, 2014, United Way of Greater Mercer County was advised that these trusts were exhausted and there will be no remaining funds.

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Notes to Financial Statements
June 30, 2014 and 2013

Note 5 - Investments

Investments are reported at fair value. All investments held by United Way of Greater Mercer County at June 30, 2014 and 2013 are classified in Level 1 since their fair value is determined based on quoted prices in an active market exchange. Fair values and unrealized appreciation (depreciation) by investment type are summarized as follows:

	June 30, 2014		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Operating			
Certificates of deposit	\$ 50,000	\$ 50,283	\$ 283
U.S. Mortgage pools	49,194	35,661	(13,533)
Endowment - mutual funds	653,094	878,839	225,745
	\$ 752,288	\$ 964,783	\$ 212,495
	June 30, 2013		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Operating			
Certificates of deposit	\$ 110,000	\$ 111,139	\$ 1,139
U.S. Mortgage pools	58,528	44,348	(14,180)
Endowment - mutual funds	594,830	697,749	102,919
	\$ 763,358	\$ 853,236	\$ 89,878

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Notes to Financial Statements
June 30, 2014 and 2013

Note 5 - Investments - Continued

Investment income is comprised of the following for the fiscal year ended June 30, 2014 and June 30, 2013:

	June 30, 2014		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 22,257	\$ -	\$ 22,257
Net realized and unrealized gain	143,111	-	143,111
Total investment return	\$ 165,368	\$ -	\$ 165,368
	June 30, 2013		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 38,865	\$ -	\$ 38,865
Net realized and unrealized gain	56,640	-	56,640
Total investment return	\$ 95,505	\$ -	\$ 95,505

Note 6 - Property and Equipment

Property and equipment consist of the following:

	Estimated Useful Lives	June 30,	
		2014	2013
Furniture and equipment	3-7 years	\$ 96,331	\$ 110,462
Total cost		96,331	110,462
Less accumulated depreciation		(75,256)	(73,924)
Property and equipment, net		\$ 21,075	\$ 36,538

Note 7 - Beneficial Interest In Assets Held By A Foundation

In 1997, United Way of Greater Mercer County established a Designated Fund with the Princeton Area Community Foundation of New Jersey (the "Foundation" or "PACF NJ") through a transfer of unrestricted funds. Under the Fund Agreement, the Board of Trustees of the Foundation has full authority and discretion as to the investment of the assets of the fund. Gifts may be made at any time by United Way of Greater Mercer County and both the principal and the net income are available for the charitable purposes of United Way of Greater Mercer County. The fair value of the Designated Fund at June 30, 2014 and 2013 was \$153,209 and \$165,768, respectively.

United Way of Greater Mercer County
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Notes to Financial Statements
June 30, 2014 and 2013

Note 8 - Recurring Fair Value Measurements

United Way of Greater Mercer County has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis, as of June 30, 2014 and 2013, by valuation hierarchy.

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 50,000	\$ -	\$ -	\$ 50,000
US mortgage pools and asset backed securities	49,194	-	-	49,194
Bond	129,441	-	-	129,441
Energy	38,968	-	-	38,968
Mid cap	99,577	-	-	99,577
Large cap	288,291	-	-	288,291
Precious metals	6,361	-	-	6,361
Real estate	47,792	-	-	47,792
Technology	255,159	-	-	255,159
Beneficial interest in assets held by foundation (PACF)	-	-	153,209	153,209
Total	<u>\$ 964,783</u>	<u>\$ -</u>	<u>\$ 153,209</u>	<u>\$ 1,117,992</u>

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 110,000	\$ -	\$ -	\$ 110,000
US mortgage pools and asset backed securities	44,348	-	-	44,348
Bond	87,700	-	-	87,700
Energy	29,836	-	-	29,836
Mid cap	78,887	-	-	78,887
Large cap	234,327	-	-	234,327
Precious metals	5,658	-	-	5,658
Real estate	42,158	-	-	42,158
Technology	220,322	-	-	220,322
Beneficial interest in assets held by foundation (PACF)	-	-	165,768	165,768
Total	<u>\$ 853,236</u>	<u>\$ -</u>	<u>\$ 165,768</u>	<u>\$ 1,019,004</u>

United Way of Greater Mercer County
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Notes to Financial Statements
June 30, 2014 and 2013

Note 8 - Recurring Fair Value Measurements - Continued

The following is a summary of changes in the fair value of United Way of Greater Mercer County's Level 3 investments as of June 30, 2014:

Balance, beginning of year	\$ 165,768
Realized gains/losses included in earnings	(4,080)
Unrealized gains/losses included in earnings	21,699
Income net of expenses	(178)
Approved grants	(30,000)
Balance, end of year	<u>\$ 153,209</u>

The following is a summary of changes in the fair value of United Way of Greater Mercer County's Level 3 investments as of June 30, 2013:

Balance, beginning of year	\$ 153,865
Unrealized gains/losses included in earnings	5,857
Income net of expenses	6,046
Balance, end of year	<u>\$ 165,768</u>

Note 9 - Endowment

The assets held by PACF NJ consist of publicly traded corporate bond funds, domestic equity funds, international equity funds, privately held companies and closely held limited partnerships and investment companies. The fair value of this interest is provided by PACF NJ based upon the underlying valuation of each fund in the portfolio.

United Way of Greater Mercer County's endowment consists of various individual funds established for community service programs. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments (Quasi-endowments). Net assets associated with endowment funds, including Quasi-endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

United Way of Greater Mercer County has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act ("NJUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, United Way of Greater Mercer County classifies as permanently restricted net assets (a) the original value of gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by United Way of Greater Mercer County in a manner consistent with the standard of prudence prescribed by NJUPMIFA.

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Notes to Financial Statements
June 30, 2014 and 2013

Note 9 - Endowment - Continued

In accordance with NJUPMIFA, United Way of Greater Mercer County considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of United Way of Greater Mercer County and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of United Way of Greater Mercer County.
7. Investment policies of United Way of Greater Mercer County.

Endowment Net Asset Composition by Type of Fund

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted Total	Total
	Endowment net assets, June 30, 2013	\$ 895,405	\$ -	\$ 26,022
Contributions	6,397	-	-	6,397
Investment income	154,069	-	-	154,069
Endowment net assets, June 30, 2014	\$ 1,055,871	\$ -	\$ 26,022	\$ 1,081,893
	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted Total	Total
Endowment net assets, June 30, 2012	\$ 791,384	\$ -	\$ 26,022	\$ 817,406
Contributions	14,347	-	-	14,347
Investment income	89,314	-	-	89,314
Endowment net assets, June 30, 2013	\$ 895,045	\$ -	\$ 26,022	\$ 921,067

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Board of Trustees has elected to pursue a conservative spending policy that enables long-term growth of the endowment's real purchasing power while providing ongoing support to various aspects of the United Way of Greater Mercer County's community service programs. Spending from the endowment will not exceed 4% on a rolling 12 quarter basis with only 2% being paid until the fund reaches three quarters of \$1 million, and 3% being spent when the fund reaches three quarters of \$1 million but before the fund reaches \$2 million. Funds from earnings on permanently restricted net assets appropriated for expenditure under the spending policy are expended according to donor restrictions and are classified as net assets released due to satisfaction of purpose restriction on the accompanying statement of activities.

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Notes to Financial Statements
June 30, 2014 and 2013

Note 9 - Endowment - Continued

For the year ended June 30, 2014 and 2013, United Way of Greater Mercer County appropriated \$26,920 and \$24,264, respectively, from the endowment fund to the Resource Investment Cabinet to fund needs in the community. These funds will be paid out during the years ended June 30, 2015 and 2014, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NJUPMIFA requires United Way of Greater Mercer County to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$0 as of June 30, 2014 and 2013.

Endowment Investment

The Board of Trustees has adopted the long-term investment objective of preserving the endowment's purchasing power by seeking long-term rates of total return that, over time, either match or exceed the spending rate plus inflation, while minimizing the portfolio's risk posture or volatility. The total return includes dividends, interest and capital gains less any capital losses and expenses. The funds asset allocation should be 80% equities and 20% bonds and cash. The portfolio is reviewed quarterly and rebalances when there is a 5% plus or minus deviation.

Note 10 - Concentrations of Credit Risk

United Way of Greater Mercer County's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, receivables and investments. United Way of Greater Mercer County's financial instruments are placed with a wide array of institutions that have high credit ratings, for interest bearing accounts are insured by the FDIC up to \$250,000 and for brokerage accounts are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000. Cash equivalents and investments are in certificates of deposit, treasury bills, money market funds and high quality equities. This investment policy limits United Way of Greater Mercer County's exposure to concentrations of credit risk. United Way of Greater Mercer County occasionally has cash in excess of FDIC limitations and investments in excess of SIPC limitations. United Way of Greater Mercer County has a long standing history of collecting its pledges receivable, which are from campaign pledges from numerous donors over the tri-state area. An allowance for uncollectible has been established for amounts whose collection is questionable.

United Way of Greater Mercer County [a Non-Profit Organization]

Notes to Financial Statements June 30, 2014 and 2013

Note 11 - Retirement Plans and Other Retirement Benefits

United Way of Greater Mercer County sponsors an employer funded defined contribution retirement plan (the "Plan") which covers all eligible employees over the age of twenty-one.

Effective November 1, 2011, United Way of Greater Mercer County terminated the employer funded contribution plan with Mutual of America and transferred the funds to an employer funded defined contribution 401k plan with Fidelity. On July 1, 2012, the plan was transitioned to an employer match whereby United Way of Greater Mercer County matches employee donations, fifty cents on the dollar up to five percent of eligible compensation.

The expenses for the plans for the years ended June 30, 2014 and 2013 was \$32,448 and \$25,916, respectively. It is United Way of Greater Mercer County's policy to fund the Plan monthly.

United Way of Greater Mercer County provides noncontributory health care benefits to certain retired employees. These benefits apply only to former employees of Delaware Valley United Way and United Way-Princeton Area Communities who retired and were qualified under grandfather provisions of the former organizations. United Way of Greater Mercer County's liability for post-retirement benefits in the amount of \$61,935 and \$69,429 for the year ended June 30, 2014 and 2013, respectively, and has been recorded in the statement of financial position under the caption "accounts payable and accrued expenses." During the year ended June 30, 2014 and 2013, \$7,494 has been paid to provide benefits for one retired employees.

Note 12 - Commitments

In September 2011, United Way of Greater Mercer County entered into a lease agreement for new office facilities and subsequently moved into the new location. The lease calls for future minimum lease payments totaling \$2.2 million and is for a period of approximately twelve (12) years ending on March 31, 2023. During the period August 15, 2011 through March 31, 2013, no payments were due. The value of the free rent was recorded as an expense and a deferred rent payable was recorded to be amortized using the straight line method, over the remainder of the lease term.

United Way of Greater Mercer County rents office facilities under a noncancelable operating lease agreement through March 2023. Minimum lease payments under the lease are as follows:

For the years ending June, 30,	
2015	\$ 206,395
2016	210,890
2017	215,395
2018	219,885
2019	224,375
2020 and thereafter	881,765
	<u>\$ 1,958,705</u>

United Way of Greater Mercer County's occupancy expense for office space, including operating expense charges paid in accordance with the lease agreement and the amortization of the deferred lease payable, amounted to \$191,532 and \$341,936, respectively for the years ended June 30, 2014 and 2013.

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Notes to Financial Statements
June 30, 2014 and 2013

Note 13 - Net Assets

Components of net assets were as follows at June 30, 2014 and 2013:

	June 30,	
	2014	2013
UNRESTRICTED		
Undesignated, available for general operations	\$ 1,103,284	\$ 920,845
Board designated reserves		
Military assistance fund	6,437	4,729
Latino vision council	31,364	31,364
Community initiatives fund	37,430	42,430
Quasi-endowment contributions	153,209	165,768
Quasi-endowment (estates and trusts) contributions	928,684	755,299
Total board designated	1,157,124	999,590
Investment in property and equipment	21,075	36,538
Total unrestricted net assets	\$ 2,281,483	\$ 1,956,973
TEMPORARILY RESTRICTED		
Bequest receivable for use in subsequent years	109,992	127,951
Campaign pledges for use in subsequent year	3,600	4,800
Total temporary restricted net assets	113,592	132,751
PERMANENTLY RESTRICTED		
Permanently restricted-donor endowed principal	26,022	26,022
TOTAL NET ASSETS	\$ 2,421,097	\$ 2,115,746

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Supplementary Information - Additional Resources Generated by United Way of Greater
Mercer County that are not Included in the Financial Statements
(Unaudited)

For the years ended June 30, 2014 and 2013, United Way of Greater Mercer County generated additional resources for the community that are not included in the accompanying financial statements. These resources include funds and in-kind donations directly to participating agencies and through Mercer County pharmacies that meet the criteria to be classified as agency transactions. A summary of these resources is as follows:

The Emergency Food and Shelter Program (EFSP) provides funds to Mercer County, New Jersey, not-for-profit agencies resulting from United Way of Greater Mercer County's management of that program. EFSP was created by Congress with a \$50 million appropriation in 1983 to help meet the needs of hungry and homeless people throughout the United States and its territories by allocating federal funds for the provision of food and shelter. The program is governed by a National Board; United Way Worldwide is the Secretariat and Fiscal Agent to the Board. Locally, the program is a model for public-private cooperation. For the year ended June 30, 2014 and 2013, funds paid directly to agencies totaled \$174,073 and \$158,198, respectively.

In fiscal year 2014 and 2013, the United Way of Greater Mercer County participated in the FamilyWize Prescription Drug Saving Program. The program is a free resource from the FamilyWize Community Service Partnership. As part of the program, United Way of Greater Mercer County distributed prescription discount cards to local pharmacies, agencies and individuals. Since the United Way of Greater Mercer County acted in an agency capacity and did not retain variance power over the distribution of these cards, the cards have not been recorded as in-kind donations. FamilyWize reported as of June 30, 2014 and 2013 the total value redeemed by Mercer County residents amount to \$140,515 and \$233,072, respectively.