

**Audited Financial Statements
And Supplementary Information**

**Town of Palm Beach
United Way, Inc.**

June 30, 2016

TOWN OF PALM BEACH UNITED WAY, INC.

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2016

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Independent Auditor's Report

To the Board of Trustees
Town of Palm Beach United Way, Inc.
Palm Beach, Florida

We have audited the accompanying financial statements of the Town of Palm Beach United Way, Inc. (the "Organization", a not-for-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we 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 the Town of Palm Beach United Way, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Town of Palm Beach United Way, Inc.'s 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cale, Donten, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
October 12, 2016

TOWN OF PALM BEACH UNITED WAY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016 with Comparative Totals for June 30, 2015

	2016			Total	2015 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 5,723,172	\$ -	\$ -	\$ 5,723,172	\$ 4,574,178
Pledges receivable	396,518	-	485,415	881,933	1,079,734
Prepaid expenses	8,199	-	-	8,199	7,785
TOTAL CURRENT ASSETS	6,127,889	-	485,415	6,613,304	5,661,697
PROPERTY AND EQUIPMENT, net	30,583	-	-	30,583	37,916
OTHER ASSETS					
Beneficial interests in trusts	-	871,622	1,643,026	2,514,648	1,630,515
Investments in endowments	1,169,134	1,233,457	2,182,675	4,585,266	4,726,554
	<u>1,169,134</u>	<u>2,105,079</u>	<u>3,825,701</u>	<u>7,099,914</u>	<u>6,357,069</u>
TOTAL ASSETS	\$ 7,327,606	\$ 2,105,079	\$ 4,311,116	\$ 13,743,801	\$ 12,056,682
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 14,448	\$ -	\$ -	\$ 14,448	\$ 22,879
Allocations to agencies	3,552,100	-	-	3,552,100	3,061,117
TOTAL CURRENT LIABILITIES	3,566,548	-	-	3,566,548	3,083,996
NET ASSETS					
Unrestricted net assets	3,761,058	-	-	3,761,058	3,414,076
Restricted net assets	-	2,105,079	4,311,116	6,416,195	5,558,610
TOTAL NET ASSETS	3,761,058	2,105,079	4,311,116	10,177,253	8,972,686
TOTAL LIABILITIES AND NET ASSETS	\$ 7,327,606	\$ 2,105,079	\$ 4,311,116	\$ 13,743,801	\$ 12,056,682

See notes to financial statements.

TOWN OF PALM BEACH UNITED WAY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016 with Comparative Totals for 2015

	2016			2015 Totals	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
REVENUES, LOSSES AND OTHER SUPPORT					
Campaign support	\$ 5,207,232	\$ 789,789	\$ 198,291	\$ 6,195,312	\$ 5,900,505
Less designations to non-member agencies	169,875	-	-	169,875	342,587
Campaign support, net	5,037,357	789,789	198,291	6,025,437	5,557,918
In-kind contributions	48,103	-	-	48,103	40,505
Investment income	230,937	56,692	-	287,629	374,312
Net realized and unrealized loss on investments	(257,342)	(94,699)	-	(352,041)	(340,697)
Change in value of beneficial interests in trusts	-	(20,232)	(72,256)	(92,488)	(100,602)
Total revenues, losses and other support	5,059,055	731,550	126,035	5,916,640	5,531,436
EXPENSES					
Allocations and payments					
Allocation to agencies and response pool	3,632,055	-	-	3,632,055	3,353,698
Grant payments	-	-	-	-	67,500
Designated contributions to member agencies	137,850	-	-	137,850	175,850
Total allocations and payments	3,769,905	-	-	3,769,905	3,597,048
Program services					
Allocation and agency relations	507,380	-	-	507,380	457,822
Supporting services					
Management and general	83,601	-	-	83,601	85,461
Fundraising	343,699	-	-	343,699	341,848
Total program and supporting services	934,680	-	-	934,680	885,131
Uncollectible pledges receivable	7,488	-	-	7,488	56,357
Total expenses	4,712,073	-	-	4,712,073	4,538,536
Increase in net assets	346,982	731,550	126,035	1,204,567	992,900
Net assets, beginning of year	3,414,076	1,373,529	4,185,081	8,972,686	7,979,786
Net assets, end of year	\$ 3,761,058	\$ 2,105,079	\$ 4,311,116	\$ 10,177,253	\$ 8,972,686

See notes to financial statements.

TOWN OF PALM BEACH UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016 with Comparative Totals for 2015

	2016				2015 Totals
	Program Services	Supporting Services		Total	
	Allocation and Agency Relations	Management and General	Fundraising		
Salaries	\$ 178,065	\$ 29,677	\$ 122,007	\$ 329,749	\$ 303,889
Health insurance	27,858	4,643	19,088	51,589	44,028
Retirement benefits	28,951	4,825	19,836	53,612	39,439
Payroll taxes	13,020	2,170	8,920	24,110	22,366
Total personnel and related expenses	<u>247,894</u>	<u>41,315</u>	<u>169,851</u>	<u>459,060</u>	<u>409,722</u>
Advertising	13,531	2,255	9,270	25,056	17,621
Agency liaison	5,754	-	-	5,754	8,809
Auto expense	1,620	270	1,110	3,000	3,000
Computer software	8,170	1,361	5,596	15,127	7,369
DeTocqueville Society	2,435	406	1,668	4,509	9,642
Donor cultivation	1,923	320	1,318	3,561	6,369
Dues and subscriptions	38,082	6,347	26,094	70,523	46,014
Insurance	8,168	1,361	5,597	15,126	17,083
Investment fees	6,759	1,126	4,630	12,515	14,189
Office and campaign supplies	31,776	5,296	21,772	58,844	58,491
Photography and awards	1,404	234	962	2,600	2,130
Postage	5,781	963	3,960	10,704	11,707
Professional fees	18,604	3,101	12,748	34,453	59,580
Repairs and maintenance	13,320	2,219	9,126	24,665	23,418
Sponsored meetings and special events	89,831	14,972	61,551	166,354	165,942
Telephone and fax	4,255	709	2,915	7,879	8,482
Total expenses before depreciation	<u>499,307</u>	<u>82,255</u>	<u>338,168</u>	<u>919,730</u>	<u>869,568</u>
Depreciation	<u>8,073</u>	<u>1,346</u>	<u>5,531</u>	<u>14,950</u>	<u>15,563</u>
Total expenses	<u>\$ 507,380</u>	<u>\$ 83,601</u>	<u>\$ 343,699</u>	<u>\$ 934,680</u>	<u>\$ 885,131</u>

See notes to financial statements.

TOWN OF PALM BEACH UNITED WAY, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016 with Comparative Totals for 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue collected		
Campaign support	\$ 5,109,004	\$ 4,878,785
Investment income	287,629	374,312
Payments for expenses		
Grants and allocations	(3,448,797)	(3,821,265)
Compensation and related expenses	(459,060)	(409,722)
Operating expenses	<u>(421,412)</u>	<u>(401,537)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,067,364	620,573
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	67,500
Purchase of investments	(210,753)	(507,834)
Purchase of property and equipment	<u>(7,617)</u>	<u>(10,057)</u>
NET CASH USED IN INVESTING ACTIVITIES	(218,370)	(450,391)
CASH FLOWS FROM FINANCING ACTIVITY		
Contribution restricted for permanent endowment	<u>300,000</u>	<u>200,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITY	<u>300,000</u>	<u>200,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,148,994	370,182
Cash and cash equivalents at beginning of year	<u>4,574,178</u>	<u>4,203,996</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,723,172</u></u>	<u><u>\$ 4,574,178</u></u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	\$ 1,204,567	\$ 992,900
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	14,950	15,563
Net realized and unrealized loss on investments	352,041	340,697
Contributions of beneficial interests in trusts	(976,621)	-
Change in value of beneficial interest in trust	92,488	100,602
Write off of pledges receivable	7,488	56,357
Contribution restricted for permanent endowment	(300,000)	(200,000)
Changes in operating assets and liabilities		
(Increase) decrease in pledges receivable	190,313	(821,720)
(Increase) decrease in prepaid expenses	(414)	8,172
Increase (decrease) in accounts payable	(8,431)	9,632
Increase in allocations to agencies	<u>490,983</u>	<u>118,370</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,067,364</u></u>	<u><u>\$ 620,573</u></u>

See notes to financial statements.

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization: Town of Palm Beach United Way, Inc. (the "Organization") is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization was formed to assist the development of other philanthropic organizations in the vicinity of Palm Beach, Florida.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting and present balances and transactions of the Organization according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions as permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets are used to account for resources received that are restricted by the donor requiring the principal to be invested in perpetuity and only the income to be used for support of the Organization's program operations and response pool.

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Unrestricted net assets are all resources over which the Board of Trustees (the "Board") exercises discretionary control, including assets designated to function as endowments or for other purposes. The resources in these funds are used to carry out the activities of the Organization in accordance with its charter and by-laws. The principal sources of income are unrestricted contributions and investment income.

Net assets of the restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including Board designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Cash and Cash Equivalents: Cash and cash equivalents include amounts on deposit in checking accounts and money market accounts. For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization maintains cash deposits at various financial institutions located in Palm Beach County, Florida, as well as with a brokerage firm. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016, deposits exceeded FDIC coverage by approximately \$4,730,000. The Organization periodically evaluates the financial condition of its banking institutions and has not experienced any loss on such accounts. Management believes the Organization is not exposed to any significant credit risk arising from such balances.

Investments: Investments consist of funds invested in The Investment Fund for Foundations (TIFF) Multi-Asset Fund, a private, no-load mutual fund. These investments are presented in the accompanying financial statements at fair value, as determined by the Fund using quoted market prices for publicly traded securities and other relevant information generated by market transactions. Investments are not insured or collateralized. Investment transactions are recorded on a trade date basis. Investment income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date. Investment earnings, realized and unrealized gains and losses, and expenses are included in the Statement of Activities.

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable, Net: Unconditional promises to give are recognized as revenue in the period received at their estimated net realizable value. The majority of these unconditional promises to give are received from individuals and businesses in the Town of Palm Beach. Contributions that are restricted by the donor are presented as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized or as increases in temporarily or permanently restricted net assets if the restriction is not satisfied in the same accounting period. When temporary restrictions expire by time or satisfaction of use, temporarily restricted net assets are reclassified to unrestricted net assets. An allowance for uncollectible pledges receivable is provided, if necessary, based upon management's judgment. During 2016, pledged amounts totaling \$7,488 were written off. Management believes that all remaining pledges receivable at June 30, 2016, are fully collectible. Accordingly, no allowance is provided for uncollectible amounts in the accompanying financial statements.

Property and Equipment: The Organization capitalizes all property and equipment acquisitions in excess of \$1,000. Property and equipment are stated at cost if purchased by the Organization; or at the fair value of the asset on the date of the gift, if received as a donation. Donated assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted net assets. Absent donor stipulations regarding how long donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is computed on a straight-line basis over the estimated useful life of the asset, generally 30 years for buildings and five years for all other property and equipment. Depreciation is allocated to program and supporting services based on the use of the property and equipment.

Contribution Revenue: Contributions received, including unconditional promises to give are recognized as revenues when received. Conditional promises to give are not included as support until the conditions are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted.

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 reported in the statement of activities as net assets released from restrictions. Permanently restricted support consists of amounts received that are stipulated by the donor to be maintained permanently.

Campaign Year and Allocation to Agencies: Due to the seasonal nature of the local economy and social environment, the Organization holds its annual campaign from September through June of each fiscal year. That campaign is used to develop an allocation to agencies that will be paid in the next period. The Organization typically meets in March or April of each year to decide on allocation payments to agencies. The amounts allocated to the individual agencies are determined by volunteers through a citizens' review process. Once the Board approves the allocations, agreements are executed with the agencies. Allocations are recognized as a liability when formally approved by the Board and communicated to agencies, and are generally paid over the ensuing 12 months.

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Designations: Certain large contributors are permitted to designate the use of their contributed funds to specific agencies that could be members or non-members of the Organization. Such donor designations are funded immediately and are expensed in the same period. As of June 30, 2016, all designations have been paid.

Contributed Goods and Services: In accordance with FASB ASC 958-605, *Revenue Recognition*, the Organization records the value of donated services that require specialized skills and that would typically need to be purchased if not provided by donation. During the year ended June 30, 2016, the Organization received donated goods and services which are recorded as contributions at their estimated fair value. The total amount of donated goods and services was \$48,103 for the year ended June 30, 2016. This amount is recognized as both income and expense in the accompanying statement of activities.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs, principally in the evaluation of agencies and allocation of support. Due to difficulty in establishing a value for these non-professional services, the value of this contributed time is not reflected in these statements.

Functional Allocation of Expenses: The costs of providing various programs and other activities are summarized on a functional basis. Expenses which can be specifically identified with a functional category are charged accordingly. Other expenses are allocated among supporting services based on relative salaries incurred.

Advertising Expenses: Advertising expenses are charged to operations when incurred. Advertising expenses for the year ended June 30, 2016, totaled \$25,056.

Income Taxes: The Organization is a not-for-profit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Organization is classified as a publicly supported organization that is not a private foundation.

The Organization evaluates its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which states that management's determination of the taxable status of an entity, including its status as a tax-exempt entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that the Organization has any significant uncertain tax positions that would be material to the financial statements. The Organization remains subject to examinations by major tax jurisdictions for tax years ending after 2012.

Subsequent Events: Management has evaluated subsequent events through October 12, 2016, the date on which the financial statements were available to be issued.

Use of Estimates and Assumptions: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B - INVESTMENTS

At June 30, 2016, all of the Organization's investments were invested in The Investment Fund for Foundations (TIFF) Multi-Asset Fund (the "Fund"). The TIFF Multi-Asset Fund is a private, no-load alternative investment, mutual fund available to foundations, endowments, 501(c)(3) organizations and certain other non-profit organizations. Organizations seeking to invest in the Fund must be "accredited investors" as defined in Rule 501(a) under the Securities Act of 1933, which generally requires that a non-profit organization have total assets in excess of \$5 million. The Fund pursues multiple strategies to attain a growing stream of current income and appreciation of principal that net of expenses, exceeds inflation plus 5% per annum. At June 30, 2016, the Fund held approximately 70% of its investments in U.S. and global stocks, 19% in fixed income products and cash equivalents, and 11% in other hedging assets. Shares in the Fund may be redeemed on any business day upon a member's request. The Fund also provides for an entry and exit fee of 0.5%. The fair value and cost of these investments at June 30, 2016, totaled \$4,585,266 and \$4,733,628, respectively.

The Organization's investments in the Fund are exposed to various risks, such as market risk, interest rate risk, and credit risks. In addition, certain investments of the Fund may be subject to additional risks including, foreign currency risk, derivatives risk, foreign and emerging markets risk, leveraging risk, liquidity risk, multi-manager risk, real estate risk and small company risk. Due to the various risks associated with the Organization's investments in the Fund, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NOTE C - PLEDGES RECEIVABLE

In 2015 the Organization received an unconditional promise to give of \$1,000,000, of which \$500,000 has been received as of June 30, 2016. The balance of the pledge is receivable in annual installments of \$200,000 with the final pledge payment due in 2019. The pledge is discounted using a discount rate of 1.65%. The discount is recognized as contribution income over the term of the pledge. All other pledges received were due in the subsequent year and, therefore, were not discounted. Pledges receivable are summarized as follows at June 30, 2016:

Receivable in less than one year	\$	496,518
Receivable in one to five years		<u>400,000</u>
Total pledges receivable		896,518
Less present value discounts		<u>(14,585)</u>
Pledges receivable, net	\$	<u>881,933</u>

Pledges receivable as of June 30, 2016, consist of \$694,155 of promises to give due from individuals and \$187,778 due from corporations.

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D - ENDOWMENTS

The Organization's endowments consist of three individual funds, including two donor-restricted endowment funds, established to support its annual operating expenses. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and requires disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The State of Florida enacted a version of UPMIFA, known as the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) that governs the investment, management and spending of donor-restricted endowment funds by Florida not-for-profit organizations. Absent explicit donor stipulations, FUPMIFA generally requires prudent care in investing, managing and developing spending plans for donor-restricted endowment funds. The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument (if applicable) at the time the accumulation is added to the fund, and (d) the portion of investment return added to the permanent endowment to maintain its purchasing power, if donor-restricted. The Organization classifies as temporarily restricted net assets (a) the portion of donor-restricted term endowment funds that is deemed to be restricted over a donor-specified period, and (b) the portion of donor-restricted endowment funds with donor-imposed purpose restrictions that have not yet been met. The Organization considers the following factors in making a determination to expend donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization 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 the Organization
7. The investment policies of the Organization

Endowment composition by type of fund as of June 30, 2016 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,233,457	\$ 4,311,116	\$ 5,544,573
Board-designated endowment funds	<u>1,169,134</u>	<u>-</u>	<u>-</u>	<u>1,169,134</u>
Total	<u>\$ 1,169,134</u>	<u>\$ 1,233,457</u>	<u>\$ 4,311,116</u>	<u>\$ 6,713,707</u>

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D - ENDOWMENTS (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2016 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at July 1, 2015	\$ 1,572,665	\$ 1,271,464	\$ 4,185,081	\$ 7,029,210
Contributions	-	-	198,291	198,291
Investment return				
Investment income	230,144	56,692	-	286,836
Net realized/unrealized losses	<u>(257,342)</u>	<u>(94,699)</u>	-	<u>(352,041)</u>
Total investment return	(27,198)	(38,007)	-	(65,205)
Change in value of beneficial interest in trust	-	-	(72,256)	(72,256)
Appropriation of endowment assets for expenditure	<u>(376,333)</u>	-	-	<u>(376,333)</u>
Balance at June 30, 2016	<u>\$ 1,169,134</u>	<u>\$ 1,233,457</u>	<u>\$ 4,311,116</u>	<u>\$ 6,713,707</u>

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 FUPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies in donor-restricted endowment funds as of June 30, 2016.

Investment Objectives: Historically, the Organization's investment objectives and policies have been to: (a) generate adequate annual transfers of income, which together with the earnings of the general unrestricted funds and reserve funds of the Organization, will fully subsidize the annual operating expenses without eroding the original corpus; and (b) provide a growth rate in the investment portfolio at least equal to the current rate of inflation. In order to meet its objectives, the Organization generally contemplates the investment of the Endowment Funds in equity mutual funds which are broadly diversified within asset classes (such as growth stock funds, valued stock funds, etc.) and appropriate government and corporate bonds and other debt instruments that provide a diversified exposure to the credit markets. The Organization believes investing in a multi-asset fund is an appropriate method for achieving a diversified investment strategy given the nature of these investments. The Organization periodically reviews its investment policy to specifically identify strategies and spending policies as they relate to the various endowment categories.

Spending Policy: The Organization's spending policy specifies the approach followed with respect to transfers from the Endowment Funds to the Unrestricted Fund. In general, the Organization may make an annual transfer of up to four percent (4%) of the average endowment corpus. For purposes of this measurement, the endowment corpus includes funds for which the Organization receives no current income, but which are permanently committed to the Organization, and excludes the endowment corpus managed by the Organization for specific purposes, such as the Visiting Nurse endowment.

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D - ENDOWMENTS (Continued)

More specifically, the Organization may transfer at the end of each fiscal quarter, one percent (1%) of the latest year average applicable endowment corpus (determined by the average of the last four available calendar quarters) from the Endowment to the Unrestricted Fund. The Board has decided not to transfer any monies out of the Endowment for 2016.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016:

Building and improvements	\$ 238,000
Equipment	<u>137,656</u>
	375,656
Accumulated depreciation	<u>(345,073)</u>
Property and equipment, net	<u>\$ 30,583</u>

Depreciation expense for 2016 was \$14,950.

NOTE F - BENEFICIAL INTERESTS IN TRUSTS

Beneficial interests in trusts consist of the following at June 30, 2016 :

Temporarily Restricted

The Organization is the beneficiary of the following trusts that are classified as temporarily restricted assets until such time as the remainder interests are received:

25% beneficial interest in a charitable remainder unitrust. The trust interest is valued based upon the estimated discounted cash flow (at a discount rate of 1.2% at June 30, 2016) of the remainder interest over the estimated life expectancy of the current beneficiary.	\$ 81,833
33% beneficial interest in a charitable remainder unitrust. The trust interest is valued based upon the estimated discounted cash flow (at a discount rate of 1.68% at June 30, 2016) of the remainder interest over the estimated life expectancy of the current beneficiary.	364,789
25% beneficial interest in a remainder trust. The trust interest is valued based upon the estimated amount that the Organization will receive after all other beneficiaries and administrative expenses are paid. The Organization anticipates that their remainder share will be received in the fiscal year ended June 30, 2017.	425,000

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F - BENEFICIAL INTERESTS IN TRUSTS (Continued)

Permanently Restricted

The Organization is the beneficiary of the following trusts that are classified as permanently restricted:

The Organization is the beneficiary of a perpetual trust created by a donor, the assets of which are held by a third-party trustee. The Organization has legally enforceable rights and claims to such assets, including the sole right to income therefrom. The interest in this trust is valued at the fair value of the underlying assets held in the trust.

\$ 1,456,194

The Organization is the beneficiary of a perpetual trust created by a donor, the assets of which are held by a third-party trustee. The Organization has legally enforceable rights and claims to 25% of the net income of the trust. The interest in this trust is valued at the fair value of the underlying assets held in the trust.

186,832

Total Beneficial Interests in Trusts

\$ 2,514,648

While management uses their best judgment in estimating the fair value of these trust interests, there are inherent limitations in any estimation technique. Accordingly, the fair value of the beneficial interests in these trusts could differ significantly from their ultimate realizable value should management's assumptions differ from future confirming events.

NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a consistent framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Inputs are unobservable for the assets or liabilities.

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Items Measured at Fair Value on a Recurring Basis: The following methods and assumptions were used by the Organization in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under FASB ASC 820:

TIFF Multi-Asset Fund: Valued at the unadjusted net asset value per share determined by the Fund manager pursuant to the practical method permitted by ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*.

Beneficial interests in trusts: Valued at the discounted fair value of the remainder interest to be received upon termination of the trust for the charitable remainder trusts and at the underlying value of the securities as reported on the active market on which the individual securities are traded for perpetual trusts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies during the year ended June 30, 2016.

Fair Value of Assets: The following table sets forth, by level within the fair value hierarchy, the fair value of the Organization's financial assets measured at fair value on a recurring basis at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
TIFF Multi-Asset Fund	\$ -	\$ 4,585,266	\$ -	\$ 4,585,266
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>2,514,648</u>	<u>2,514,648</u>
Total Fair Value	<u>\$ -</u>	<u>\$ 4,585,266</u>	<u>\$ 2,564,648</u>	<u>\$ 7,099,914</u>

The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2016:

	<u>Beneficial Interests in Trusts</u>
Balance at July 1, 2015	\$ 1,630,515
Contributions of beneficial interests in trusts	976,621
Change in value of beneficial interests	<u>(92,488)</u>
Balance at June 30, 2016	<u>\$ 2,514,648</u>

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial Instruments Not Measured at Fair Value: The following financial instruments are not measured at fair value on a recurring basis in the accompanying financial statements:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate the estimated fair value.

Pledges receivable and prepaid expenses: The carrying amounts reported in the statement of financial position approximate the estimated fair values due to the short-term nature of the amounts.

Accounts payable and allocations to agencies: The carrying amounts reported in the statement of financial position approximate the estimated fair values because of their short-term duration.

NOTE H - NET ASSETS

As of June 30, 2016, the Organization's restricted net assets consisted of the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Pledge receivable, net	\$ -	\$ 485,415
Beneficial interests in trusts	871,622	1,643,026
Investments	<u>1,233,457</u>	<u>2,182,675</u>
	<u>\$ 2,105,079</u>	<u>\$ 4,311,116</u>

The temporarily restricted net assets arise as a result of time restrictions until such assets are received or donor restrictions for specific purposes. The temporarily restricted beneficial interest in trust is restricted until such time as the remainder of the trust is distributed, at which time the distribution will become available to the Organization for its unrestricted use. The temporarily restricted investments consist of a donor restricted endowment fund, the "Visiting Nurse Endowment Fund", which must be used to provide funding support to agencies and organizations which provide direct services to the poor who are in need of medical home health services or other medical services.

Permanently restricted assets must be maintained in perpetuity. The income from these assets may be used to support the Organization's operations and are recorded as unrestricted investment income.

NOTE I - PENSION PLAN

The Organization has two pension plans administered by Mutual of America, Inc. on behalf of qualified, full-time employees. The first plan is a tax-deferred annuity contract, allowing employees to defer up to the maximum allowed by law and receive a matching contribution up to 5% of their pay from the Organization. The second plan is a defined contribution plan where employee contributions are not

TOWN OF PALM BEACH UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I - PENSION PLAN (Continued)

required or permitted, and the Organization contributes 10% of an eligible employee's annual salary. During the year ended June 30, 2016, the Organization contributed \$53,612 to these two plans.

NOTE J - RELATED PARTIES

The Organization received contributions from members of the Board of Trustees and committees totaling \$1,561,105 during the year ended June 30, 2016. This represents approximately 25% of total campaign support.

SUPPLEMENTARY INFORMATION



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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report
on Supplementary Information

To the Board of Trustees
Town of Palm Beach United Way, Inc.
Palm Beach, Florida

We have audited the financial statements of the Town of Palm Beach United Way, Inc. (the "Organization"), as of and for the year ended June 30, 2016, and have issued our report thereon dated October 12, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of allocations to agencies and response pool on pages 19 and 20 is presented for the purpose 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Caler, Donten, Levine,
Cohen, Porter & Veil, P.A.*

West Palm Beach, Florida
October 12, 2016

TOWN OF PALM BEACH UNITED WAY, INC.

SCHEDULE OF ALLOCATIONS TO AGENCIES AND RESPONSE POOL

Year Ended June 30, 2016

Allocations to agencies are determined each year by the Board of Trustees and are generally paid in monthly installments. The following allocations were approved for the year ended June 30, 2016, for disbursement between July 1, 2016 and June 30, 2017.

Agency	Allocations
2-1-1 Palm Beach/Treasure Coast	\$ 173,700
Achievement Center	34,500
Adopt-A-Family	146,600
Aid to Victims of Domestic Abuse	70,000
Alpert Jewish Family & Children's Services	69,000
Alzheimer's Community Care	77,000
ARC of Palm Beach County	170,100
ARC of the Glades	28,500
Boys & Girls Clubs	200,000
Caridad Clinic	140,000
Catholic Charities	22,000
Center for Children Counseling	25,000
Center For Family Services	163,000
Children's Home Society	109,000
ClearPoint	20,000
Clinics Can Help	25,000
Community Partners	12,000
CROS	33,500
Drug Abuse Foundation	95,000
Drug Abuse Treatment Association	162,000
El Sol	18,000
Families First of Palm Beach County	66,000
Farmworkers Coordinating Council	100,000
Feeding South Florida	90,000
The Glades Initiative	40,000
Gratitude House, Inc.	81,000
Gulfstream Goodwill Industries	23,600
Habilitation Center	208,000
Habitat for Humanity	10,100
Healthy Mothers/Healthy Babies	14,000
Home Safe	97,000
Homeless Coalition of Palm Beach County	20,000
Jewish Community Center	12,500
Legal Aid Society	60,000
Literacy Coalition	107,000

(continued)

TOWN OF PALM BEACH UNITED WAY, INC.

SCHEDULE OF ALLOCATIONS TO AGENCIES AND RESPONSE POOL (CONTINUED)

Year Ended June 30, 2016

<u>Agency</u>	<u>Allocations</u>
Mental Health Association	\$ 5,000
Milagro Center	42,500
Opportunity, Inc.	120,000
Palm Beach County Food Bank	25,000
Planned Parenthood	35,000
Seagull Services	170,000
Take Stock in Children	59,000
The Lord's Place	140,000
Urban League	18,000
Urban Youth Impact	23,500
YMCA of South Palm Beach	45,000
YMCA of Palm Beach County	<u>146,000</u>
Total allocations for July 1, 2016, through June 30, 2017	3,552,100
Response Pool amounts expended during 2016	<u>79,955</u>
Total allocation to agencies and response pool	<u><u>\$ 3,632,055</u></u>