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CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

UNITED WAY OF WASHINGTON COUNTY, MARYLAND, INC. AND AFFILIATED ORGANIZATION

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ALBRIGHT CRUMBACKER MOUL & ITELL | Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Washington County, Maryland, Inc. and
United Way Foundation of Washington County, Maryland, Inc.
Hagerstown, Maryland

We have audited the accompanying consolidated financial statements of the **United Way of Washington County, Maryland, Inc. and Affiliated Organization, the United Way Foundation of Washington County, Maryland, Inc.** (Not-for-Profit Organizations) which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **United Way of Washington County, Maryland, Inc. and Affiliated Organization** as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 3 of the financial statements, the Organization adopted FASB Accounting Standards Update (ASU) 2015-07 *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent).* Prior year disclosures have been revised to reflect the retrospective application of adopting this change in accounting. Our auditor's opinion was not modified with respect to the restatement.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of agency grants and designations is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Albright Crumbacker Moul & Itell, LLC

Hagerstown, Maryland
November 9, 2016

United Way of Washington County, Maryland, Inc. and Affiliated Organization

Consolidated Statements of Financial Position

June 30,		2016		2015
ASSETS				
Cash and cash equivalents	$	399,365	$	296,618
Campaign pledges receivable		372,060		452,611
Less allowance for uncollectible pledges		(61,209)		(72,715)
Other receivables		51,029		44,253
Investments		807,236		853,719
Property and equipment, net of accumulated depreciation of $75,224 and $73,845, respectively		40,115		41,494
	$	**1,608,596**	**$**	**1,615,980**
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	$	15,202	$	19,322
Agency designations payable		48,521		61,092
Designations payable to other United Way organizations		5,018		24,206
Committed non-agency designations		13,808		15,934
Other		-		147
		82,549		120,701
NET ASSETS				
Unrestricted				
Undesignated		700,336		619,134
Board designated		796,356		842,839
Total unrestricted		1,496,692		1,461,973
Temporarily restricted		18,475		22,426
Permanently restricted		10,880		10,880
		1,526,047		1,495,279
	$	**1,608,596**	**$**	**1,615,980**

United Way of Washington County, Maryland, Inc. and Affiliated Organization

Consolidated Statement of Activities

Year ended June 30,				**2016**
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
CHANGES IN NET ASSETS				
CAMPAIGN REVENUE AND SUPPORT				
Gross campaign results	$ 1,003,250	$ 4,405	$ -	$ 1,007,655
Bad debt recovery	44,610	-	-	44,610
Less donor designations	(183,815)	-	-	(183,815)
Less provisions for uncollectible	(61,209)	-	-	(61,209)
NET CAMPAIGN REVENUE AND SUPPORT	802,836	4,405	-	807,241
OTHER REVENUE AND SUPPORT				
In-kind contributions	44,699	-	-	44,699
Contribution - Mathias Trust	65,743	-	-	65,743
Designations from other United Ways	37,524	-	-	37,524
Net investment loss	(14,376)	-	-	(14,376)
Event revenue, net	18,320	-	-	18,320
Other	18,842	-	-	18,842
OTHER REVENUE AND SUPPORT	170,752	-	-	170,752
NET ASSETS RELEASED FROM RESTRICTIONS	8,356	(8,356)	-	-
TOTAL REVENUE AND SUPPORT	981,944	(3,951)	-	977,993
EXPENSES				
Program services				
Gross funds awarded/distributed	696,565	-	-	696,565
Less donor designations	(183,815)	-	-	(183,815)
Net funds awarded/distributed	512,750	-	-	512,750
Other program services	186,178	-	-	186,178
TOTAL PROGRAM SERVICES	698,928	-	-	698,928
Supporting services				
Fundraising	29,696	-	-	29,696
Management and general	205,160	-	-	205,160
United Way Worldwide dues	13,441	-	-	13,441
TOTAL SUPPORTING SERVICES	248,297	-	-	248,297
TOTAL EXPENSES	947,225	-	-	947,225
CHANGES IN NET ASSETS	34,719	(3,951)	-	30,768
NET ASSETS BEGINNING OF PERIOD	1,461,973	22,426	10,880	1,495,279
NET ASSETS END OF PERIOD	**$ 1,496,692**	**$ 18,475**	**$ 10,880**	**$ 1,526,047**

UNITED WAY OF WASHINGTON COUNTY, MARYLAND, INC. AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30,				2015
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
CHANGES IN NET ASSETS				
CAMPAIGN REVENUE AND SUPPORT				
Gross campaign results	$ 1,106,134	$ 14,684	$ -	$ 1,120,818
Bad debt recovery	108,731	-	-	108,731
Less donor designations	(203,922)	-	-	(203,922)
Less provisions for uncollectible	(72,715)	-	-	(72,715)
NET CAMPAIGN REVENUE AND SUPPORT	938,228	14,684	-	952,912
OTHER REVENUE AND SUPPORT				
In-kind contributions	10,129	-	-	10,129
Contribution - Mathias Trust	71,736	-	-	71,736
Designations from other United Ways	49,749	-	-	49,749
Net investment loss	(10,946)	-	-	(10,946)
Event revenue, net	19,102	-	-	19,102
Other	31,657	-	-	31,657
OTHER REVENUE AND SUPPORT	171,427	-	-	171,427
NET ASSETS RELEASED FROM RESTRICTIONS	14,850	(14,850)	-	-
TOTAL REVENUE AND SUPPORT	1,124,505	(166)	-	1,124,339
EXPENSES				
Program services				
Gross funds awarded/distributed	512,222	-	-	512,222
Less donor designations	(203,922)	-	-	(203,922)
Net funds awarded/distributed	308,300	-	-	308,300
Other program services	149,166	-	-	149,166
TOTAL PROGRAM SERVICES	457,466	-	-	457,466
Supporting services				
Fundraising	32,718	-	-	32,718
Management and general	218,358	-	-	218,358
United Way Worldwide dues	13,519	-	-	13,519
TOTAL SUPPORTING SERVICES	264,595	-	-	264,595
TOTAL EXPENSES	722,061	-	-	722,061
CHANGES IN NET ASSETS	402,444	(166)	-	402,278
NET ASSETS BEGINNING OF PERIOD	1,059,529	22,592	10,880	1,093,001
NET ASSETS END OF PERIOD	**$ 1,461,973**	**$ 22,426**	**$ 10,880**	**$ 1,495,279**

The accompanying notes are an integral part of these finanical statements.

UNITED WAY OF WASHINGTON COUNTY, MARYLAND, INC. AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 30,768	$ 402,278
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	1,379	1,835
Provision for uncollectible accounts	16,599	-
Interest and dividends reinvested	(29,804)	(36,777)
Realized and unrealized loss on investments	35,094	37,923
Investment fees	9,086	9,800
(Increase) decrease in operating assets		
Campaign pledges receivable	52,446	(34,672)
Other receivables	(6,777)	(7,557)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(4,120)	(2,898)
Agency grants payable	-	(303,593)
Agency designations payable	(12,571)	(7,483)
Designations payable to other United Way organizations	(19,188)	8,445
Committed non-agency designations	(2,126)	3,149
Other	(147)	(204)
NET CASH PROVIDED BY OPERATING ACTIVITIES	70,639	70,246
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	32,107	45,069
NET CASH PROVIDED BY INVESTING ACTIVITIES	32,107	45,069
NET INCREASE IN CASH AND CASH EQUIVALENTS	102,746	115,315
Cash and cash equivalents, beginning	296,618	181,303
Cash and cash equivalents, ending	**$ 399,365**	**$ 296,618**

The accompanying notes are an integral part of these finanical statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30,					**2016**
	PROGRAM SERVICES	**FUNDRAISING**	**MANAGEMENT AND GENERAL**	**UWW DUES**	**TOTAL**
Gross funds awarded/distributed	$ 696,565	$ -	$ -	$ -	$ 696,565
Less donor designations	(183,815)	-	-	-	(183,815)
SUB-TOTAL	512,750	-	-	-	512,750
Salaries	80,728	9,174	93,571	-	183,473
Payroll taxes	7,656	870	8,873	-	17,399
Health insurance	4,242	482	4,916	-	9,640
Retirement	4,039	459	4,681	-	9,179
SUB-TOTAL	96,665	10,985	112,041	-	219,691
Advertising	7,538	7,538	-	-	15,076
Awards	2,818	2,818	-	-	5,636
Bank charges	1,848	210	2,141	-	4,199
Cleaning services	532	60	617	-	1,209
Computer	8,582	975	9,947	-	19,504
Depreciation	607	69	703	-	1,379
Dues and subscriptions	923	105	1,070	-	2,098
Insurance	1,443	164	1,673	-	3,280
Postage	171	1,714	1,543	-	3,428
Professional development	3,309	-	1,944	-	5,253
Professional fees	-	-	39,113	-	39,113
Rent, net	13,220	1,502	15,323	-	30,045
Supplies	46,384	3,313	16,566	-	66,263
Telephone	1,189	135	1,379	-	2,703
Utilities	949	108	1,100	-	2,157
SUB-TOTAL	89,513	18,711	93,119	-	201,343
United Way Worldwide dues	-	-	-	13,441	13,441
TOTAL	**$ 698,928**	**$ 29,696**	**$ 205,160**	**$ 13,441**	**$ 947,225**

UNITED WAY OF WASHINGTON COUNTY, MARYLAND, INC. AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30,					**2015**
	PROGRAM SERVICES	**FUNDRAISING**	**MANAGEMENT AND GENERAL**	**UWW DUES**	**TOTAL**
Gross funds awarded/distributed	$ 512,222	$ -	$ -	$ -	$ 512,222
Less donor designations	(203,922)	-	-	-	(203,922)
SUB-TOTAL	308,300	-	-	-	308,300
Salaries	85,088	15,272	117,814	-	218,174
Payroll taxes	7,936	1,424	10,987	-	20,347
Health insurance	7,820	1,404	10,829	-	20,053
Retirement	3,785	679	5,241	-	9,705
SUB-TOTAL	104,629	18,779	144,871	-	268,279
Advertising	2,666	2,667	-	-	5,333
Awards	3,108	3,109	-	-	6,217
Bank charges	1,484	266	2,052	-	3,802
Cleaning services	471	85	653	-	1,209
Computer	3,641	654	5,041	-	9,336
Depreciation	716	128	991	-	1,835
Dues and subscriptions	839	150	1,160	-	2,149
Insurance	1,270	228	1,758	-	3,256
Meals	1,979	-	-	-	1,979
Postage	974	1,948	974	-	3,896
Professional development	1,181	-	694	-	1,875
Professional fees	-	-	23,877	-	23,877
Rent, net	10,490	1,883	14,524	-	26,897
Supplies	13,674	2,454	18,933	-	35,061
Telephone	948	170	1,313	-	2,431
Utilities	1,096	197	1,517	-	2,810
SUB-TOTAL	44,537	13,939	73,487	-	131,963
United Way Worldwide dues	-	-	-	13,519	13,519
TOTAL	**$ 457,466**	**$ 32,718**	**$ 218,358**	**$ 13,519**	**$ 722,061**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **United Way of Washington County, Maryland, Inc. and Affiliated Organization** ("the Organization") is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

Nature of activity: United Way of Washington County, Maryland, Inc. ("UWWC") was incorporated in March of 1957 as a nonprofit organization that was formed to support community, charitable, benevolent, and educational undertakings that give aid, relief, and comfort primarily to the people of Washington County, Maryland, by increasing general knowledge and promoting public interest in such undertakings, and by collecting and donating money and services for these purposes. UWWC is governed by a volunteer board of directors.

United Way Foundation of Washington County, Maryland, Inc. ("the Foundation") was incorporated in March of 1968 as a nonprofit organization that was formed to support the mission of UWWC.

Principles of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of consolidation and presentation: UWWC and the Foundation have common Boards of Directors. Accordingly, management has determined that consolidated financial statements represent the most informative presentation in conformity with FASB Accounting Standards Codification (ASC) 958-810-55. Therefore, the accompanying consolidated financial statements include the accounts of UWWC and the Foundation. Intercompany transactions have been eliminated in the consolidation. The Organization reports information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets have no donor restrictions placed on them and may be used at the discretion of management. Temporarily restricted net assets are comprised of funds whose use has been limited by donors to a specific time period and/or purpose. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of time and/or purpose restrictions. Permanently restricted net assets represent donated funds held in perpetuity; however, the income from these funds may be used by the Organization. In addition to donor-restricted net assets, the Organization's Board of Directors may designate resources for specific purposes, for example, a particular program activity or capital addition. Such amounts are reported as unrestricted board designated net assets.

Estimates: The preparation of consolidated 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the collectability of receivables, valuation of conditional promises to give and fair value measurements.

Cash and cash equivalents: The Organization considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Pledges receivable: Promises to give are recognized as revenues when the donor makes an unconditional promise to give to the Organization. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The Organization believes that all pledges will be collected within one year. Contributions are considered to be available for the general programs of the Organization, unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions, such as campaign support are reported as increases in temporarily restricted net assets unless the restriction is satisfied in the same fiscal year as the contribution, in which case the contribution is reported as unrestricted income. When a donor restriction expires via the passage of time or fulfillment of the intended purpose, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization utilizes the allowance method to determine the estimated uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises to give.

Recently adopted authoritative guidance: In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2015-07).* ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value (NAV) per share practical expedient under ASC 820. ASU 2015-07 is effective for fiscal year-ends beginning after December 15, 2016 with early adoption permitted. The Organization elected to early adopt this new guidance and the updated disclosures are included in the accompanying financial statement disclosures (Note 3). The adoption of this guidance had no impact on the Organization's financial statements, other than as described in the Fair Value Measurements accounting policy below.

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

> **Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
>
> **Level 2:** Inputs to the valuation methodology include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
>
> If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
>
> **Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The Organization reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. These investment funds are held as units or interest in institutional funds or limited partnerships, which are stated at net asset value (NAV) or its equivalent. The Organization uses the NAV as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. Due to the early adoption of FASB ASU 2015-07 during the year ended June 30, 2016 (see above), the Organization has not categorized these investments in levels within the fair value hierarchy table (Note 3).

Investments: The Organization's investment in units of the Community Foundation of Washington County, Inc. (CFWC), a related party, is stated at the Organization's proportionate share of the fair value of the CFWC fund units. Changes in unrealized gains and losses are included in net investment income and recognized in the statements of activities. Realized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by the donor or by law, and are included in net investment return. Also included in net investment return is other investment income, such as dividends and interest which is recognized in the period earned as increases in unrestricted net assets unless the use is limited by donor restrictions.

Property and equipment: Property and equipment are recorded at cost, if purchased, or fair market value, if donated. Maintenance and repairs are charged to expense as incurred. Major improvements that increase the useful lives of the assets are capitalized, subject to a property and equipment capitalization threshold of $2,500. Upon sale or retirement of a capitalized asset, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets ranging from three to forty years.

Agency grants: The Organization raises funds primarily through its annual campaign. Based on the annual campaign, pledges receivable and corresponding contributions revenue are recognized, net of (a) designations to agencies, (b) designations to other United Way organizations, and (c) an allowance for uncollectible pledges receivable. After consideration of its projected operating expenses, capital expenditures and cash flows from pledges, management develops an estimate of the Organization's projected grants to its member agencies. The grants are paid in twelve equal monthly payments. A list of agency grants for the year end June 30, 2016 is included in the schedule of agency grants and designations.

Agency designation payable: Some pledges are designated by donors to be distributed to either member agencies or other United Way organizations. Accordingly, such amounts are reported as campaign pledges receivable with a corresponding liability to the designated agencies and deducted from gross campaign support on the consolidated statement of activities.

Donated assets and services: Donated assets are recorded as support at their estimated fair values on the dates of the gift and are depreciated, if appropriate, over their estimated useful lives. Such donations are reported as unrestricted support unless the donor placed specific restrictions on the donated asset. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service and reclassifies temporarily restricted net assets to unrestricted net assets at that time. Contributions of donated services that create or enhance non-financial assets, which would typically need to be purchased from individuals with specialized skills if not provided by donation, are recorded at their fair value in the period received. During the years ended June 30, 2016 and 2015, donated services of $44,699 and $10,129 have been recorded as contribution revenue, and $1,649 and $235 have been recorded as in-kind event revenue, respectively, with a corresponding charge to expenses in the accompanying consolidated statements of activities. No amounts have been reflected in the financial statements for donated services by volunteers who donated their time to the Organization's service or fundraising campaigns since there is no objective basis available to measure the value of services received, and the conditions for recognition have not been met.

Functional allocation of expenses: Certain costs have been allocated among the programs and supporting services benefitted. Where possible, allocations of costs by function are based on specific identification of costs to program, management and general, or fundraising. Non-specifically identified costs are based on management's allocation of time requirements for the various functions based on its analysis of historical activities.

Advertising and marketing costs: Advertising and marketing costs are expensed as incurred. Advertising costs totaled $15,076 and $5,333, respectively, for the years ended June 30, 2016 and 2015.

Income tax status: Both UWWC and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The entities comply with ASC 740-10, *Income Taxes*, which established a threshold for determining when an income tax benefit of a tax position can be recognized. Under ASC 740-10, a tax position includes, among other things, (a) a decision not to file a tax return, (b) an allocation or a shift of income between jurisdictions, (c) the characterization of income or a decision to exclude reporting taxable income in a tax return, (d) a decision to classify a transaction, entity, or other position in a tax return as tax exempt, and (e) an entity's status, including its status as a tax-exempt not-for-profit entity. Based on its interpretation of the requirements of ASC 740-10, management believes that the entities have no uncertain tax positions that qualify for either recognition or disclosure. The entities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. UWWC and the Foundation believe they are no longer subject to income tax examinations for years prior to 2012.

2. RISKS AND UNCERTAINTIES

The Organization has a cash sweep account agreement with a local bank whereby balances are transferred daily to mutual funds that invest in securities issued or guaranteed as to principal and interest by the U.S. Government or its agencies. These money market funds are not FDIC insured. However, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash.

3. INVESTMENTS

The Organization has an agreement with CFWC whereby the Organization invests in units of CFWC investment portfolio. As of June 30, 2016 and 2015, the units valued at net asset value are reported at fair value on the statements of financial position, at $807,236 and $853,719 respectively.

Net investment loss consisted of the following for the years ended June 30:

	2016	2015
Dividend and interest income	$ 29,804	$ 36,777
Realized gain on sale of investments	5,736	67,655
Unrealized loss on investments	(40,830)	(105,578)
	(5,290)	(1,146)
Less: investment expense	(9,086)	(9,800)
	$ (14,376)	**$ (10,946)**

The Organization invests in a portfolio that contains a variety of investment types. Such investments are exposed to various risks, such as market, credit and interest rate risk. Due to the level of risk associated with such investments, it is at least reasonably possible that such risk may change in the near term and that such changes could materially affect the fair values of those investments as reported in the Organization's financial statements. In addition, recent economic uncertainty and market events have led to unprecedented volatility in the currency, commodity, debt and equity markets that have resulted in the bankruptcy and/or failure of some financial institutions. Such events have highlighted the level of risk inherent in any investment portfolio. Management believes that there has been no significant reduction of fair value since June 30, 2016.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2016	2015
Furniture and fixtures	$ 65,361	$ 65,361
Leasehold improvements	49,978	49,978
	115,339	115,339
Less accumulated depreciation	(75,224)	(73,845)
	$ 40,115	**$ 41,494**

Total depreciation expense for the years ended June 30, 2016 and 2015 was $1,379 and $1,835, respectively.

5. FUNDS HELD BY OTHERS

The Organization entered into an agreement with CFWC whereby the Organization collects third-party contributions and remits such donations to CFWC. These third party donations, together with matching contributions by the Waltersdorf/Henson Endowment Challenge Campaign (to a maximum of $100,000, which has been achieved), become the sole property of CFWC to be held and invested by CFWC in the Waltersdorf/Henson United Way Foundation Endowment Fund (the CFWC "Sub-fund"). Accordingly, the aforementioned Sub-fund is not recognized as an asset of the Organization. Under the terms of the agreement, the Organization is entitled to receive on an annual basis (at the discretion of CFWC's Board of Trustees) the lesser of 5% of a rolling quarterly average value of the Sub-fund or the excess of the fair value of the Sub-fund over its historic dollar value, as defined in the agreement. Such amounts, which are included in other revenue and support, approximated $12,900 and $11,700 in 2016 and 2015, respectively.

UWWC is a beneficiary of a permanent endowment fund held by CFWC. The UWWC is entitled to the earnings of the fund on an annual basis, as long as the fair market value of the fund, as of June 30 of each year, does not drop below its original historical cost. Because UWWC has granted variance power and the fund is the sole property of CFWC, the aforementioned fund is not recognized as an asset of UWWC. For the years ended June 30, 2016 and 2015 UWWC received income of $0 and $830, respectively, which is included in other revenue and support.

UWWC is an irrevocable beneficiary of a split-interest agreement relating to the Mathias Washington County Charitable Trust (the Trust). Under the terms of the agreement, UWWC is entitled to an annual distribution of 12% of the net income of the Trust as long as the trust continues to exist. The timing of the distribution is at the discretion of the Trustees of the Trust, and is to be used for the general welfare of UWWC. Management believes that the Trustee has the power to terminate the trust at any time and distribute the principal to organizations of the trustee's choosing. Because the Trustee has variance power over the Trust, it does not meet the criteria to be recognized as an asset of UWWC as defined by ASC 958-30. The annual distribution of UWWC's 12% distributive share of the Trust is recognized as unrestricted contribution income in the accompanying consolidated statements of activities.

6. LINE OF CREDIT

The Organization has available a line of credit with a local bank. As of June 30, 2016 and 2015 the line of credit was unused.

7. EVENT REVENUE

Net revenue from events for the years ended June 30 was as follows:

	2016	2015
Gross revenues	$ 22,389	$ 23,360
Less: event expenses	(4,069)	(4,258)
	$ 18,320	**$ 19,102**

8. RETIREMENT PLAN

The Organization sponsors a contributory defined contribution pension plan under section 403(b) of the Internal Revenue Service code covering all employees meeting certain eligibility requirements. Contributions by the Organization are determined annually by the Board of Directors and are based on a percentage of the participating employee's salary. Such contributions were $9,179 and $9,705 for 2016 and 2015, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

	2016			
	BALANCE AT 6/30/15	CONTRIBUTIONS	SATISFACTION OF RESTRICTIONS	BALANCE AT 6/30/16
New Campaign Fund	$ 8,003	$ 4,405	$ 8,003	$ 4,405
Day of Action	2,729	-	-	2,729
Day of Caring	5,796	-	295	5,501
Born Learning	1,137	-	-	1,137
Community Foundation FANS	340	-	-	340
Youth United Way	4,421	-	58	4,363
	$ 22,426	**$ 4,405**	**$ 8,356**	**$ 18,475**

	2015			
	BALANCE AT 6/30/14	CONTRIBUTIONS	SATISFACTION OF RESTRICTIONS	BALANCE AT 6/30/15
New Campaign Fund	$ 5,799	$ 8,003	$ 5,799	$ 8,003
Day of Action	1,844	885	-	2,729
Day of Caring	-	5,796	-	5,796
Born Learning	5,097	-	3,960	1,137
Community Foundation FANS	340	-	-	340
Scholarships	5,000	-	5,000	-
Youth United Way	4,512	-	91	4,421
	$ 22,592	**$ 14,684**	**$ 14,850**	**$ 22,426**

10. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS

Permanently restricted net assets consisted of the Howard S Kaylor Endowment Fund. Earnings on the endowment are classified as unrestricted net investment income. As of June 30, 2016 and 2015, no additional contributions were made in regards to the endowment fund and the balance remained $10,880 for each year.

The Board of Directors (BOD) of the Organization has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (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 gifts 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 unrestricted net assets. In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds: (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, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policy approved and monitored by the trustees of CFWC. The policy attempts to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix.

The Organization expects its endowment assets, over time, to produce an average rate of return of 7% to 8%, with the assumption of an annual inflation rate of 3% and to outperform the Standard & Poor's 500 Index and the Barclays Capital U.S. Government/Credit Index. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

11. COMMITMENTS

The Organization leases its facilities under a three year operating lease with initial monthly payments of $3,519 (plus a pro-rata share of annual operating costs) with an annual escalation clause expiring December 2017. Aggregate future minimum rental payments, net of concurrent sublease agreement (excluding pro-rata share of taxes and insurance) for the years ending June 30 are as follows:

2017	$	26,044
2018		13,215
	$	**39,259**

Concurrent with the aforementioned lease, the Organization entered into a sub-lease agreement with CFWC, for approximately 40% of the total square footage of the facilities. Sublease income approximated $21,500 and $18,700 in 2016 and 2015, respectively and is netted against rent expense. Net rental expense was $30,045 and $26,897 for 2016 and 2015, respectively.

12. RELATED PARTY

The Board of Directors includes a representative employed by an entity which provides marketing services for the Organization. Payments made to the entity approximated $0 and $1,100 for 2016 and 2015, respectively.

A member of the board of directors is the executive director of CFWC. Payments to this organization for investment and management fees totaled approximately $9,100 and $9,800 for 2016 and 2015, respectively.

13. CONDITIONAL PROMISES TO GIVE

The Organization allocates funding to agencies based on a one, two and three year grant model. The funding is contingent on the grantee organizations completing required reports and obtaining certain performance measurers prior to the grants becoming earned by the grantee. Therefore, the grants are not reported as a liability on the consolidated statement of financial position at June 30, 2015 and 2016. As of June 30, 2016, the Organization has conditionally promised grant funding to support various agencies as follows:

	2017	2018
Summer learning loss	$ 62,257	$ 62,257
Education	103,192	103,192
Income	136,431	-
Basic needs	111,933	-
Health	135,852	-
	$ 549,665	**$ 165,449**

14. COST DEDUCTION STANDARD

The expenses associated with processing donor designated pledges are recovered by an assessment for both fundraising and management and general expenses based on actual historical costs in accordance with the United Way Worldwide Membership Standards as outlined in their publication titled United Way Worldwide Cost Deduction Requirements for Membership Standard M.

15. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to June 30, 2016 through November 9, 2016, the date these consolidated financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles in the United States of America, management has not identified any events that have occurred subsequent to June 30, 2016 through November 9, 2016, that require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

United Way of Washington County, Maryland, Inc. and Affiliated Organization

Schedule of Agency Grants and Designations

Year ended June 30,		**2016**
	GRANTS	**DESIGNATIONS**
Alzheimer's Association	$ -	$ 111
American Red Cross, Washington County Chapter	-	373
Big Brothers Big Sisters of Washington County	33,120	1,180
Boys and Girls Club of Washington County	44,000	2,907
Boy Scouts	13,887	4,165
CASA	-	3,323
Children in Need	-	1,475
Commission on Aging	55,346	833
Community Action Council	5,640	607
Community Free Clinic	38,000	1,782
Court Appointed Special Advocates	27,034	-
Friends of Safe Place	5,135	930
Girl Scouts	9,330	-
Girls, Inc. of Washington County	42,744	2,175
Hagerstown Area Religious Council	17,000	-
Habitat for Humanity	1,518	-
Head Start	12,688	-
Horizon Goodwill	36,276	387
Hospice of Washington County	-	14,981
Imagination Library	5,000	-
Interfaith Services	-	671
Mediation Center	-	426
REACH	63,176	331
Star Community	-	2,702
W. House	28,056	77
W-Wells Group	10,000	-
Walnut Street Clinic	17,000	1,143
YMCA	22,800	566
2-1-1 Maryland	25,000	-
	$ 512,750	**$ 41,145**

*Designations are shown net of estimated provision for uncollectible pledges.

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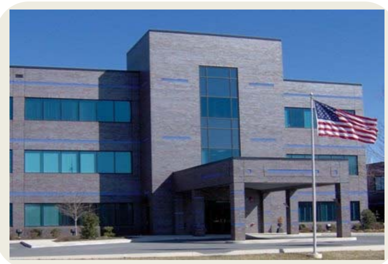

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