

**UNITED WAY OF LANE COUNTY
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

June 30, 2015

UNITED WAY OF LANE COUNTY
June 30, 2015

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5 - 6
Notes to the Financial Statements	7 - 14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Lane County

We have audited the accompanying financial statements of the United Way of Lane County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

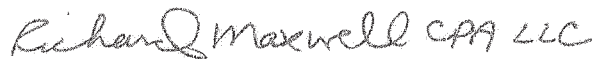
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Lane County as of June 30, 2015, and the changes in its net assets, its cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Lane County's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Richard Maxwell CPA LLC
Eugene, Oregon
October 9, 2015

UNITED WAY OF LANE COUNTY
Statement of Financial Position
June 30, 2015
With Comparative Totals as of June 30, 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 1,304,622	\$ 794,971
Pledges receivable, net	1,038,732	1,043,339
Grants receivable	164,461	62,809
Other current assets	8,185	3,880
Total current assets	2,516,000	1,904,999
Long-term assets		
Property & equipment	585,297	622,248
Other long-term assets	34,920	33,904
Total long-term assets	620,217	656,152
Investments		
Long-term investments	527,778	539,281
Total investments	527,778	539,281
Total assets	\$ 3,663,995	\$ 3,100,432
Liabilities and net assets		
Liabilities		
Short-term liabilities		
Accounts payable	\$ 157,079	\$ -
Agency allocations payable	515,045	622,556
Accrued liabilities	78,604	79,666
Donor designations payable	498,689	430,905
Total short-term liabilities	1,249,417	1,133,127
Total liabilities	1,249,417	1,133,127
Net assets:		
Permanently restricted	313,322	63,322
Temporarily restricted	518,669	281,697
Unrestricted	1,582,587	1,622,286
Total net assets	2,414,578	1,967,305
Total liabilities and net assets	\$ 3,663,995	\$ 3,100,432

UNITED WAY OF LANE COUNTY
Statement of Activities
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Public Support and Revenue					
Contributions					
Gross campaign results	\$ 1,997,051	\$ 1,186,568	\$ -	\$ 3,183,619	\$ 3,368,398
Less donor designations	-	(1,081,101)	-	(1,081,101)	(1,130,853)
Less provision for uncollectible pledges	(69,707)	(41,417)	-	(111,124)	(91,209)
Net campaign revenue	1,927,344	64,050		1,991,394	2,146,336
Grant revenue	39,941	1,133,989	-	1,173,930	406,757
In-kind donations	73,167	-	-	73,167	74,380
Sponsorships and events	63,336	-	-	63,336	47,360
Service revenue and other	106,166	5,694	-	111,860	208,720
Planned giving contributions	-	250,000	250,000	500,000	-
Net assets released from restriction	1,216,761	(1,216,761)	-	-	-
Total operating revenue	3,426,715	236,972	250,000	3,913,687	2,883,553
Expenses					
Gross funds awarded	2,240,002	-	-	2,240,002	2,377,965
Less donor designations	(1,081,101)	-	-	(1,081,101)	(1,130,853)
Net funds awarded to agencies	1,158,901			1,158,901	1,247,112
Program expense	1,810,819	-	-	1,810,819	829,642
Administrative and general	140,006	-	-	140,006	237,989
Fundraising	356,688	-	-	356,688	528,928
Total expenses	3,466,414	-	-	3,466,414	2,843,671
Change in net assets	(39,699)	236,972	250,000	447,273	39,882
Net assets - beginning	1,622,286	281,697	63,322	1,967,305	1,927,423
Net assets - ending	\$ 1,582,587	\$ 518,669	\$ 313,322	\$ 2,414,578	\$ 1,967,305

UNITED WAY OF LANE COUNTY
Statement of Cash Flows
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 447,273	\$ 39,882
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities:		
Depreciation	31,717	20,874
Net gain on investments	-	(69,755)
Changes in operating assets and liabilities:		
Pledges receivable, net	4,607	105,337
Grants receivable	(101,652)	60,710
Prepaid expenses	(4,306)	27,643
Other assets	(1,016)	(16,079)
Accounts payable	49,568	(4,750)
Other liabilities	66,723	(139,782)
Net cash provided (used) by operating activities	492,914	24,080
 Cash flows from investing activities		
Capital expenses	5,234	(37,344)
Purchase of long-term investments and other assets	11,503	(3,784)
Net cash used by investing activities	16,737	(41,128)
 Increase (decrease) in cash	509,651	(17,048)
 Cash, beginning of period	794,971	812,019
Cash, end of period	\$ 1,304,622	\$ 794,971
 Supplemental disclosure of cash flow information:		
Non-cash transactions:		
In-kind contributions	\$ (73,167)	\$ (74,380)
In-kind expense	73,167	74,380

UNITED WAY OF LANE COUNTY
Statement of Functional Expenses
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014
(Continued on Next Page)

Expenses	Program services				Total
	Community	Education	Health	Income	
Program costs and agency fund awards	\$ 1,158,901	\$ 610,142	\$ 27,504	\$ 2,329	\$ 1,798,876
Salary and wages	253,188	323,786	117,726	60,449	755,149
Payroll benefits	33,453	52,511	18,866	6,087	110,917
Payroll taxes	20,541	22,580	9,267	4,919	57,307
Occupancy	2,097	2,334	899	483	5,813
Professional fees	4,191	4,768	11,755	966	21,680
General and administrative expenses					
Fundraising expense	60,198	16,863	-	-	77,061
Staff development & meetings	648	2,757	572	149	4,126
Copying and printing	1,933	1,169	635	1,553	5,290
Credit card and other service charges	1,380	1,520	585	318	3,803
Depreciation	5,391	5,999	2,311	4,787	18,488
Dues and subscriptions	794	2,752	890	156	4,592
Equipment rental	3,652	4,064	1,565	842	10,123
Insurance	1,579	2,717	677	364	5,337
Meals and entertainment	349	1,252	311	298	2,210
Miscellaneous expense	45	1,317	19	10	1,391
Office supplies	3,769	7,794	877	492	12,932
Other expenses	6,448	7,173	2,761	1,487	17,869
Postage and delivery	1,091	1,023	419	198	2,731
Repairs and maintenance	1,414	1,573	606	326	3,919
Taxes	35	39	15	8	97
Technology expense	2,410	19,028	1,033	555	23,026
Travel expenses	4,328	8,843	3,847	836	17,854
Utilities	4,252	3,063	1,180	634	9,129
Total expenses	\$ 1,572,087	\$ 1,105,067	\$ 204,320	\$ 88,246	\$ 2,969,720

UNITED WAY OF LANE COUNTY
Statement of Functional Expenses
For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014
(Continued)

	<u>Supporting services</u>			Total	Total
	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>	<u>2015</u>	<u>2014</u>
Expenses					
Program costs and agency fund awards	\$ -	\$ -	\$ -	\$ 1,798,876	\$ 1,520,024
Salary and wages	76,858	131,575	208,433	963,582	823,486
Payroll benefits	22,961	39,308	62,269	173,186	146,694
Payroll taxes	7,004	11,990	18,994	76,301	61,486
Occupancy	1,897	3,248	5,145	10,958	11,519
Professional fees	3,792	6,491	10,283	31,963	23,020
General and administrative expenses			-		
Fundraising expense	-	117,007	117,007	194,068	89,723
Staff development & meetings	586	1,004	1,590	5,716	11,398
Copying and printing	951	1,627	2,578	7,868	2,869
Credit card and other service charges	1,236	2,116	3,352	7,155	5,821
Depreciation	4,878	8,351	13,229	31,717	20,874
Dues and subscriptions	612	1,047	1,659	6,251	2,128
Equipment rental	3,305	5,657	8,962	19,085	17,979
Insurance	1,429	2,446	3,875	9,212	8,056
Meals and entertainment	264	452	716	2,926	853
Miscellaneous expense	41	70	111	1,502	2,642
Office supplies	1,009	1,728	2,737	15,669	13,121
Other expenses	5,832	9,987	15,819	33,688	34,723
Postage and delivery	777	1,331	2,108	4,839	3,080
Repairs and maintenance	1,279	2,189	3,468	7,387	4,648
Taxes	32	55	87	184	-
Technology expense	2,181	3,733	5,914	28,940	14,998
Travel expenses	592	1,013	1,605	19,459	9,399
Utilities	2,490	4,263	6,753	15,882	15,130
Total expenses	\$ 140,006	\$ 356,688	\$ 496,694	\$ 3,466,414	\$ 2,843,671

UNITED WAY OF LANE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 1 - Description of Operations and Summary of Significant Accounting Policies

Description of operations – United Way of Lane County (UWLC) is an Oregon nonprofit organization that mobilizes the caring power of the community by raising resources (financial, volunteers, social capital) and investing in strategic areas to address serious human needs and social conditions.

UWLC focuses on education, income and health – the building blocks for a good quality of life. As a necessary foundation to support these strategic priorities, UWLC also funds basic needs services for food, shelter, safety, health care and access to services.

UWLC conducts an annual campaign to raise support for programs and initiatives. Donors have three options for investing their contributions. Unrestricted contributions to UWLC are invested in the three strategic areas identified above and basic needs of the community. Donors may also direct their contributions to one or more of the strategic areas of Health, Education or Income. Contributions may also be directed to a specific nonprofit agency. Community Investment Volunteers allocate unrestricted dollars to partner agencies based on UWLC strategic initiatives and basic needs to the community. Pledges designated by donors to specific nonprofit organizations are segregated as such in the accompanying statements of financial positions.

Basis of accounting – UWLC maintains its books on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restriction. Net assets of UWLC and changes therein are classified into the following three categories:

- *Unrestricted net assets* – represent expendable funds that are available for support of the Organization. Certain of these amounts have been designated by the Board of Directors to be utilized for various purposes.
- *Temporarily restricted net assets* – consist of net assets that have been restricted by the donor for specific purposes or are not available for use until a specific time.
- *Permanently restricted net assets* – consist of net assets with donor restrictions that stipulate the resources be maintained permanently, but permit UWLC to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

UNITED WAY OF LANE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2015

**Note 1 - Description of Operations and Summary of Significant Accounting Policies
(continued)**

Revenues are reported as unrestricted or temporarily restricted based on the existence or lack of donor-imposed restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

UWLC donors have the option of designating a portion or all of their pledges to be passed on to a specific non-profit agency. In these cases, UWLC acts as an agent when it receives assets and agrees to remit these assets to the specified agency on a quarterly basis unless otherwise specified by the donor. On the statement of activities, agency transactions have been included within "gross campaign results" and then subtracted and presented distinctly as "donor designations".

Use of estimates – The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications – Certain prior period amounts reported as comparative totals as of and for the year ended June 30, 2014 have been reclassified to conform to the current year financial statement presentation with no effect on the previously stated net assets.

Cash – Cash consists of cash maintained in checking and savings accounts and highly liquid investments with original maturities of 90 days or less. Cash is deposited with three regional financial institutions, and exceed amounts insured by the Federal Deposit Insurance Corporation. Such excess amount is \$805,090 at June 30, 2015.

Investments – Investments in UWLC's long-term investment held by the Oregon Community Foundation are measured at fair value in the statement of financial position. Fair values are based on quoted prices as of the date of the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by policy, donor or law.

Grants and other receivables – Credit risk associated with grants and other receivables are periodically reviewed by management. An allowance for uncollectible accounts is established if considered necessary. Grants and other receivables are collectible in the current year and stated at the amount UWLC expects to receive.

UNITED WAY OF LANE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2015

**Note 1 - Description of Operations and Summary of Significant Accounting Policies
(Continued)**

Pledges receivable, net – Pledges received from companies and individuals are uncollateralized and are recorded in full when pledges are made. All pledges are due within one campaign cycle. Allowances are provided by campaign year based on amounts estimated to be uncollectible, which are based on past collection experience. Pledges receivable are collectible in the current year and stated at the amount UWLC expects to receive.

Property, plant and equipment – Purchased property, plant and equipment are recorded at cost. Donated equipment is recorded at its estimated fair market value on the date of gift. UWLC has a capitalization policy of \$5,000. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed over the estimated useful lives of the property and equipment using the straight-line method (5 to 7 years for equipment and 39 years for building). Gains and losses on the disposal of property and equipment are recorded in the period incurred.

Endowment Classification and Distributions – UWLC has adopted the Uniform Prudent Management of Institutional Funds Act, requiring the long-term preservation of the purchasing power of the original gift of donor restricted endowment funds absent explicit donor stipulations to the contrary.

For financial statement presentation purposes, UWLC classifies as permanently restricted net assets (a) all funds explicitly stated by the donor to be retained permanently and (b) absent such stipulation, the fair value on the date of gift for gifts donated to the permanent endowment. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets represents net unappropriated endowment investment income and is classified as unrestricted net assets. Those amounts are designated for expenditure by UWLC, in a manner consistent with the standard of prudence prescribed by OR-UPMIFA. If, as a result of investment losses or appropriations (Board authorized distributions), the fair value of endowment assets is less than the donor restricted amounts, the deficiencies are reported as reductions of UWLC-controlled unrestricted net assets.

When considering appropriation for distribution or accumulation of endowment funds, absent a specifically stated requirement in the gift instrument, UWLC makes a good faith application of the approved UWLC spending policy, considering (a) the duration and preservation of the fund; (b) the purposes of UWLC and the endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of UWLC; and (g) the investment policies of UWLC. The good faith application of the approved UWLC spending policy may result in the fair value of endowment assets being below the level determined as permanently restricted net assets for financial statement presentation purposes.

Advertising, marketing and public relations expense – UWLC expenses advertising, marketing and public relations costs as incurred. Such expenses totaled \$42,468 for the year ended June 30, 2015.

UNITED WAY OF LANE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2015

**Note 1 - Description of Operations and Summary of Significant Accounting Policies
(Continued)**

Income taxes – Under the provisions of the Internal Revenue Code Section 501(c)(3) and applicable state law, UWLC has been granted exemption from state and federal income taxes.

Expense allocation – The expenses of UWLC are categorized as either program services or supporting services. Program services include direct and indirect costs related to providing the services and community building activities for which purpose UWLC exists. Supporting services include administration and fundraising activities. Expenses are allocated according to actual time incurred by UWLC employees related to these areas.

In-kind donations of materials and services – Donated materials and services totaling \$73,167 for the year ended June 30, 2015, are reflected as “in-kind support” at their estimated fair values at the date of receipt. Donated materials are comprised of equipment, supplies, and food. Donated services are comprised of professional services, as well as television, radio and newspaper advertising and any other services that enhance or create non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist UWLC in many areas, including program services, fund raising events and office support, but don’t meet these criteria and are, therefore, not recorded in the financial statements.

Comparative totals – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the United Way Lane County’s financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Note 2 – Pledges Receivable, Net

	June 30, 2015
Pledges receivable	\$ 1,194,366
Less: allowance for uncollectible pledges	(155,634)
Net pledges receivable	\$ 1,038,732

Note 3 – Grants and Other Receivables

	June 30, 2015
Grants receivable	\$ 153,002
Other receivables	11,459
	\$ 164,461

UNITED WAY OF LANE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 4 – Property, Plant and Equipment

	June 30, 2015
Land	\$ 296,000
Building	419,000
Equipment	<u>276,595</u>
	991,595
Less accumulated depreciation	<u>406,298</u>
Property, plant & equipment, net	<u><u>\$ 585,297</u></u>

Depreciation expense for the year ended June 30, 2015 was \$31,717.

Note 5 – Investments and Fair Value Measurements

UWLC has adopted authoritative accounting guidance on fair value measurements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. UWLC classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

UWLC has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on inputs used to determine the fair value at the measurement date. The following table discloses the level by fair value hierarchy as of June 30, 2015:

UNITED WAY OF LANE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 5 – Investments and Fair Value Measurements (continued)

Description	Investment assets at fair value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets of the Oregon Community Foundation	\$ -	\$ 527,778	\$ -	\$ 527,778

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of:

	2015
Education	\$ 451,812
Income	(2,878)
Health	84,801
Other	(15,066)
Temporarily restricted net assets	\$ 518,669

Negative restrictions represent expenses in excess of current earnings which are expected to be realized in the next fiscal year.

Note 7 – Endowment

UWLC’s endowment consists of donor restricted endowment funds. The Board is authorized to determine distributions to be made from endowment funds earnings and has established the long-term policy of maintaining the real (after inflation) purchasing power of endowment gifts.

Authorized distributions (appropriations) are retained as temporarily restricted net assets until disbursement is authorized by UWLC officials consistent with the terms of the gift. Such amounts are then transferred from temporarily restricted net assets to unrestricted net assets and the disbursement is reported as a decrease in unrestricted net assets.

For the year ended June 30, 2015, the following table summarizes activity in endowment funds:

UNITED WAY OF LANE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 7 – Endowment (continued)

	Unrestricted	Permanently Restricted	Total
Endowment net assets - June 30, 2014	\$ 18,322	\$ 63,322	\$ 81,644
Contributions	-	250,000	250,000
Interest and dividends	762	-	762
Investment (loss) net	(203)	-	(203)
Expenses	(705)	-	(705)
Distributions	(1,596)	-	(1,596)
Endowment net assets - June 30, 2015	<u>\$ 16,580</u>	<u>\$ 313,322</u>	<u>\$ 329,902</u>

Note 8 – Retirement Plan

Substantially all full-time employees are covered by a SEP (Simplified Employee Pension), a defined contribution retirement plan. Employer contributions are discretionary and established annually by the board of directors. Employer contributions totaled \$36,275 for the year ended June 30, 2015 and represented 5% of eligible wages.

Note 9 – Line of Credit

UWLC has a revolving line of credit agreement with Pacific Continental Bank expiring June 30, 2015. The agreement permits borrowing up to \$100,000 at a variable interest rate of prime plus 3.25 percent per annum with a floor of 6.0 percent. The credit line is secured by substantially all assets of UWLC. As of June 30, 2015, UWLC had not drawn funds on this line of credit.

Note 10 – Commitments and Contingencies

Grantor agencies - Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. UWLC expects such amounts, if any, to be insignificant.

Deferred benefits – UWLC provides post-employment health insurance benefits to a key employee who retired during the year ended June 30, 2012. Estimated annual payments of approximately \$6,000 will be paid for health insurance premiums continuing through March 2018. A liability of \$13,347 is recorded in accrued liabilities at June 30, 2015.

UNITED WAY OF LANE COUNTY
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 10 – Commitments and Contingencies (continued)

Unemployment reserve - UWLC is self-insured with respect to unemployment compensation and maintains a trust account with a third-party administrator. The reserve account balance is included as a prepaid asset. Actual and anticipated claims are evaluated by management and an associated liability, when appropriate, is recorded. The total reserve account asset totaled \$34,920 at June 30, 2015, and estimated claims outstanding, included in accrued liabilities, totaled \$1,400 at June 30, 2015.

Operating leases – UWLC has several non-cancelable operating leases, primarily for various forms of equipment, that expire through March, 2020. Those leases generally contain renewal options for periods ranging from three to ten years and require UWLC to pay executory costs such as maintenance and insurance. Rental expense for those leases totaled \$15,129 for the year ended June 30, 2015.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2015 are:

Year ending June 30,	
2016	\$ 13,622
2017	11,978
2018	8,997
2019	8,551
2020	<u>6,413</u>
	<u>\$ 49,561</u>

Note 11 – Accounting for Uncertain Tax Positions

UWLC accounts for uncertain tax position in accordance with FASB Accounting Standards Codification (ASC) 740-10, Income Taxes.

UWLC is not aware of any activities which would terminate its tax exempt status. UWLC recognizes interest and penalties related to income tax matters in operating expenses. Management has concluded that there were no uncertain tax positions as of June 30, 2015. Tax year returns for 2012, 2013 and 2014 are open to examination by federal and state tax authorities.

Note 12 – Subsequent Events

UWLC has evaluated subsequent events through October 9, 2015, the date of the auditor's report, which date represents the date the financial statements were available to be issued. There were no subsequent events requiring disclosure in these financial statements.