

**UNITED WAY OF
WEST TENNESSEE, INC.**

FINANCIAL STATEMENTS

MARCH 31, 2017

**UNITED WAY OF WEST TENNESSEE, INC.
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Independent Auditor's Report

To the Board of Directors
United Way of West Tennessee, Inc.

We have audited the accompanying financial statements of United Way of West Tennessee, Inc. (United Way) (a nonprofit organization), which comprise the statement of financial position as of March 31, 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
June 30, 2017

UNITED WAY OF WEST TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
 March 31, 2017

Assets

Current assets:

Cash and cash equivalents	\$	325,281
Pledges receivable, net of allowance for uncollectibles		1,052,474
Accrued investment income		3,237
Other receivables		64
Prepaid expenses		36,569
Total current assets		1,417,625

Property and equipment:

Furniture and equipment		42,395
Less: Accumulated depreciation		(34,954)
Total property and equipment		7,441

Other assets:

Cash and cash equivalents of investments		18,207
Investments		1,615,492
Total other assets		1,633,699

Total assets	\$	3,058,765
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Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	18,923
Accounts payable - agencies		324,320
Designations payable - agencies		519,844
Total liabilities		863,087

Net Assets:

Unrestricted		1,584,669
Temporarily restricted		198,551
Permanently restricted		412,458
Total net assets		2,195,678

Total liabilities and net assets	\$	3,058,765
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The accompanying notes are an integral part of the financial statements.

UNITED WAY OF WEST TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support, revenues, and reclassifications:				
Contributions	\$ 948,730	\$ 12,067	\$ -	\$ 960,797
Corporate sponsorship	-	68,917	-	68,917
Grant income	75,000	4,500	-	79,500
Rent income	2,300	-	-	2,300
Realized return on investments	44,832	21,990	-	66,822
Unrealized gain (loss) on investments	69,955	28,560	-	98,515
Special events, net of expenses	22,079	-	-	22,079
Miscellaneous Income	359	-	-	359
Net assets released from restrictions:				
Satisfaction of program requirements	<u>152,235</u>	<u>(152,235)</u>	<u>-</u>	<u>-</u>
 Total public support, revenues, and reclassifications	 <u>1,315,490</u>	 <u>(16,201)</u>	 <u>-</u>	 <u>1,299,289</u>
Expenses and losses:				
Program services	1,035,332	-	-	1,035,332
Management and general	124,882	-	-	124,882
Fundraising	124,882	-	-	124,882
Unallocated payments to affiliated organizations	<u>20,688</u>	<u>-</u>	<u>-</u>	<u>20,688</u>
 Total expenses and losses	 <u>1,305,784</u>	 <u>-</u>	 <u>-</u>	 <u>1,305,784</u>
 Change in net assets	 9,706	 (16,201)	 -	 (6,495)
Net assets, beginning of the year	<u>1,574,963</u>	<u>214,752</u>	<u>412,458</u>	<u>2,202,173</u>
Net assets, end of the year	<u>\$ 1,584,669</u>	<u>\$ 198,551</u>	<u>\$ 412,458</u>	<u>\$ 2,195,678</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF WEST TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2017

	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fund Raising</u>	
Disbursements to agencies	\$ 800,443	\$ -	\$ -	\$ 800,443
Direct program service disbursements	38,646	-	-	38,646
Salaries	105,397	67,071	67,071	239,539
Payroll taxes	8,597	5,471	5,471	19,539
Employee benefits	17,261	10,984	10,984	39,229
Retirement benefits	4,234	2,694	2,694	9,622
Occupancy	9,818	6,248	6,248	22,314
Office supplies	922	587	587	2,096
Computer maintenance	6,201	3,946	3,946	14,093
Copier lease	1,140	726	726	2,592
Repairs and maintenance - equipment	1,151	732	732	2,615
Postage	1,747	1,112	1,112	3,971
Insurance	3,491	2,222	2,222	7,935
Telephone	2,002	1,274	1,274	4,550
Internet	343	218	218	779
Miscellaneous	1,210	770	770	2,750
Travel	3,760	2,393	2,393	8,546
Campaign operations and supplies	11,187	7,119	7,119	25,425
Marketing	384	244	244	872
Dues - local associations	2,655	1,689	1,689	6,033
Training	970	617	617	2,204
Professional fees	5,827	3,708	3,708	13,243
Processing fees	1,180	751	751	2,682
Investment expenses	3,555	2,262	2,262	8,079
Other expenses	1,400	892	892	3,184
Depreciation	1,811	1,152	1,152	4,115
Total expenses	<u>1,035,332</u>	<u>124,882</u>	<u>124,882</u>	<u>1,285,096</u>
Unallocated payments to affiliated organizations	-	-	-	20,688
Total expenses	<u>\$ 1,035,332</u>	<u>\$ 124,882</u>	<u>\$ 124,882</u>	<u>\$ 1,305,784</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF WEST TENNESSEE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2017

Cash flows from operating activities:

Change in net assets	\$ (6,495)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	4,115
Unrealized (gain) loss on investments	(98,515)
(Increase) decrease in pledges receivable	210,508
(Increase) decrease in accrued investment income	(3,237)
(Increase) decrease in other receivables	2,753
(Increase) decrease in prepaid expense	(34,945)
Increase (decrease) in accounts payable	(49,066)
Increase (decrease) in designations payable	<u>(1,497)</u>
Net cash provided (used) by operating activities	<u>23,621</u>

Cash flows from investing activities:

Proceeds from sale of certificates of deposit	50,491
Purchase of investments securities	(217,601)
Proceeds from redemption of investments	<u>209,712</u>
Net cash provided (used) by investing activities	<u>42,602</u>

Net increase (decrease) in cash **66,223**

Cash at beginning of year 277,265

Cash at end of year \$ 343,488

Non-Cash Supplementary Information:

Non-cash contributions of property and equipment	<u>\$ -</u>
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The accompanying notes are an integral part of the financial statements.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The United Way of West Tennessee, Inc. (United Way) strives to promote cooperation between the citizens of West Tennessee included within its fourteen county service area and the various non-profit agencies serving the citizens. This is accomplished, by providing leadership and guidance during a united campaign to solicit funds that can be disbursed to the various agencies in accordance with the directions and intention of the donors.

The main source of revenue for United Way is public contributions.

B. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of United Way and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations, that they be maintained permanently by United Way. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

C. Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

D. Property and Equipment

Land, buildings and equipment are recorded at cost if purchased or at estimated fair value at the date of gift if donated. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. United Way follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the three to seven years of the estimated useful life of the assets.

E. Advertising

Advertising expenses are expensed as incurred.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2017

F. Functional Allocation of Expenses

The costs of providing the United Way's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

G. Income Tax Status

The United Way qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity under section 509(a)(1) of the Code. Therefore, it has no provision for federal income taxes.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, United Way considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

I. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Date of Management Review

The subsequent events of the United Way have been evaluated through June 30, 2017, which is the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

United Way maintains cash balances in financial institutions, including banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC).

The following is a summary of cash and cash equivalents at March 31, 2017:

Unrestricted:	
Cash on hand	\$ 100
Demand deposits	325,181
Total unrestricted cash and cash equivalents	<u>\$ 325,281</u>
Restricted:	
Government obligations (I)	\$ 2,545
Government obligations (P)	15,662
Total restricted cash and cash equivalents	<u>\$ 18,207</u>
Total cash and cash equivalents	<u>\$ 343,488</u>

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2017

NOTE 3 - PLEDGES RECEIVABLE

Pledges are made in the fall of each year during the annual campaign. These pledges are paid in the next year or by March 31, of the following year. Uncollected pledges not received by March 31 of the following year are written off using the allowance method at that time. For the total pledges made in the fall of 2016 in the amount of \$1,251,657, there is an uncollectible balance of \$199,183. This uncollectible balance was estimated based on prior years' experience.

NOTE 4 - COMMITMENTS

United Way receives pledges from individuals and corporations for their fiscal year (April 1 through March 31). However, United Way makes commitments to fund its agencies on a different yearly basis (July 1 through June 30). Therefore, on April 1 of each year, United Way has commitments for three months longer than the pledges it received to cover the commitments.

NOTE 5 – DEFINED CONTRIBUTION PLAN

United Way has a simplified employee pension (SEP) plan covering all employees with more than one year of service. United Way contributes 5% of each participant's compensation to this defined contribution plan. The total expense for the year March 31, 2017, was \$9,622.

NOTE 6 - PROPERTY AND EQUIPMENT

Depreciation of furniture and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. As of March 31, 2017, property and equipment of United Way had an asset value of \$42,395 and an accumulated depreciation value of \$34,954. The depreciation expense for the year ended March 31, 2017 was \$4,115.

NOTE 7 - OPERATING LEASE

In 2011, United Way entered into a 36 month lease agreement with St. John's Masonic Lodge #332 for the rental of office space for \$1,150 per month. In 2014, this lease was renewed for 36 months for \$1,350 per month. This lease is cancelable with a four month notice. During 2013, United Way entered into a 63 month lease agreement with Great American Leasing for the rental of a copier for \$154 per month. In December 2016, United Way upgraded to a new copier through Great American Leasing for \$175 per month for 63 months. The future minimum lease payments are as follows:

Year Ending March 31,		
2018	\$	14,248
2019		2,098
2020		2,098
2021		2,098
2022		2,098
Future Minimum Lease Payments	\$	<u>22,640</u>

For the year ended March 31, 2017, the United Way paid \$1,907 for the copier lease and \$16,200 for the lease of office space. An additional \$685 was paid for a service fee that is on a monthly basis.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2017

NOTE 8 - LONG-TERM INVESTMENTS

United Way has the following long-term investments:

	Cost	Estimated Fair Value	Unrealized Gain (Loss)
Mutual funds:	\$ 1,510,488	\$ 1,615,492	\$ 105,004
Total	<u>\$ 1,510,488</u>	<u>\$ 1,615,492</u>	<u>\$ 105,004</u>

Investments are stated at fair value.

The following schedule summarizes investment return and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 36,799	\$ 14,955	\$ 51,754
Net realized gains (losses)	8,033	7,035	15,068
Total realized return on investments	44,832	21,990	66,822
Net unrealized gains (losses)	69,955	28,560	98,515
Total investment return	<u>\$ 114,787</u>	<u>\$ 50,550</u>	<u>\$ 165,337</u>

NOTE 9 - ENDOWMENT FUNDS

The endowment funds consist of several contributions, with different types of restrictions. The Robertson Brothers principal was originally restricted in perpetuity and the interest earned was originally restricted for the benefit of the underprivileged children of Jackson, Tennessee (the City). However, this restriction has been legally released and is now considered unrestricted. The Sawyer principal is restricted in perpetuity and the interest earned on the principal is restricted for payment of administrative expenses. The Hallock endowment principal is restricted in perpetuity and the interest earned on the principal is restricted to annually purchase a plaque honoring a volunteer.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE 10 – NET ASSETS

The net assets of United Way as of March 31, 2017, consist of the following:

	<u>Endowments</u>	<u>Restricted Non- Endowments</u>	<u>Other Unrestricted</u>	<u>Total</u>
Permanently restricted funds:				
Sawyer	\$ 411,458	\$ -	\$ -	\$ 411,458
Hallock	1,000	-	-	1,000
Total permanently restricted funds	<u>412,458</u>	<u>-</u>	<u>-</u>	<u>412,458</u>
Temporarily restricted funds:				
Sawyer	\$ 106,861	\$ -	\$ -	\$ 106,861
Corporate sponsorship	-	68,917	-	68,917
Christmas partners revenue	-	120	-	120
Mott after school program	-	4,505	-	4,505
Disaster recovery services	-	18,148	-	18,148
Total temporarily restricted funds	<u>106,861</u>	<u>91,690</u>	<u>-</u>	<u>198,551</u>
Unrestricted funds:				
Investments	\$ 1,117,617	\$ -	\$ -	\$ 1,117,617
Other	-	-	467,052	467,052
Total unrestricted funds	<u>1,117,617</u>	<u>-</u>	<u>467,052</u>	<u>1,584,669</u>
Total funds	<u>\$ 1,636,936</u>	<u>\$ 91,690</u>	<u>\$ 467,052</u>	<u>\$ 2,195,678</u>

NOTE 11 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the United Way's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 343,488	\$ 343,488
Pledges receivable, net	1,052,474	1,052,474
Long-term investments	1,510,488	1,615,492

The following methods and assumptions were used by the United Way in estimating fair value disclosures for financial instruments:

Cash, cash equivalents, and pledges receivable: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

Long-term investments: The fair values of investment securities are based on quoted market prices for those investments.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2017

NOTE 12 – FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis at March 31, 2017, were \$1,615,492 and are determined by reference to quoted market prices and other relevant information generated by market transactions. At present, United Way has no items carried or that will be carried at fair value on a non-recurring basis. The United Way does not currently have nor expects to have any non-financial assets or liabilities which could be carried at fair value.

United Way follows a policy that defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements. This standard clarifies the principle that fair value should be based on assumptions market participants would use when pricing the asset or liability and establishes a hierarchy that prioritizes information used to develop these assumptions. The hierarchy is as follows:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs may include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted market prices that are observable for the assets and liabilities such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 Inputs: Unobservable inputs for determining fair values of assets and liabilities that reflect an entity's own assumptions about the assumptions that market participants would use pricing the assets and liabilities.

Investments are the only balance sheet components reported at fair value. They are all valued using Level 2 inputs. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and terms and conditions of bonds, and other factors. The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2017:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Investments	\$ -	\$ 1,615,492	\$ -	\$ 1,615,492

NOTE 13 – DESIGNATIONS

The United Way allows those who participate in its annual workplace fundraising campaign to designate where the pledge is to be directed. Contributions with donor-imposed restrictions are not reported as revenue. The revenue listed has been reduced by the amount of restricted contributions, in the amount of \$519,844, and reported as a liability, payable per donor instruction.