

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

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2016, 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  
August 2, 2016

**UNITED WAY OF WEST TENNESSEE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
March 31, 2016

**Assets**

Current assets:

Cash and cash equivalents	\$ 250,400
Certificate of deposit	50,491
Pledges receivable, net of allowance for uncollectibles	1,262,982
Other receivables	2,817
Prepaid expenses	1,624
Total current assets	<u>1,568,314</u>

Property and equipment:

Furniture and equipment	42,395
Less: Accumulated depreciation	<u>(30,839)</u>
Total property and equipment	<u>11,556</u>

Other assets:

Cash and cash equivalents of investments	26,865
Investments	<u>1,509,088</u>
Total other assets	<u>1,535,953</u>

<b>Total assets</b>	<b><u>\$ 3,115,823</u></b>
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**Liabilities and Net Assets**

Liabilities:

Accounts payable and accrued expenses	\$ 26,378
Accounts payable - agencies	365,931
Designations payable - agencies	<u>521,341</u>
Total liabilities	<u>913,650</u>

**Net Assets:**

Unrestricted	1,574,963
Temporarily restricted	214,752
Permanently restricted	<u>412,458</u>
Total net assets	<u>2,202,173</u>

<b>Total liabilities and net assets</b>	<b><u>\$ 3,115,823</u></b>
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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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public support, revenues, and reclassifications:</b>				
Contributions	\$ 1,135,696	\$ 140,847	\$ -	\$ 1,276,543
Corporate sponsorship	-	88,416	-	88,416
Donated contributions	1,000	-	-	1,000
Grant income	75,000	4,500	-	79,500
Rent income	1,100	-	-	1,100
Realized return on investments	51,191	40,449	-	91,640
Unrealized gain (loss) on investments	(69,208)	(39,031)	-	(108,239)
Special events, net of expenses	18,387	-	-	18,387
Miscellaneous Income	70	-	-	70
Net assets released from restrictions:				
Satisfaction of program requirements	<u>188,308</u>	<u>(188,308)</u>	<u>-</u>	<u>-</u>
 Total public support, revenues, and reclassifications	 <u>1,401,544</u>	 <u>46,873</u>	 <u>-</u>	 <u>1,448,417</u>
 <b>Expenses and losses:</b>				
Program services	1,309,408	-	-	1,309,408
Management and general	138,074	-	-	138,074
Fundraising	140,519	-	-	140,519
Unallocated payments to affiliated organizations	<u>19,753</u>	<u>-</u>	<u>-</u>	<u>19,753</u>
 Total expenses and losses	 <u>1,607,754</u>	 <u>-</u>	 <u>-</u>	 <u>1,607,754</u>
 <b>Change in net assets</b>	 <b>(206,210)</b>	 <b>46,873</b>	 <b>-</b>	 <b>(159,337)</b>
 Net assets, beginning of the year	 <u>1,781,173</u>	 <u>167,879</u>	 <u>412,458</u>	 <u>2,361,510</u>
 Net assets, end of the year	 <u>\$ 1,574,963</u>	 <u>\$ 214,752</u>	 <u>\$ 412,458</u>	 <u>\$ 2,202,173</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, 2016

	Program Services	Support Services		Total
		General & Administrative	Fund Raising	
Disbursements to agencies	\$ 891,085	\$ -	\$ -	\$ 891,085
Non-cash disbursements to agencies	43,200	-	-	43,200
Direct program service disbursements	158,149	-	-	158,149
Fundraising software	-	-	2,445	2,445
Salaries	112,812	71,789	71,789	256,390
Payroll taxes	9,157	5,827	5,827	20,811
Employee benefits	25,426	16,180	16,180	57,786
Retirement benefits	4,119	2,621	2,621	9,361
Occupancy	9,277	5,903	5,903	21,083
Office supplies	1,732	1,102	1,102	3,936
Computer maintenance	6,699	4,263	4,263	15,225
Copier lease	1,034	658	658	2,350
Repairs and maintenance - equipment	1,060	675	675	2,410
Postage	1,797	1,144	1,144	4,085
Insurance	4,068	2,589	2,589	9,246
Telephone	2,211	1,407	1,407	5,025
Internet	356	227	227	810
Miscellaneous	4,088	2,601	2,601	9,290
Travel	6,387	4,064	4,064	14,515
Campaign operations and supplies	12,035	7,659	7,659	27,353
Marketing	1,139	725	725	2,589
Dues - local associations	2,377	1,513	1,513	5,403
Training	72	46	46	164
Professional fees	5,584	3,553	3,553	12,690
Investment expenses	3,526	2,243	2,243	8,012
Other expenses	52	33	33	118
Depreciation	1,966	1,252	1,252	4,470
<b>Total expenses</b>	<b><u>1,309,408</u></b>	<b><u>138,074</u></b>	<b><u>140,519</u></b>	<b><u>1,588,001</u></b>
Unallocated payments to affiliated organizations	-	-	-	19,753
<b>Total expenses</b>	<b><u>\$ 1,309,408</u></b>	<b><u>\$ 138,074</u></b>	<b><u>\$ 140,519</u></b>	<b><u>\$ 1,607,754</u></b>

*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, 2016

**Cash flows from operating activities:**

Change in net assets	\$ (159,337)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	4,470
Unrealized (gain) loss on investments	108,239
(Increase) decrease in pledges receivable	(4,755)
(Increase) decrease in other receivables	(2,111)
(Increase) decrease in prepaid expense	3,667
Increase (decrease) in accounts payable	40,439
Increase (decrease) in designations payable	<u>(38,694)</u>
Net cash provided (used) by operating activities	<u>(48,082)</u>

**Cash flows from investing activities:**

Purchase of certificates of deposit	50,491
Proceeds from sale of certificates of deposit	(50,415)
Purchase of investments securities	(798,581)
Proceeds from redemption of investments	<u>815,491</u>
Net cash provided (used) by investing activities	<u>16,986</u>

**Net increase (decrease) in cash** **(31,096)**

Cash at beginning of year 308,361

Cash at end of year \$ 277,265

**Non-Cash Supplementary Information:**

Non-cash contributions of property and equipment	<u>\$ (42,200)</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, 2016

**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, 2016

**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. 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.

**J. Date of Management Review**

The subsequent events of the United Way have been evaluated through August 2, 2016, 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). However, as of March 31, 2016, \$5,077 was not covered by FDIC or by securities of the U.S. Government.

The following is a summary of cash and cash equivalents at March 31, 2016:

Unrestricted:	
Cash on hand	\$ 100
Demand deposits	250,300
Total unrestricted cash and cash equivalents	<u>\$ 250,400</u>
Restricted:	
Government obligations (I)	\$ 6,972
Government obligations (P)	19,893
Total restricted cash and cash equivalents	<u>\$ 26,865</u>
Total cash and cash equivalents	<u>\$ 277,265</u>

**UNITED WAY OF WEST TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2016

**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 2015 in the amount of \$1,460,820, there is an uncollectible balance of \$197,838. 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, 2016, was \$9,361.

**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, 2016, property and equipment of United Way had an asset value of \$42,395 and an accumulated depreciation value of \$30,839. The depreciation expense for the year ended March 31, 2016 was \$4,470.

**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. The future minimum lease payments are as follows:

Year Ending March 31,	
2017	18,043
2018	13,993
2019	1,843
2020	153
Future Minimum Lease Payments	<u>\$ 34,032</u>

For the year ended March 31, 2016, the United Way paid \$1,843 for the copier lease and \$16,200 for the lease of office space. An additional \$507 was paid for a service fee that is on a monthly basis.

**UNITED WAY OF WEST TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2016

**NOTE 8 - LONG-TERM INVESTMENTS**

United Way has the following long-term investments:

	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit:			
12 month CD	\$ 25,491	\$ 25,491	\$ -
12 month CD	25,000	25,000	-
Mutual funds:	<u>1,499,362</u>	<u>1,509,088</u>	<u>9,726</u>
Total	<u>\$ 1,549,853</u>	<u>\$ 1,559,579</u>	<u>\$ 9,726</u>

Investments are stated at fair value.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 52,771	\$ 11,543	\$ 64,314
Net realized gains (losses)	<u>(1,580)</u>	<u>28,906</u>	<u>27,326</u>
Total realized return on investments	51,191	40,449	91,640
Net unrealized gains (losses)	<u>(69,208)</u>	<u>(39,031)</u>	<u>(108,239)</u>
Total investment return	<u>\$ (18,017)</u>	<u>\$ 1,418</u>	<u>\$ (16,599)</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, 2016

**NOTE 10 – NET ASSETS**

The net assets of United Way as of March 31, 2016, consist of the following:

	Endowments	Restricted Non- Endowments	Other Unrestricted	Total
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	\$ 103,568	\$ -	\$ -	\$ 103,568
Corporate sponsorship	-	88,416	-	88,416
Christmas partners revenue	-	120	-	120
Mott after school program	-	4,500	-	4,500
Disaster recovery services	-	18,148	-	18,148
Total temporarily restricted funds	<u>103,568</u>	<u>111,184</u>	<u>-</u>	<u>214,752</u>
Unrestricted funds:				
Investments	\$ 1,052,117	\$ -	\$ -	\$ 1,052,117
Other	-	-	522,846	522,846
Total unrestricted funds	<u>1,052,117</u>	<u>-</u>	<u>522,846</u>	<u>1,574,963</u>
Total funds	<u>\$ 1,568,143</u>	<u>\$ 111,184</u>	<u>\$ 522,846</u>	<u>\$ 2,202,173</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:	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 250,400	\$ 250,400
Certificates of deposit	50,491	50,491
Pledges receivable, net	1,262,982	1,262,982
Long-term investments	1,499,362	1,509,088

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, 2016

**NOTE 12 – FAIR VALUE MEASUREMENTS**

Fair values of investments measured on a recurring basis at March 31, 2016, were \$1,509,088 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, 2016:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Investments	\$ -	\$ 1,509,088	\$ -	\$ 1,509,088

**NOTE 13 – JEA ROUND UP**

The United Way has partnered with Jackson Energy Authority (JEA), Area Relief Ministries (ARM), and the West Tennessee Healthcare Foundation (WTHF) to implement the JEA Round-Up program. JEA customers' monthly utility bills are rounded up to the next highest dollar. Funds are collected by JEA and then distributed to WTHF and United Way, (without charging any fee) then in turn distribute the funds to ARM. The money raised through the round-up program is used to assist those in need to pay their utility bills, through a program administered by ARM. ARM's distribution to needy local residents is overseen by United Way. In the year ended March 31, 2016, this program provided \$140,846 to the assisted families.

**UNITED WAY OF WEST TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2016

**NOTE 14 – 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 \$521,341, and reported as a liability, payable per donor instruction.