

**HENDERSON COUNTY UNITED WAY, INC.**

Hendersonville, North Carolina

For the Year Ended  
June 30, 2017  
(with comparative totals for 2016)

# HENDERSON COUNTY UNITED WAY, INC.

Hendersonville, North Carolina

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Henderson County United Way, Inc.

We have audited the accompanying financial statements of Henderson County United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets 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 Henderson County United Way, Inc. as of June 30, 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.

## **Prior Period Financial Statements**

The financial statements of Henderson County United Way, Inc. as of June 30, 2016, were audited by other auditors whose report dated September 26, 2016, expressed an unmodified opinion on those statements.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 18-19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 financial statements as a whole.

*Goldsmith Molis & Gray, PLLC*

Goldsmith Molis & Gray, PLLC  
Asheville, North Carolina  
September 28, 2017

**HENDERSON COUNTY UNITED WAY, INC.**  
**Statement of Financial Position**  
**June 30, 2017**  
(with comparative totals for 2016)

<u>Assets</u>	<u>2017</u>	<u>2016</u>
<b>Current assets:</b>		
Cash	\$ 504,507	\$ 364,107
Accounts receivable, net	131,984	120,045
Campaign receivable, net	616,342	558,763
Donated lease receivable	496,386	587,087
Prepaid expenses	5,170	7,450
Total current assets	1,754,389	1,637,452
<b>Other assets:</b>		
Certificates of deposit	656,910	-
Interest in assets held by others	455,964	416,565
Cash surrender value of life insurance	45,992	43,701
Property and equipment, net	144,868	159,760
Total assets	\$ 3,058,123	\$ 2,257,478
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities:</b>		
Allocations and designations payable	\$ 1,111,355	\$ 948,221
Accounts payable	24,317	5,696
Accrued expenses	26,073	20,530
Total current liabilities	1,161,745	974,447
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Undesignated	436,031	455,027
Board designated	963,961	240,917
Total unrestricted	1,399,992	695,944
Temporarily restricted	496,386	587,087
Total net assets	1,896,378	1,283,031
Total liabilities and net assets	\$ 3,058,123	\$ 2,257,478

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

**HENDERSON COUNTY UNITED WAY, INC.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2017**  
**(with comparative totals for 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Campaign revenues:</b>				
Gross campaign revenue	\$ 1,437,547	\$ -	\$ 1,437,547	\$ 1,539,966
Less amounts designated by donors	<u>(351,579)</u>	<u>-</u>	<u>(351,579)</u>	<u>(345,066)</u>
Campaign revenue less amounts designated by donors	1,085,968	-	1,085,968	1,194,900
Provision for uncollectible campaign receivables	<u>(26,141)</u>	<u>-</u>	<u>(26,141)</u>	<u>(37,809)</u>
Net campaign revenue	<u>1,059,827</u>	<u>-</u>	<u>1,059,827</u>	<u>1,157,091</u>
<b>Public support and revenues:</b>				
Contributions	326,000	9,499	335,499	26,655
Endowment income	76,997	-	76,997	75,738
Interest income	587	-	587	274
Rental income	31,757	-	31,757	28,430
Underwriting income	68,450	-	68,450	96,350
Grant income	10,000	-	10,000	22,000
Other income	607,811	-	607,811	-
Realized gain on sale of investments	8,838	-	8,838	9,187
Unrealized gain (loss) on investments	54,479	-	54,479	(26,883)
In-kind contributions	81,696	-	81,696	193,867
Previous allocations declined by recipients	-	-	-	50,000
Total public support and revenue	<u>1,266,615</u>	<u>9,499</u>	<u>1,276,114</u>	<u>475,618</u>
Net assets released from restrictions	100,200	(100,200)	-	-
Total revenues	<u>2,426,642</u>	<u>(90,701)</u>	<u>2,335,941</u>	<u>1,632,709</u>
<b>Program expenses:</b>				
Gross funds awarded/distributed	1,243,044	-	1,243,044	1,077,116
Less donor designations	<u>(351,579)</u>	<u>-</u>	<u>(351,579)</u>	<u>(345,066)</u>
Net funds awarded/distributed	891,465	-	891,465	732,050
Community service	378,554	-	378,554	411,261
Total program services	<u>1,270,019</u>	<u>-</u>	<u>1,270,019</u>	<u>1,143,311</u>
<b>Supporting services:</b>				
Organizational administration	174,991	-	174,991	229,263
Fundraising	265,508	-	265,508	268,474
Total supporting services	<u>440,499</u>	<u>-</u>	<u>440,499</u>	<u>497,737</u>
United Way Worldwide dues	12,076	-	12,076	10,167
Total expenses	<u>1,722,594</u>	<u>-</u>	<u>1,722,594</u>	<u>1,651,215</u>
Change in net assets	<u>704,048</u>	<u>(90,701)</u>	<u>613,347</u>	<u>(18,506)</u>
Net assets, beginning of year	<u>695,944</u>	<u>587,087</u>	<u>1,283,031</u>	<u>1,301,537</u>
Net assets, end of year	<u>\$ 1,399,992</u>	<u>\$ 496,386</u>	<u>\$ 1,896,378</u>	<u>\$ 1,283,031</u>

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

**HENDERSON COUNTY UNITED WAY, INC.****Statement of Cash Flows**

For the Year Ended June 30, 2017

(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 613,347	\$ (18,506)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,759	16,994
Donated lease	90,701	73,545
Provision for uncollectible campaign receivables	26,141	37,809
Gain on sale of investments	(8,838)	(9,187)
Unrealized loss on investments	(54,479)	26,883
Change in operating assets and liabilities:		
Accounts receivables	(11,939)	20,676
Campaign receivables	(83,720)	(46,142)
Prepaid expenses	2,280	(2,222)
Interest in assets held by others	20,717	20,230
Allocations and designations payable	163,134	(144,247)
Accounts payable	18,621	(14,321)
Accrued expenses	5,543	1,817
Net cash provided by (used in) operating activities	<u>797,267</u>	<u>(36,671)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(867)	(10,982)
Purchase of investments	(656,000)	-
Net cash used in investing activities	<u>(656,867)</u>	<u>(10,982)</u>
Net change in cash	140,400	(47,653)
Cash, beginning of year	<u>364,107</u>	<u>411,760</u>
Cash, end of year	<u>\$ 504,507</u>	<u>\$ 364,107</u>

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

**HENDERSON COUNTY UNITED WAY, INC.**  
Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

**Note 1 – Organization and Summary of Significant Accounting Policies**

**Organization**

Henderson County United Way, Inc. (“the United Way”), located in Hendersonville, North Carolina, was incorporated in 1953 as a non-profit organization in the state of North Carolina. The principal business activity of the United Way is to solicit charitable contributions from the public at large, both individual and corporate, for the purpose of apportioning such proceeds to accredited health and human service nonprofit organizations.

The United Way’s vision is “to be a catalyst in making a positive and lasting change in the human condition in Henderson County.” Other activities include partnerships with other community funders, relationships with supported agencies, cultivation of a growing and knowledgeable volunteer base, and board adoption of United Way World wide’s community impact agenda. The United Way’s mission is to organize and mobilize community resources to improve lives of Henderson County residents.

For the years ended June 30, 2017 and 2016, the United Way volunteers allocated and paid approximately \$814,000 and \$768,000 respectively, to 26 and 24 not-for-profit agencies. The volunteer panels are organized around four impact areas: education, income, health, and rebuilding lives. Volunteers evaluate programs applying for funding in several areas including: how well the program meets identified community needs, measurable outcomes achieved by the program, and the agency’s business practices and stewardship of donor funds. For the years ended June 30, 2017 and 2016, an additional \$71,176 and \$39,000, respectively, was awarded for contracted services, including the Call 2-1-1 informational and referral service provided to Henderson County residents through a joint venture with the United Way of Asheville and Buncombe County.

In addition to allocation awards and contracts for program services, the United Way pays other 501(c)(3) organizations that are designated by donors on pledge cards (donor designations). For the years ended June 30, 2017 and 2016, donor designations were \$351,579 and \$345,066, respectively.

**Basis of Accounting**

The financial statements of the organization have been prepared utilizing the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

The United Way has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the United Way is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the United Way is required to present a statement of cash flows.



**HENDERSON COUNTY UNITED WAY, INC.**

Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

**Note 1 – Organization and Summary of Significant Accounting Policies - continued**

**Contributions**

Under generally accepted accounting principles for not-for-profit organizations, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Use of Estimates**

Preparation of financial statements in accordance with generally accepted accounting principles requires the United Way's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair Value of Financial Instruments**

The United Way discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, then the United Way discloses both the change and the reasons for the change.

The United Way estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by The United Way using available market information and appropriate valuation methodologies. The United Way's financial instruments consist primarily of cash, accounts and other receivables, promises to give, prepaid expenses, allocations and designations payable, accounts payable and accrued expenses.

**Cash and Cash Equivalents**

For purposes of reporting the statement of cash flows, the United Way includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposit with maturity of three months or less as cash and cash equivalents. The United Way did not have any cash equivalents at June 30, 2017 and 2016.

The United Way maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). The coverage is \$250,000 for substantially all other depository accounts. Deposit accounts, at times, may exceed federally insured limits, but the United Way has not experienced any such losses.

**HENDERSON COUNTY UNITED WAY, INC.**  
Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

**Note 1 – Organization and Summary of Significant Accounting Policies - continued**

**Accounts Receivable**

The United Way carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the United Way evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The United Way's policy is not to accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely.

**Campaign Receivables**

The United Way maintains a significant campaign receivable balance at the end of the year. These balances subject the United Way to a certain amount of credit risk if the holders of these balances fail to perform. This credit risk is considered low due to the high historical collection rate.

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Campaign receivables are recorded when received. Campaign receivables due in the next year are reflected as current campaign receivables and are recorded at their net realizable value. Campaign receivables due in subsequent years are reflected as long-term campaign receivables and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the campaign receivables are received from a broad base of Henderson County contributors as a result of the annual campaign. An allowance for uncollectible campaign receivables is provided based on management's evaluation of potential uncollectible campaign receivables at year end.

**Investments**

The United Way reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

**HENDERSON COUNTY UNITED WAY, INC.**

Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

**Note 1 – Organization and Summary of Significant Accounting Policies - continued**

**Property and Equipment**

Property and equipment are stated at cost or at fair value at date of donation the United Way capitalizes all assets over \$500 and depreciates them using the straight-line method over their estimated useful lives as follows:

Building	39 years
Furniture, fixtures and equipment	3 to 10 years

Expenditures for repairs and maintenance are charged to expenses as incurred. The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives.

**Program Services**

The United Way uses contributions received from public support to fund various local programs.

**Support Services**

Support services include all costs related to fund raising, public relations and management and general expenses. Support services as a percentage of gross revenues per United Way Worldwide standards for the years ended June 30, 2017 and 2016, were 16.23% and 25%, respectively. The United Way has leveraged extensive resources with such items as a donated lease for office space and in-kind contributions for television, newspaper and radio ads, and various materials.

**Income Taxes**

The United Way is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The United Way has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2017.

FASB ASC 740, "Accounting for Uncertainty in Income Taxes" clarified the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. The United Way's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

The United Way's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2017, the fiscal years ending in June 30, 2014, 2015 and 2016 are subject to examination

**HENDERSON COUNTY UNITED WAY, INC.**

Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

**Note 1 – Organization and Summary of Significant Accounting Policies - continued**

**Donated Services and Materials**

A substantial number of volunteers have donated a significant amount of time to the Academy's operations and program services. Contributed services that create or enhance non-financial assets or require specialized skills and are provided by individuals possessing those skills have been recognized as support unless documentation with respect to the value of those services has not been provided. Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated fair market value at the date of receipt. Management requires sufficient documentation to support the value of donated materials or equipment before these amounts are recorded in the financial statements.

**Functional Expenses**

Expenses are charged to each program based on direct expenditures incurred. Any program expenses not directly chargeable are allocated to programs based on the annual time study method recommended by United Way Worldwide in its publication United Way Worldwide Functional Expenses and Overhead Reporting Standards.

**Advertising**

The costs of advertising and marketing programs are expensed as incurred. Advertising costs were \$20,670 and \$104,763 for the years ended June 30, 2017 and 2016, respectively.

**Reclassification**

Certain accounts in the June 30, 2016 financial statements have been reclassified to conform to the current year presentation.

**Note 2 - Accounts Receivable**

Accounts receivable are described as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Endowments receivable	\$ 76,997	\$ 75,738
Grant receivable	10,000	10,000
Underwriting receivable	32,000	24,800
Other receivables	12,987	9,507
Total accounts receivable	<u>\$ 131,984</u>	<u>\$ 120,045</u>

No allowance for uncollectible receivables has been recorded as it is management's belief that all amounts are fully collectible within the next twelve months.

**HENDERSON COUNTY UNITED WAY, INC.**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**  
**(with comparative totals for 2016)**

**Note 3 – Campaign Receivables**

Campaign receivables are as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
July 1, 2016 – June 30, 2017	\$ 50,315	\$ -
July 1, 2015 – June 30, 2016	616,027	625,024
July 1, 2014 – June 30, 2015	-	<u>2,539</u>
Total campaign receivables	666,342	627,563
Less: allowance for uncollectible campaign receivables	<u>(50,000)</u>	<u>(68,800)</u>
Campaign receivables, net	<u>\$ 616,342</u>	<u>\$ 558,763</u>

Campaign receivables are due in less than one year; therefore, the net realizable value is a reasonable estimate of the fair value. Consequently, all campaign receivables are recorded without any discount to present value. Provision for uncollectible campaign receivables for the years ended June 30, 2017 and 2016 was \$26,141 and \$37,809, respectively.

**Note 4 – Donated Lease**

In 2013, the United Way entered into a lease agreement with Kimberly Clark Corporation for the use of office space for free under a 10-year operating lease, expiring March 2023. The fair value of the agreement was estimated to be approximately \$815,000 at the time of the lease inception. Accordingly, the United Way has recorded an estimated donated lease receivable for this in-kind contribution, based on a 4% annual return, of \$496,386 and \$587,087 at June 30, 2017 and 2016. On the statement of activities, the United Way has recognized an additional \$9,499 and \$26,655 as temporarily restricted contribution revenue for the amortization of the receivable (“contributions”) for the years ended June 30, 2017 and 2016.

The United Way has also recognized \$100,200 for releases from restriction (“net assets released from restrictions”), and \$100,200 as in-kind rent expense (“office lease”) for the years ended June 30, 2017 and 2016. The United Way has an option to renew the lease for an additional two 5-year intervals. The lease can be terminated at the option of either party by giving notice 120 days prior to the end of the current option period.

**Note 5 – Certificates of Deposit**

In June 2017, the United Way purchased three certificates of deposit with interest rates varying from 1.550% to 1.700% and maturity dates through June 2019. The balance for the years ended June 30, 2017 and 2016 total \$656,910 and \$0, respectively.

## HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

### Note 6 – Interest in Assets Held By Others

The United Way maintains a charitable fund with The Judge Mitchell King Fund, which is a component fund of the Community Foundation of Henderson County, Inc. In accordance with FASB ASC 958-20, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the Charitable Fund balance is recognized as an asset at fair market value on the financial statements of The United Way. The fund was created by the United Way with the Community Foundation of Henderson County, Inc. and is subject to the provisions contained within the agreement dated October 6, 1993. Among the provisions in this agreement is variance power, which concerns the power to vary some of the terms of the agreement.

As defined by “variance power” in the United States Treasury Regulations, the Foundation has the right to modify the terms of the fund agreement if, in the judgment of the Foundation’s Board of Trustees, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The authority to modify restrictions is sometimes referred to as “variance power” and is a legal standard imposed on all community foundations. As a result of the variance power, all component funds are considered to be part of a single public charity, in this case Community Foundation of Henderson County, Inc. Therefore, the Foundation is the legal owner of all assets contributed to any of its component funds.

However, the reporting of financial information is determined by the Financial Accounting Standards Board Statement regarding transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for, which requires that if a community foundation accepts a contribution from an agency and agrees to transfer those assets, the return on investment of those assets or both back to the agency, then these contributions are presented as a liability (instead of as a net asset) on the financial statements of the Community Foundation of Henderson County, Inc. and as an asset on the financial statements of the United Way as is the case with the Judge Mitchell King Fund. This treatment is only for financial statement presentation purposes and the legal ownership of the assets still remains with the Community Foundation of Henderson County, Inc.

For the years ended June 30, 2017 and 2016, financial activity pertaining to Interest in Assets Held by Others is as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 416,565	\$ 456,670
Earnings	60,116	9,187
Distributions	(17,543)	(46,225)
Fees	(3,174)	(3,067)
Balance, end of year	<u>\$ 455,964</u>	<u>\$ 416,565</u>

**HENDERSON COUNTY UNITED WAY, INC.**

Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

**Note 7 - Cash Surrender Value of Life Insurance**

The United Way has purchased insurance on the life of a benefactor. As beneficiary, the United Way receives the cash surrender value if the policy is terminated and, upon death of the insured, receives all benefits payable. The cash surrender value of the life insurance policy was \$45,992 and \$43,701 at June 30, 2017 and 2016, respectively.

**Note 8 - Property and Equipment**

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Building	\$ 284,862	\$ 284,862
Equipment	<u>113,581</u>	<u>133,349</u>
	398,443	418,211
Less: accumulated depreciation	<u>(253,575)</u>	<u>(258,451)</u>
Property and equipment, net	<u>\$ 144,868</u>	<u>\$ 159,760</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$15,759 and \$16,994, respectively.

**Note 9 - Fair Value Measurements**

The Financial Accounting Standards Board ("FASB") issued a statement that defines fair value and establishes a 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs that are derived principally from or corroborated by observable market data

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**HENDERSON COUNTY UNITED WAY, INC.**  
Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

**Note 9 – Fair Value Measurements - continued**

**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 measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

*Beneficial Interest*

Beneficial interest in assets held by the Community Foundation of Henderson County, Inc. are determined by the fair values of the assets held by the Foundation, which are determined by reference to quoted market prices and other relevant information generated by market transactions. These are classified within Level 3 of the valuation hierarchy. Level 3 assets totaled \$455,964 and \$416,565 for the years ended June 30, 2017 and 2016.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth a summary of changes in the fair value of the United Way's Level 3 assets for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 416,565	\$ 456,670
Change in beneficial interest (Refer to Note 6)	<u>39,399</u>	<u>(40,105)</u>
Balance, end of year	<u>\$ 455,964</u>	<u>\$ 416,565</u>

**Note 10 – Line of Credit**

The United Way maintains a line of credit in the amount of \$200,000. The maturity date is July 19, 2021. Monthly interest is paid based on the prime rate plus 1%. The line of credit is secured by real property. The balance as of June 30, 2017 and 2016 was \$0 and \$0, respectively



## HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

### Note 11 – Endowment Funds

The United Way is the beneficial owner, but not the legal owner, of certain donated funds held and controlled by the Community Foundation of Henderson County, Inc. These funds are not reflected in the accompanying statement of financial position. The Organization retains a 4.0% beneficial interest in the component fund of the Foundation.

#### Normac Humanitarian Fund of the Community Foundation of Henderson County

The total market value of the Normac Humanitarian Fund as of June 30, 2017 and 2016 was \$650,482 and \$586,566, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2017 and 2016 totaled \$23,855 and \$23,301, respectively.

#### The Henderson County United Way Fund of the Community Foundation of Henderson County, Inc.

The total market value of the Henderson County United Way Fund of the Community Foundation of Henderson County, Inc. as of June 30, 2017 and 2016 was \$76,727 and \$70,294, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2017 and 2016 in the amount of \$2,975 and \$2,918, respectively.

#### Judge Mitchell King Fund (Designated Portion)

The total market value of the Judge Mitchell King Fund of the Community Foundation of Henderson County, Inc. as of June 30, 2017 and 2016 was \$114,500 and \$104,611, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2017 and 2016 in the amount of \$4,401 and \$4,302, respectively.

#### Everett and Ellen Stone Endowment Fund

The total market value of the Everett and Ellen Stone Endowment Fund of the Community Foundation of Henderson County, Inc. as of June 30, 2017 and 2016 was \$26,127 and \$23,937, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2017 and 2016 in the amount of \$1,012 and \$993, respectively.

#### Vina and Richard Sauer Fund

The total market value of the Vina and Richard Sauer Fund of the Community Foundation of Henderson County, Inc. as of June 30, 2017 and 2016 was \$34,804 and \$32,671, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2017 and 2016 in the amount of \$1,160 and \$1,667, respectively.

**HENDERSON COUNTY UNITED WAY, INC.**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2017**  
**(with comparative totals for 2016)**

**Note 11 – Endowment Funds - continued**

**Chester W and Virginia Phillips Fund**

The total market value of the Chester W. and Virginia Phillips Fund of the Community Foundation of Henderson County as of June 30, 2017 and 2016 was \$704,996 and \$643,345. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2017 and 2016 in the amount of \$24,792 and \$30,717, respectively.

**Note 12 – Related Party Transactions**

During the years ended June 30, 2017 and 2016, two not-for-profit organizations, which are funded annually by the United Way, rented office space from the United Way under non-cancelable operating leases with terms of one and five years.

Rental income received from these related parties totaled \$31,757 and \$28,430 for years ended June 30, 2017 and 2016, respectively. Future minimum rentals are \$23,910 and \$2,920 for the years ended June 30, 2018 and 2019, respectively.

**Note 13 – Board Designated Net Assets**

Board designated net assets at June 30 are as follows:

	2017	2016
Operating reserve	\$ 228,254	\$ 228,250
Future program usage	723,040	-
Building maintenance and capital items reserve	12,667	12,667
	\$ 963,961	\$ 240,917

Funds designated for future program use consist of \$723,040 related to two major bequest contributions received during the year ended June 30, 2017, which were included in revenues and designated by the Board for future years allocations, initiatives and program services.

**Note 14 – Pension Plan**

The United Way sponsors a SEP-IRA plan for all eligible employees. Employer contributions are made at a rate of 6% of monthly salary for the years ended June 30, 2017 and 2016. A one-year service eligibility period with individual employee contracts is provided. Plan contributions were \$15,593 and \$5,726 for the years ended June 30, 2017 and 2016, respectively.

**HENDERSON COUNTY UNITED WAY, INC.**  
Notes to Financial Statements  
For the Year Ended June 30, 2017  
(with comparative totals for 2016)

**Note 15 – Subsequent Events**

The United Way evaluated the effect that all subsequent events would have on the financial statements through September 28, 2017, which is the date the financial statements were available to be issued.

## **ADDITIONAL INFORMATION**

**HENDERSON COUNTY UNITED WAY, INC.**

Schedule of Functional Expenses  
For the Year Ended June 30, 2017

	Program Services		Supporting Services			Total
	Agency Services	Community Services	Total	Organizational Administration	Fundraising	
Expenses:	\$ 1,243,044	\$ -	\$ 1,243,044	\$ -	\$ -	\$ -
Allocations/awards	(351,579)	-	(351,579)	-	-	-
Less donor designations						
Net funds awarded/distributed	891,465	-	891,465	-	-	891,465
Salaries	-	139,219	139,219	77,704	106,843	184,547
Payroll taxes	-	10,378	10,378	5,792	7,965	13,757
Employee benefits	-	23,390	23,390	13,055	17,950	31,005
Sub-total	891,465	172,987	1,064,452	96,551	132,758	229,309
Advertising	-	8,729	8,729	-	11,941	11,941
Board/staff development	-	7,592	7,592	4,237	5,826	10,063
Contract services	-	1,556	1,556	869	1,194	2,063
Depreciation expense	-	6,776	6,776	3,782	5,200	8,983
Dues and subscriptions	-	3,977	3,977	2,220	3,052	5,271
Equipment	-	4,603	4,603	2,569	3,533	6,102
Insurance	-	2,930	2,930	1,635	2,249	3,884
Investment fees	-	-	-	3,174	-	3,174
Meeting expense	-	35,216	35,216	-	-	35,216
Miscellaneous	-	-	-	1,643	-	1,643
Office lease	-	43,086	43,086	24,048	33,066	57,114
Occupancy	-	-	-	9,537	-	9,537
Postage and shipping	-	1,007	1,007	562	773	1,334
Printing and copying	-	3,362	3,362	263	4,308	4,571
Professional services	-	9,035	9,035	16,780	-	16,780
Repairs and maintenance	-	2,553	2,553	1,425	1,959	3,384
Recruitment - employee	-	-	-	2,379	-	2,379
Supplies	-	71,007	71,007	801	56,474	57,275
Taxes and licenses	-	-	-	207	-	207
Telephone and networks	-	1,891	1,891	1,055	1,451	2,506
Travel	-	897	897	501	688	1,189
Utilities	-	1,350	1,350	754	1,036	1,790
Sub-total	-	205,567	205,567	78,440	132,750	211,190
United Way Worldwide dues	-	-	-	-	-	12,076
Total expenses	\$ 891,465	\$ 378,554	\$ 1,270,019	\$ 174,991	\$ 265,508	\$ 440,499
						\$ 1,722,594

See Independent Auditors' Report.

**HENDERSON COUNTY UNITED WAY, INC.**

Schedule of Functional Expenses

For the Year Ended June 30, 2016

	Program Services		Supporting Services			Total
	Agency Services	Community Services	Total	Organizational Administration	Fundraising	
Expenses:						
Allocations/awards	\$ 1,077,116	\$ -	\$ 1,077,116	\$ -	\$ -	\$ 1,077,116
Less donor designations	(345,066)	-	(345,066)	-	-	(345,066)
Net funds awarded/distributed	732,050	-	732,050	-	-	732,050
Salaries	-	98,418	98,418	94,363	97,381	191,744
Payroll taxes	-	7,895	7,895	7,569	7,811	15,380
Employee benefits	-	14,800	14,800	14,191	14,644	28,835
Sub-total	732,050	121,113	853,163	116,123	119,836	235,959
Advertising	-	52,381	52,381	-	52,382	104,763
Board/staff development	-	5,047	5,047	4,839	4,994	14,880
Contract services	-	13,979	13,979	13,732	13,832	41,543
Depreciation expense	-	5,764	5,764	5,527	5,703	16,994
Dues and subscriptions	-	558	558	5,639	552	6,749
Equipment	-	3,785	3,785	3,629	3,744	11,158
Insurance	-	2,554	2,554	2,448	2,527	7,529
Investment fees	-	-	-	3,067	-	3,067
Meeting expense	-	135,428	135,428	-	-	135,428
Miscellaneous	-	-	-	2,000	-	2,000
Office lease	-	33,986	33,986	32,586	33,627	100,199
Occupancy	-	-	-	5,940	-	5,940
Postage and shipping	-	731	731	701	723	2,155
Printing and copying	-	487	487	467	1,972	2,926
Professional services	-	10,733	10,733	20,199	-	30,932
Repairs and maintenance	-	448	448	3,992	445	4,885
Recruitment - employee	-	-	-	956	-	956
Supplies	-	22,138	22,138	947	26,030	49,115
Taxes and licenses	-	-	-	200	-	200
Telephone and networks	-	1,586	1,586	1,521	1,569	4,676
Travel	-	543	543	521	538	1,602
Utilities	-	-	-	4,229	-	4,229
Sub-total	-	290,148	290,148	113,140	148,638	551,926
United Way Worldwide dues	-	-	-	-	-	-
Total expenses	\$ 732,050	\$ 411,261	\$ 1,143,311	\$ 229,263	\$ 268,474	\$ 1,651,215
					10,167	10,167

See Independent Auditors' Report.