

Henderson County United Way, Inc.

Financial Statements and Supplementary Information

Years Ended June 30, 2016 and 2015

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Independent Auditors' Report

Board of Directors
Henderson County United Way, Inc.
Hendersonville, North Carolina

Report on Financial Statements

We have audited the accompanying statements of Henderson County United Way, Inc. (the "United Way"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows 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.

Auditors' 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 auditors' 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 the United Way as of June 30, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management, 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.

Dixon Hughes Goodman LLP

**Greenville, South Carolina
September 26, 2016**

Henderson County United Way, Inc.
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 364,107	\$ 411,760
Accounts receivable	120,045	140,721
Pledges receivable, net	558,763	550,430
Donated lease receivable	587,087	660,632
Prepaid expenses	7,450	5,228
Beneficial interest in assets held by others	416,565	456,670
Life insurance cash surrender value	43,701	41,522
Property and equipment, net	159,760	165,772
	<u>2,257,478</u>	<u>2,432,735</u>
Total assets	<u>\$ 2,257,478</u>	<u>\$ 2,432,735</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Allocations and designations payable	\$ 948,221	\$ 1,092,468
Operating payables	5,696	20,017
Accrued expenses	20,530	18,713
	<u>974,447</u>	<u>1,131,198</u>
Total liabilities	<u>974,447</u>	<u>1,131,198</u>
Net assets:		
Unrestricted net assets		
Unappropriated	455,027	399,988
Board appropriated	240,917	240,917
Temporarily restricted	587,087	660,632
	<u>1,283,031</u>	<u>1,301,537</u>
Total net assets	<u>1,283,031</u>	<u>1,301,537</u>
Total liabilities and net assets	<u>\$ 2,257,478</u>	<u>\$ 2,432,735</u>

See accompanying notes.

Henderson County United Way, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Gross campaign revenue	\$ 1,539,966	\$ 1,488,012
Less amounts designated by donors	<u>(345,066)</u>	<u>(390,034)</u>
Campaign revenue less amounts designated by donors	1,194,900	1,097,978
Uncollectible pledges	<u>(37,809)</u>	<u>(43,670)</u>
Net campaign revenue	1,157,091	1,054,308
Endowment income	75,738	80,562
Investment income	274	329
Rental income	28,430	28,280
Underwriting income	96,350	27,161
Grant income	22,000	10,000
Realized gains from investments	9,187	9,068
Unrealized loss from investments	(26,883)	(12,544)
In-kind contributions	193,867	159,404
Previous allocations declined by recipients	50,000	-
Miscellaneous expense	<u>-</u>	<u>(1,362)</u>
Total public support and revenue	<u>1,606,054</u>	<u>1,355,206</u>
Net assets released from restrictions	<u>100,200</u>	<u>100,200</u>
Program services:		
Gross funds awarded/distributed	1,077,116	1,216,511
Less donor designations	<u>(345,066)</u>	<u>(390,034)</u>
Net funds awarded/distributed	732,050	826,477
Community services	<u>411,261</u>	<u>236,331</u>
Total program services	<u>1,143,311</u>	<u>1,062,808</u>
Supporting services:		
Organizational administration	229,263	275,406
Fundraising	<u>268,474</u>	<u>261,304</u>
Total supporting services	<u>497,737</u>	<u>536,710</u>
United Way of America dues	<u>10,167</u>	<u>14,775</u>
Total expenses	<u>1,651,215</u>	<u>1,614,293</u>
Change in unrestricted net assets	55,039	(158,887)

See accompanying notes.

Henderson County United Way, Inc.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2016 and 2015

(Continued)

	<u>2016</u>	<u>2015</u>
Changes in temporarily restricted net assets:		
Contributions	\$ 26,655	\$ 29,710
Net assets released from restrictions	<u>(100,200)</u>	<u>(100,200)</u>
Change in temporarily restricted net assets	(73,545)	(70,490)
Change in net assets	(18,506)	(229,377)
Net assets - beginning of year	<u>1,301,537</u>	<u>1,530,914</u>
Net assets - end of year	<u><u>\$ 1,283,031</u></u>	<u><u>\$ 1,301,537</u></u>

See accompanying notes.

Henderson County United Way, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services		
	Agency Services	Community Services	Total
Expenses:			
Allocations/awards	\$ 1,077,116	\$ -	\$ 1,077,116
Less donor designations	(345,066)	-	(345,066)
Net funds awarded/distributed	<u>732,050</u>	<u>-</u>	<u>732,050</u>
Salaries	-	98,418	98,418
Payroll taxes	-	7,895	7,895
Employee benefits	-	14,800	14,800
Sub-total	<u>-</u>	<u>121,113</u>	<u>121,113</u>
Advertising	-	52,381	52,381
Board/staff development	-	5,047	5,047
Contract services	-	13,979	13,979
Depreciation expense	-	5,764	5,764
Dues and subscriptions	-	558	558
Equipment	-	3,785	3,785
Insurance	-	2,554	2,554
Investment fees	-	-	-
Meeting expense	-	135,428	135,428
Miscellaneous	-	-	-
Occupancy	-	-	-
Postage and shipping	-	731	731
Printing and copying	-	487	487
Professional services	-	10,733	10,733
Office lease	-	33,986	33,986
Repairs and maintenance	-	448	448
Recruitment - employee	-	-	-
Supplies	-	22,138	22,138
Taxes and licenses	-	-	-
Telephone and networks	-	1,586	1,586
Travel	-	543	543
Utilities	-	-	-
Sub-total	<u>-</u>	<u>290,148</u>	<u>290,148</u>
United Way of America dues	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 732,050</u>	<u>\$ 411,261</u>	<u>\$ 1,143,311</u>

See accompanying notes.

Supporting Services				
Organizational Administration	Fundraising	Total	UWA Dues	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,077,116
-	-	-	-	(345,066)
-	-	-	-	732,050
94,363	97,381	191,744	-	290,162
7,569	7,811	15,380	-	23,275
14,191	14,644	28,835	-	43,635
116,123	119,836	235,959	-	357,072
-	52,382	52,382	-	104,763
4,839	4,994	9,833	-	14,880
13,732	13,832	27,564	-	41,543
5,527	5,703	11,230	-	16,994
5,639	552	6,191	-	6,749
3,629	3,744	7,373	-	11,158
2,448	2,527	4,975	-	7,529
3,067	-	3,067	-	3,067
-	-	-	-	135,428
2,000	-	2,000	-	2,000
5,940	-	5,940	-	5,940
701	723	1,424	-	2,155
467	1,972	2,439	-	2,926
20,199	-	20,199	-	30,932
32,586	33,627	66,213	-	100,199
3,992	445	4,437	-	4,885
956	-	956	-	956
947	26,030	26,977	-	49,115
200	-	200	-	200
1,521	1,569	3,090	-	4,676
521	538	1,059	-	1,602
4,229	-	4,229	-	4,229
113,140	148,638	261,778	-	551,926
-	-	-	10,167	10,167
<u>\$ 229,263</u>	<u>\$ 268,474</u>	<u>\$ 497,737</u>	<u>\$ 10,167</u>	<u>\$ 1,651,215</u>

See accompanying notes.

Henderson County United Way, Inc.
Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services		
	Agency Services	Community Services	Total
Expenses:			
Allocations/awards	\$ 1,216,511	\$ -	\$ 1,216,511
Less: donor designations	(390,034)	-	(390,034)
Net funds awarded/distributed	<u>826,477</u>	<u>-</u>	<u>826,477</u>
Salaries	-	65,673	65,673
Payroll taxes	-	5,090	5,090
Employee benefits	-	7,406	7,406
	<u>-</u>	<u>78,169</u>	<u>78,169</u>
Advertising	-	57,440	57,440
Recruitment - employee	-	-	-
Board/staff development	-	3,779	3,779
Contract services	-	8,158	8,158
Depreciation expense	-	4,166	4,166
Dues and subscriptions	-	384	384
Equipment	-	2,572	2,572
Insurance	-	1,746	1,746
Investment fees	-	-	-
Meeting expense	-	26,399	26,399
Miscellaneous	-	-	-
Occupancy	-	-	-
Office Lease	-	25,083	25,083
Postage and shipping	-	753	753
Printing and copying	-	124	124
Professional services	-	18,450	18,450
Repairs and maintenance	-	559	559
Supplies	-	6,621	6,621
Taxes and licenses	-	-	-
Telephone and networks	-	1,300	1,300
Travel	-	628	628
Utilities	-	-	-
Sub-total	<u>-</u>	<u>158,162</u>	<u>158,162</u>
United Way of America dues	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 826,477</u>	<u>\$ 236,331</u>	<u>\$ 1,062,808</u>

See accompanying notes.

Supporting Services				
Organizational Administration	Fundraising	Total	UWA Dues	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,216,511
-	-	-	-	(390,034)
-	-	-	-	826,477
113,619	83,065	196,684	-	262,357
8,805	6,437	15,242	-	20,332
12,813	9,367	22,180	-	29,586
135,237	98,869	234,106	-	312,275
-	57,441	57,441	-	114,881
6,584	-	6,584	-	6,584
6,538	4,778	11,316	-	15,095
8,451	5,954	14,405	-	22,563
7,207	5,269	12,476	-	16,642
6,379	485	6,864	-	7,248
4,450	3,253	7,703	-	10,275
3,023	2,209	5,232	-	6,978
3,400	-	3,400	-	3,400
-	-	-	-	26,399
682	-	682	-	682
3,600	-	3,600	-	3,600
43,394	31,723	75,117	-	100,200
1,303	953	2,256	-	3,009
214	667	881	-	1,005
31,334	-	31,334	-	49,784
4,634	708	5,342	-	5,901
1,226	46,557	47,783	-	54,404
200	-	200	-	200
2,249	1,644	3,893	-	5,193
1,087	794	1,881	-	2,509
4,214	-	4,214	-	4,214
140,169	162,435	302,604	-	460,766
-	-	-	14,775	14,775
<u>\$ 275,406</u>	<u>\$ 261,304</u>	<u>\$ 536,710</u>	<u>\$ 14,775</u>	<u>\$ 1,614,293</u>

See accompanying notes.

Henderson County United Way, Inc.
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (18,506)	\$ (229,377)
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	16,994	16,642
Donated rent	73,545	70,490
Gain on sale of investments, net	(9,187)	(9,068)
Unrealized loss on investments, net	26,883	12,544
Changes in operating assets and liabilities:		
Pledges receivable, net	(8,333)	190,248
Accounts receivables	20,676	(36,916)
Prepaid expenses	(2,222)	161
Allocations and designations payable	(144,247)	(134,950)
Operating payables	(14,321)	6,695
Accrued expenses	1,817	2,930
	<u>(56,901)</u>	<u>(110,601)</u>
Net cash used by operating activities		
Cash flows from investing activities:		
Purchase of capital assets	(10,982)	(8,473)
Net distributions from beneficial interest in assets held by others	20,230	19,633
	<u>9,248</u>	<u>11,160</u>
Net cash provided by investing activities		
Change in cash and cash equivalents	(47,653)	(99,441)
Cash and cash equivalents		
Beginning of the year	411,760	511,201
	<u>411,760</u>	<u>511,201</u>
End of the year	<u>\$ 364,107</u>	<u>\$ 411,760</u>

See accompanying notes.

Notes to Financial Statements

1. Nature of Operations and 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 Worldwide's community impact agenda.

For the years ended June 30, 2016 and 2015, the United Way allocation volunteers allocated and paid approximately \$768,000 and \$914,500 respectively, in program allocations to approximately 24 and 26 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, 2016 and 2015, an additional \$39,000 and \$31,000, 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, 2016 and 2015, donor designations were approximately \$345,000 and \$390,000, respectively.

Mission statement

The United Way's mission is to organize and mobilize community resources to improve lives of Henderson County residents.

Basis of presentation and revenue recognition

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

The United Way conforms to the requirements of financial accounting standards regarding financial statements of not-for-profit organizations. The provision establishes standards for external reporting by not-for-profit organizations and requires these resources be classified for accounting and reporting purposes into three net asset categories. In accordance with the provision, the United Way classifies its net assets for accounting and reporting purposes as unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets

Unrestricted net assets are resources of the United Way that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.

Henderson County United Way, Inc.
Notes to Financial Statements

Temporarily restricted net assets

Temporarily restricted net assets are resources that carry a donor-imposed restriction that permits the United Way to use or expend the donated assets as specified, and is satisfied by the passage of time or actions of the United Way.

Permanently restricted net assets

Permanently restricted net assets are resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the United Way to use or expend part or all of the income derived from the donated assets.

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

Donated materials are recorded as contributions and as inventory or property and equipment in the period received. They are recorded at fair value when an objective, measurable basis for determining fair value exists. Items of a pass through nature are not recorded.

A number of volunteers have made contributions of their time to promote and develop the United Way's programs. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$125,000 and \$122,000 for the years ended June 30, 2016 and 2015, respectively.

Cash and cash equivalents

Cash and cash equivalents include cash in banks and highly liquid investments with maturity dates of less than three months. The United Way maintains its cash in bank accounts which, at times, may exceed federally depository insurance (FDIC) limits. Management believes the credit risk associated with these deposits is minimal.

Promises to give

The United Way maintained a significant unconditional promises to give balance at the end of the year. These pledge 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. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give 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 promises to give are received from a broad base of Henderson County contributors as a result of the annual campaign. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Henderson County United Way, Inc.
Notes to Financial Statements

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.

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 of America in its publication United Way of America Functional Expenses and Overhead Reporting Standards.

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 of America standards for the years ended June 30, 2016 and 2015, were 25% and 30%, respectively. The United Way has leveraged extensive resources in 2016 with such items as a donated lease for office space and in-kind contributions for television, newspaper and radio ads, and various materials.

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 reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax status

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, 2016.

Henderson County United Way, Inc.
Notes to Financial Statements

2. Pledges Receivable

Pledges receivable by campaign year at June 30 follows:

	<u>2016</u>	<u>2015</u>
July 1, 2015 to June 30, 2016	\$ 625,024	\$ -
July 1, 2014 to June 30, 2015	2,539	591,876
July 1, 2013 to June 30, 2014	<u>-</u>	<u>27,354</u>
Gross campaign receivables	627,563	619,230
Less: allowance for uncollectible pledges	<u>(68,800)</u>	<u>(68,800)</u>
Net campaign receivables	<u>\$ 558,763</u>	<u>\$ 550,430</u>

Pledges are due in less than one year; therefore, their net realizable value is a reasonable estimate of their fair value. Consequently, all pledges are recorded consistently without any discount to present value.

3. 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 \$587,087 and \$660,632 at June 30, 2016 and 2015. On the Statement of Activities, the United Way has recognized an additional \$26,655 and \$29,710 as temporarily restricted contribution revenue for the amortization of the receivable ("Contributions") for the years ended June 30, 2016 and 2015. 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, 2016 and 2015. 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.

4. Property and Equipment

A summary of property and equipment at June 30 follows:

	<u>2016</u>	<u>2015</u>
Building	\$ 284,862	\$ 284,862
Furniture, fixtures, and equipment	<u>133,349</u>	<u>122,367</u>
Gross property and equipment	418,211	407,229
Less: accumulated depreciation	<u>(258,451)</u>	<u>(241,457)</u>
Total property and equipment, net	<u>\$ 159,760</u>	<u>\$ 165,772</u>

Henderson County United Way, Inc.
Notes to Financial Statements

5. Unrestricted Net Assets

Board appropriated net assets at June 30 follows:

	<u>2016</u>	<u>2015</u>
Operating reserve	\$ 228,250	\$ 228,250
Building maintenance and capital items reserve	<u>12,667</u>	<u>12,667</u>
	<u>\$ 240,917</u>	<u>\$ 240,917</u>

6. Cash Surrender Value of Life Insurance

The United Way has purchased insurance on the life of a certain donor. 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 \$43,701 and \$41,522 at June 30, 2016 and 2015, respectively.

7. 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, 2016 and 2015. A one-year service eligibility period with individual employee contracts is provided. Plan contributions were \$5,726 and \$12,152 for the years ended June 30, 2016 and 2015, respectively.

8. Endowment Funds

Normac Humanitarian Fund of the Community Foundation of Henderson County

The United Way has a beneficial interest (currently at 4% based on the Community Foundation's spending policy) in the Normac Humanitarian Fund of the Community Foundation of Henderson County. The Community Foundation of Henderson County, Inc. (the "Foundation") is a community foundation made up of over three hundred component funds, including the Normac Humanitarian Fund. The Foundation is the legal owner of all assets contributed to any of its component funds and therefore, for accounting purposes, the assets of each fund are reported on the Foundation's financial statements.

Component funds of the Foundation are established by donors for the benefit of the community. When these funds are established, the donor may indicate to the Governing Board of the Foundation what organizations/causes should benefit from the distributions from the fund. It should be noted, however, that the donor has granted the Governing Board the "variance power" which allows the Board to modify the donor's stipulations under certain circumstances as the Board monitors the changing needs of the community.

In accordance with accounting standards regarding accounting for contributions, the United Way does not record the market value of the fund as an asset on its Statement of Financial Position, but rather, records any grants received in its Statement of Activities.

Therefore, for informational or disclosure purposes only, the total market value of the Normac Humanitarian Fund as of June 30, 2016 and 2015 was \$586,566 and \$630,901, respectively, of which the United Way has a 4% current beneficial interest. Additionally, grants were made from this fund by the Foundation to the United Way for the years ended June 30, 2016 and 2015 in the amount of \$23,301 and \$21,777, respectively. This grant is considered income for financial reporting purposes and is reported in the Statement of Activities and Changes in Net Assets.

**Henderson County United Way, Inc.
Notes to Financial Statements**

The Henderson County United Way Fund of the Community Foundation of Henderson County

The United Way has a beneficial interest (currently at 4% based on the Community Foundation's spending policy) in the Henderson County United Way Fund of the Community Foundation of Henderson County. The accounting treatment of this fund mirrors the previous fund as described in the previous description of the Normac Humanitarian Fund of the Community Foundation of Henderson County.

Therefore, for informational or disclosure purposes only, the total market value of The Henderson County United Way Fund of the Community Foundation of Henderson County as of June 30, 2016 and 2015 was \$70,294 and \$77,268, respectively, of which the United Way has a 4% current beneficial interest. Additionally, grants were made from this fund by the Foundation to the United Way for the years ended June 30, 2016 and 2015 in the amount of \$2,918 and \$2,766, respectively. This grant is considered income for financial reporting purposes and is reported in the Statement of Activities and Changes in Net Assets.

Judge Mitchell King Fund (Designated Portion)

The United Way has a beneficial interest (currently at 4% based on the Community Foundation's spending policy) in the Judge Mitchell Fund of the Community Foundation of Henderson County. The accounting treatment of this fund mirrors the previous fund as described in the previous description of the Normac Humanitarian Fund of the Community Foundation of Henderson County.

Therefore, for informational or disclosure purposes only, the total market value of the designated portion of the Judge Mitchell King Fund of the Community Foundation of Henderson County as of June 30, 2016 and 2015 was \$104,611 and \$114,674, respectively, of which the United Way has a 4% current beneficial interest. Additionally, grants were made from this fund by the Foundation to the United Way for the years ended June 30, 2016 and 2015 in the amount of \$4,302 and \$4,036, respectively. This grant is considered income for financial statement reporting purposes and is reported in the Statement of Activities and Changes in Net Assets.

Everett and Ellen Stone Endowment Fund

The United Way has a beneficial interest (currently at 4% based on the Community Foundation's spending policy) in the Everett and Ellen Stone Endowment Fund of the Community Foundation of Henderson County. The accounting treatment of this fund mirrors the previous fund as described in the previous description of the Normac Humanitarian Fund of the Community Foundation of Henderson County.

Therefore, for informational or disclosure purposes only, the total market value of the designated portion of the Everett and Ellen Stone Endowment Fund of the Community Foundation of Henderson County as of June 30, 2016 and 2015 was \$23,937 and \$26,310, respectively, of which the United Way has a 4% current beneficial interest. Additionally, grants were made from this fund by the Foundation to the United Way for the years ended June 30, 2016 and 2015 in the amount of \$993 and \$938, respectively. This grant is considered income for financial statement reporting purposes and is reported in the Statement of Activities and Changes in Net Assets.

Vina and Richard Sauer Fund

The United Way has a beneficial interest (currently at 4% based on the Community Foundation's spending policy) in the Vina and Richard Sauer Fund of the Community Foundation of Henderson County. The accounting treatment of this fund mirrors the previous fund as described in the previous description of the Normac Humanitarian Fund of the Community Foundation of Henderson County.

Therefore, for informational or disclosure purposes only, the total market value of the designated portion of the Vina and Richard Sauer Fund of the Community Foundation of Henderson County as of June 30, 2016 and 2015 was \$32,671 and \$35,672, respectively, of which the United Way has a 4% current beneficial interest. Additionally, a grant was made from this fund by the Foundation to the United Way for the years ended June 30, 2016 and 2015 in the amount of \$1,667 and \$1,136, respectively. This grant is considered income for financial statement reporting purposes and is reported in the Statement of Activities and Changes in Net Assets.

Henderson County United Way, Inc.
Notes to Financial Statements

Chester W and Virginia Phillips Fund

The United Way has a beneficial interest (currently at 4% based on the Community Foundation's spending policy) in the Chester W. and Virginia Phillips Fund of the Community Foundation of Henderson County. The accounting treatment of this fund mirrors the previous fund as described in the previous description of the Normac Humanitarian Fund of the Community Foundation of Henderson County.

Therefore, for informational or disclosure purposes only, the total market value of the designated portion of the Chester W. and Virginia Phillips Fund of the Community Foundation of Henderson County as of June 30, 2016 and 2015 was \$643,345 and \$711,133, of which the United Way has a 4% current beneficial interest. Additionally, grants were made from this fund by the Foundation to the United Way for the years ended June 30, 2016 and 2015 in the amount of \$30,717 and \$20,235, respectively. This grant is considered income for financial statement reporting purposes and is reported in the Statement of Activities and Changes in Net Assets.

9. Beneficial Interest in Assets Held by Others

Judge Mitchell King Fund

The Judge Mitchell King Fund is a component fund of the Community Foundation of Henderson County. The fund was created by the United Way with the Community Foundation of Henderson County, Inc. 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. 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 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.

Therefore, for financial statement purposes only, the market value of the Judge Mitchell King Fund as reflected in the Statement of Financial Position of the United Way as of June 30, 2016 and 2015 is \$416,565 and \$456,670, respectively. For the years ended June 30, 2016 and 2015, the fund had investment earnings of \$9,187 and \$9,068, respectively, and charged management fees of \$3,067 and \$3,400, respectively. Unrealized investment losses of \$29,062 and \$14,542 were recognized in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2016 and 2015, respectively.

10. Related Party Transactions

During June 30, 2016 and 2015, four not-for-profit organizations, which are funded annually by the United Way, and a United Way board member, rented office space from the United Way. Lease payments received from these related parties totaled \$27,975 and \$28,620 for years ended June 30, 2016 and 2015.

Henderson County United Way, Inc.
Notes to Financial Statements

11. Line of Credit

The United Way was issued 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 maximum and minimum annual percentage rates are 0% and 8%, respectively. The line of credit is secured by real property. The balance as of June 30, 2016 and 2015 was \$0.

12. Fair Value Disclosures

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).

Fair values determined using level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based on level 2 inputs, which exist when observable data exists for similar assets and liabilities. Fair values for assets and liabilities that are not actively traded in observable markets are based on level 3 inputs, which are considered to be unobservable.

Among the United Way’s assets, the beneficial interest in assets held by others was recorded at its fair value on a recurring basis.

For assets carried at fair value, the following table provides fair value information as of June 30, 2016 and 2015:

Fair value measurements at June 30, 2016 using				
Assets Measured at Fair value	Fair value at June 30, 2016	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Beneficial interest in assets held by others	<u>\$ 416,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,565</u>
Fair value measurements at June 30, 2015 using				
Assets Measured at Fair value	Fair value at June 30, 2015	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Beneficial interest in assets held by others	<u>\$ 456,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,670</u>

Prices for the beneficial interests in assets held by others are included in a community foundation made up of over three hundred component funds. As such, the funds are unobservable, resulting fair values are shown in the ‘Level 3 input’ column.

Henderson County United Way, Inc.
Notes to Financial Statements

The table below sets forth a summary of changes in the fair value of the United Way's level 3 assets for the years ending June 30, 2016 and 2015:

Balance, June 30, 2014	\$	481,777
Unrealized and realized gains/losses		(5,474)
Purchases, sales, issuances and settlements, net		<u>(19,633)</u>
Balance, June 30, 2015		456,670
Unrealized and realized gains/losses		(19,875)
Purchases, sales, issuances and settlements, net		<u>(20,230)</u>
Balance, June 30, 2016	\$	<u>416,565</u>

13. Operating Lease Commitments

As noted in Note 10, the United Way leases office space to tenants under noncancelable operating leases with terms of one to five years. The following is a schedule by years of future minimum rentals under the leases at June 30, 2016:

2017	\$	19,725
2018		14,400
2019		<u>2,400</u>
	\$	<u>36,525</u>

14. Subsequent Events

Subsequent events have been evaluated through September 26, 2016, which is the date the financial statements were available to be issued.

Supplementary Information

Henderson County United Way, Inc.
Schedule of Cash Payments to Participating Agencies
and Other Organizations
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Program Allocation Payments to Participating Agencies		
Children and Family Resource Center	\$ 120,040	\$ 98,600
Safelight (formerly Mainstay)	88,000	76,740
Boys and Girls Club of Henderson County	86,000	56,883
Homeward Bound	67,000	87,437
YMCA	44,750	65,000
Housing Assistance Corporation	42,780	43,300
Pisgah Legal Services	40,088	66,163
Free Clinic	40,000	30,000
Blue Ridge Community Health Services	37,000	50,000
Smart Start	24,150	17,500
WCCA	20,000	45,000
Helping Hand Developmental Center	19,000	16,250
Park Ridge Kid Power	19,000	15,000
MANNA Food Bank	18,000	10,200
Big Brothers/Big Sisters	15,690	13,780
Blue Ridge Literacy Council	15,500	18,500
The Healing Place	15,000	58,856
Habitat for Humanity	12,500	-
OnTrack	9,900	-
Medical Loan Program	9,322	5,000
The Store House - Charity Tracker	8,690	5,000
ASPIRE - Kids at Work	5,417	5,000
Calvary Episcopal	5,100	5,100
Four Seasons Hospice	5,000	36,000
Sixth Ave Psychiatric Rehab Partners	-	31,219
Consumer Credit Counseling	-	30,000
Vocational Solutions	-	18,000
American Red Cross	-	10,000
	<u>767,927</u>	<u>914,528</u>
Total Program Allocation Payments to Participating Agencies	\$ 767,927	\$ 914,528

See independent auditors' report.

Henderson County United Way, Inc.
Schedule of Cash Payments to Participating Agencies
and Other Organizations
Years Ended June 30, 2016 and 2015

(Continued)

	<u>2016</u>	<u>2015</u>
Contract Service Payments to Participating Agencies		
2-1-1 (UW of Asheville/Buncombe County Contract Service)	\$ 26,408	\$ 26,408
Rising Leaders Initiative	6,231	4,500
Volunteer Matching Program	5,943	-
	<u>38,582</u>	<u>30,908</u>
Total Contract Service Payments to Participating Agencies		
Payments to Other Organizations		
Agency Designations	180,213	181,360
Designations to Other United Ways	88,732	97,926
Park Ridge Hospital Foundation	27,841	21,954
Pass Through Paid Direct Designations	13,069	50,868
United Way of America Membership Dues	10,371	15,138
United Way of North Carolina Membership Dues	5,104	5,715
Education Foundation of Henderson County	3,194	3,756
Pardee Hospital Foundation	275	32,858
	<u>328,799</u>	<u>409,575</u>
Total Payments to Other Organizations		
Total Payments to Participating Agencies and Other Organizations	<u>\$ 1,135,308</u>	<u>\$ 1,355,011</u>

See independent auditors' report.