

United Way of the Cape Fear Area

Financial Statements

*For the Year Ended June 30, 2017
(with Comparative Totals for 2016)*

United Way of the Cape Fear Area

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of the Cape Fear Area

We have audited the accompanying financial statements of United Way of the Cape Fear Area (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Cape Fear Area 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support allocations and donor designations for the 2016 campaign on pages 17 and 18 is presented for purposes of additional analysis and is 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.

Report on Summarized Comparative Information

We have previously audited the United Way of the Cape Fear Area's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Early & Company, L.L.P.

Wilmington, North Carolina
October 26, 2017

United Way of the Cape Fear Area
Statement of Financial Position
As of June 30, 2017

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Comparative Total
ASSETS				
Current Assets				
Cash & cash equivalents	\$ 1,295,802	\$ 75,000	\$ 1,370,802	\$ 1,569,353
Investments	362,136	-	362,136	322,219
Annual campaign pledges receivable, net of allowance for doubtful accounts of \$125,841 and \$132,613, respectively	783,353	-	783,353	752,824
Grants & other receivables	38,886	33,927	72,813	48,678
Prepaid expenses	16,561	-	16,561	8,437
Total Current Assets	<u>2,496,738</u>	<u>108,927</u>	<u>2,605,665</u>	<u>2,701,511</u>
Non-current advance receivable	-	-	-	45,000
Property				
Furniture & equipment	123,144	-	123,144	123,144
Less: Accumulated depreciation	(111,778)	-	(111,778)	(110,310)
Property, Net	<u>11,366</u>	<u>-</u>	<u>11,366</u>	<u>12,834</u>
Total Assets	<u>\$ 2,508,104</u>	<u>\$ 108,927</u>	<u>\$ 2,617,031</u>	<u>\$ 2,759,345</u>
LIABILITIES & NET ASSETS				
Current Liabilities				
Accounts payable & accrued expenses	\$ 51,567	\$ -	\$ 51,567	\$ 56,377
Deferred revenue	46,737	-	46,737	14,171
Grants payable	878,390	-	878,390	967,100
Due to designated agencies	114,776	-	114,776	114,402
Total Current Liabilities/Total Liabilities	<u>1,091,470</u>	<u>-</u>	<u>1,091,470</u>	<u>1,152,050</u>
Net Assets				
Unrestricted	1,416,634	-	1,416,634	1,532,295
Temporarily restricted	-	108,927	108,927	75,000
Total Net Assets	<u>1,416,634</u>	<u>108,927</u>	<u>1,525,561</u>	<u>1,607,295</u>
Total Liabilities & Net Assets	<u>\$ 2,508,104</u>	<u>\$ 108,927</u>	<u>\$ 2,617,031</u>	<u>\$ 2,759,345</u>

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area
Statement of Activities
For the Year Ended June 30, 2017

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Comparative Total
REVENUE & SUPPORT				
Annual campaign, net	\$ 2,025,440	\$ -	\$ 2,025,440	\$ 2,148,728
Less: Designations	(283,804)	-	(283,804)	(358,935)
Federal grant - Senior Aides Program	-	604,046	604,046	550,229
Federal grant - Emergency Shelter	-	-	-	139,996
Homeless Project	-	151,867	151,867	112,000
Blue Ribbon Commission grants	-	51,200	51,200	62,000
Grants & other income	20,000	75,000	95,000	75,000
In-kind contributions	29,899	-	29,899	39,025
Investment income	2,422	-	2,422	2,339
Gain (loss) on market securities	39,917	-	39,917	7,562
Miscellaneous income	44,438	-	44,438	20,058
Net assets released from restriction	<u>848,186</u>	<u>(848,186)</u>	<u>-</u>	<u>-</u>
Total Revenue & Support	<u>2,726,498</u>	<u>33,927</u>	<u>2,760,425</u>	<u>2,798,002</u>
EXPENSES				
Program				
Allocations & grants	1,094,344	-	1,094,344	1,007,108
Senior Aides	691,034	-	691,034	663,616
Community Impact	220,411	-	220,411	225,388
Marketing & communications	91,064	-	91,064	90,131
Other programs	244,514	-	244,514	418,603
General & administrative	81,212	-	81,212	87,767
Fundraising	<u>419,580</u>	<u>-</u>	<u>419,580</u>	<u>464,597</u>
Total Expenses	<u>2,842,159</u>	<u>-</u>	<u>2,842,159</u>	<u>2,957,210</u>
Change in Net Assets	(115,661)	33,927	(81,734)	(159,208)
Net Assets, Beginning	<u>1,532,295</u>	<u>75,000</u>	<u>1,607,295</u>	<u>1,766,503</u>
Net Assets, Ending	<u>\$ 1,416,634</u>	<u>\$ 108,927</u>	<u>\$ 1,525,561</u>	<u>\$ 1,607,295</u>

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area
Statement of Functional Expenses
For the Year Ended June 30, 2017

	2017							2016 Comparative Total	
	Program Allocations & Grants	Senior Aides	Community Impact	Marketing & Communications	Other Programs	General & Administrative	Fundraising		Total
Salaries	\$ -	\$ -	\$ 93,644	\$ 48,188	\$ 48,414	\$ 29,626	\$ 210,546	\$ 430,418	\$ 444,507
Employee benefits	-	-	15,446	10,812	5,935	8,206	28,860	69,259	75,177
Payroll taxes	-	-	9,548	5,121	6,302	4,019	24,406	49,396	48,629
Total Salary & Related	-	-	118,638	64,121	60,651	41,851	263,812	549,073	568,313
Professional fees	-	6,572	3,461	2,300	3,171	4,905	7,854	28,263	16,245
Supplies	-	3,008	7,752	921	835	7,791	6,512	26,819	77,473
Campaign grant supplies	-	-	574	-	-	50	41,154	41,778	39,835
Telephone	-	4,200	1,546	1,262	1,351	1,401	4,765	14,525	9,207
Utilities & house keeping	-	874	380	281	308	306	979	3,128	3,985
Postage	-	1,305	521	405	398	478	2,817	5,924	4,354
Occupancy	-	26,976	12,664	8,995	10,504	9,661	31,146	99,946	99,401
Computer software & maintenance	-	5,625	5,087	1,688	2,689	1,793	10,346	27,228	23,290
Advertising & printing	-	5,438	3,112	2,059	2,531	1,925	19,933	34,998	25,456
Travel	-	116	4,065	138	267	75	3,695	8,356	15,371
Annual meeting	-	-	-	-	-	-	2,794	2,794	26,058
Membership dues	-	11,378	4,972	3,430	3,093	4,105	12,529	39,507	37,977
Insurance	-	716	1,251	536	1,406	566	1,573	6,048	6,006
Conferences & training	-	1,349	4,104	399	350	659	4,054	10,915	16,567
211 project	-	-	25,500	-	-	-	-	25,500	21,649
Special grants & events	-	-	20,000	-	151,947	-	-	171,947	208,404
In-kind expense	-	3,587	6,578	4,485	4,485	5,382	5,382	29,899	39,025
Senior Aides - salary & related	-	619,699	-	-	-	-	-	619,699	573,162
Allocations & grants	1,378,148	-	-	-	-	-	-	1,378,148	1,366,043
Less: Designations	(283,804)	-	-	-	-	-	-	(283,804)	(358,935)
Homeless Project allocations & expenses	-	-	-	-	-	-	-	-	135,368
Total Operating Expenses	1,094,344	690,843	220,205	91,020	243,986	80,948	419,345	2,840,691	2,954,254
Depreciation & loss on retirement	-	191	206	44	528	264	235	1,468	2,956
Total Expenses	<u>\$ 1,094,344</u>	<u>\$ 691,034</u>	<u>\$ 220,411</u>	<u>\$ 91,064</u>	<u>\$ 244,514</u>	<u>\$ 81,212</u>	<u>\$ 419,580</u>	<u>\$ 2,842,159</u>	<u>\$ 2,957,210</u>

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area
Statement of Cash Flows
For the Year Ended June 30, 2017

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Comparative Total
Cash Flows From Operating Activities				
Cash Collections for:				
Contributions & other	\$ 2,704,188	\$ -	\$ 2,704,188	\$ 2,787,831
Less: Cash Payments for:				
Total expenses	<u>(2,902,739)</u>	<u>-</u>	<u>(2,902,739)</u>	<u>(2,962,820)</u>
Net Cash Provided (Used)				
By Operating Activities	<u>(198,551)</u>	<u>-</u>	<u>(198,551)</u>	<u>(174,989)</u>
Cash Flows From Investing Activities				
Purchase of property & equipment	-	-	-	-
Purchases & proceeds of investments, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used)				
By Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Financing Activities				
Payments of principal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used)				
By Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(198,551)	-	(198,551)	(174,989)
Cash & Cash Equivalents, Beginning	<u>1,494,353</u>	<u>75,000</u>	<u>1,569,353</u>	<u>1,744,342</u>
Cash & Cash Equivalents, Ending	<u>\$ 1,295,802</u>	<u>\$ 75,000</u>	<u>\$ 1,370,802</u>	<u>\$ 1,569,353</u>
Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:				
Change in net assets	\$ (115,661)	\$ 33,927	\$ (81,734)	\$ (159,208)
Depreciation & loss on retirement	1,468	-	1,468	2,956
Unrealized (gain) loss	(39,917)	-	(39,917)	(7,562)
(Increase) Decrease in:				
Receivables	24,263	(33,927)	(9,664)	(51,927)
Prepays	(8,124)	-	(8,124)	254
Increase (Decrease) in:				
Accounts payable	<u>(60,580)</u>	<u>-</u>	<u>(60,580)</u>	<u>40,498</u>
Net Cash Provided (Used)				
By Operating Activities	<u>\$ (198,551)</u>	<u>\$ -</u>	<u>\$ (198,551)</u>	<u>\$ (174,989)</u>
Supplemental Disclosure				
Interest paid			<u>\$ -</u>	<u>\$ -</u>
Income taxes paid			<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

1. NATURE OF THE ORGANIZATION

United Way of the Cape Fear Area (the "Organization") is a nonprofit organization, organized under the laws of the state of North Carolina for the primary purpose of soliciting and distributing funds to local human service agencies serving New Hanover, Pender, and Brunswick Counties. The Organization was incorporated on July 3, 1953 and is governed by a volunteer Board of Directors. The Organization also directly sponsors and administers a federal grant program and carries out several smaller community programs. The mission of the Organization is to provide community-wide leadership to develop resources and assure their effective use for delivery of needed human care services.

The Organization uses the following program service categories for reporting purposes:

Allocations and Grants: Funds directed to other nonprofit agencies through 35 programs to address critical health and human service needs in a four county area.

Senior Aides Program: A federally funded program, sponsored by the Organization, placing low-income seniors in community service positions that provide them with valuable training and work experiences.

Community Impact: The Community Impact department identifies the most critical health and human service needs in our community, establishes strategies, and applies resources to achieve results. The department focuses on three different impact areas and identifies needs, strategies, and solutions specific to each area. The areas are defined as education, health, and financial stability. Each impact area has two sets of dedicated volunteers either establishing needs and strategies or determining the best possible solutions to apply resources. Another set of volunteer experts oversee all three impact areas and make recommendations to the Board of Directors, who approve all needs assessments and resource allocations.

Marketing and Communications: This division works in conjunction with and serves to promote the Organization's mission and vision and all the programs listed above. It develops and executes a yearly strategic plan designed to enhance the annual Community Impact process and all campaign-related activities. It produces and disseminates collateral materials created specifically to educate and inform the public while creating a positive image for the Organization. It maintains all social media functions in coordination with the Organization's strategic messaging and performs all duties pertaining to crisis communication as needed.

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. As a result, the financial statements have been prepared on the accrual basis. Income is recognized when earned and expenses are recognized when incurred.

The significant accounting policies followed are described below to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Classes of Net Assets

The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

- a) **Unrestricted net assets** are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

- b) **Temporarily restricted net assets** are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use, as is the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. The following is a summary of the various restrictions on resources at June 30:

	<u>2017</u>
Purpose Restrictions, Available for Spending:	
Senior Aides Program	\$ 33,927
Food Bank of Central & Eastern North Carolina, Inc. Support	<u>75,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 108,927</u>

Pledges Receivable and Allowance for Doubtful Pledges

Pledges receivable are stated at the full amount of outstanding pledges made by donors, less an allowance for doubtful pledges. Donor pledge balances may be paid in lump-sum billings or received in monthly or quarterly employee payroll deductions. No interest is charged against unpaid balances. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the pledges that will not be collected. Management evaluates historical write-offs as a percentage of the total pledges received for each campaign year to estimate a general allowance to apply to the current year campaign pledge total. This estimate may be adjusted for management's estimate of any changes in current economic conditions that might give rise to results that differ from past experience, and at times the amount of the adjustment can be material.

Property and Depreciation

Property is reported in the statement of financial position at cost if purchased and at fair value at the date of donation if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of five to ten years.

Equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets, unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due and therefore, are reported as temporarily restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional; that is, until all conditions on which they depend are substantially met. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those net assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

Gifts-In-Kind Contributions

The Organization periodically receives contributions in a form other than cash or investments. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

During fiscal 2017, advertising donated by local media and fundraising items were valued at \$29,899 and recorded. No other amounts for donated services were recognized in the financial statements as the criteria for recognition have not been met.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising and advertising costs are expensed as incurred, even though they may result in contributions received in future years. Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

Income Taxes

The Organization is a nonprofit corporation and is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code on related income. The Organization files a Form 990, Return of Organization Exempt from Income Tax, with the IRS and North Carolina Department of Revenue and is generally no longer subject to examination by the IRS for fiscal years prior to 2014.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in connection with the Organization's financial statements for the year then ended, from which the summarized information was derived. Certain reclassifications of prior year comparative amounts have been made in order to conform to the current year presentation.

Subsequent Events

Subsequent events have been evaluated through October 26, 2017, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents are as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Petty Cash	\$ 1,375	\$ 1,375
Checking - Operating	96,964	31,462
Checking - Senior Aides	38,783	63,449
Checking - Other	184,805	325,890
Money Markets & Savings	<u>1,048,875</u>	<u>1,147,177</u>
Total Cash & Cash Equivalents	<u>\$ 1,370,802</u>	<u>\$ 1,569,353</u>

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

4. INVESTMENTS – FAIR VALUE MEASUREMENTS

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from or corroborated by observable market data by correlation or by other means.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization’s financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give, and
- recurring measurement of investments (see below).

Investments include a mutual fund investment which is carried at fair value as determined by quoted market price (the highest of three fair value measurement levels identified in accounting principles generally accepted in the United States of America). Fair values of assets measured on a recurring basis as of June 30, 2017 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual Fund	<u>\$ 362,136</u>	<u>\$ 362,136</u>

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

5. FEDERAL GRANTS

The Organization sponsors the Senior Community Service Employment Program (Senior Aides Program), which hires people who meet certain age and income requirements and places them into part-time jobs at local nonprofit and public agencies, which provide human services to the community. Grant revenue recognized under this program was \$604,046 during the period from July 1, 2016 to June 30, 2017.

6. OPERATING LEASES

Effective February 2008, the Organization entered into an operating lease agreement on a new facility. The lease agreement was amended in May 2014. Under the terms of the amendment, rent will be fixed at \$8,191 per month for the period from June 1, 2014 through May 31, 2019 with the option to extend the lease for up to three additional two year terms. Also under the terms of the amendment, the Organization obtained an additional 786 square feet and subleased that space to Corbett Partners Incorporated, d/b/a Eastcoast Research, or its successors and assigns. Rental income of \$10,896 each fiscal year was received in connection with this arrangement and is included with other miscellaneous income in the statement of activities. Rent expense totaling \$99,946 was recorded for the period from July 1, 2016 to June 30, 2017 and \$99,401 was recorded for the period from July 1, 2015 to June 30, 2016.

The Organization has entered into two operating lease agreements for various office equipment for a four year lease term. Under the terms of these lease agreements, monthly rent expense is \$298. Rent expense totaling \$3,576 was recorded for the period from July 1, 2016 to June 30, 2017.

Future minimum lease payments are as follows for the years ending June 30:

2018	\$ 101,868
2019	92,342
2020	<u>450</u>
Total	<u>\$ 194,660</u>

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

7. GRANTS PAYABLE AND DUE TO DESIGNATED AGENCIES

In June 2016, the Organization approved its 2016 operating budget, including grant allocations communicated to partner agencies in the amount of \$878,390, as well as \$114,776 of donor designations (due to designated agencies). The Organization's partner agencies do not pay dues or fees and the Organization honors donor intent with regard to designations.

8. DEFINED CONTRIBUTION PENSION PLAN

The Organization maintains a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The plan covers employees who are at least age 21 and have one year of eligible service. The plan provides for monthly employer contributions on behalf of participants of 10% of the participants' compensation. Total employer contributions for the year were \$51,571.

9. CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Organization deposits its cash with high quality financial institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

The majority of the Organization's contributions and grants are received from corporations, foundations, and individuals located in the Lower Cape Fear area in Southeastern North Carolina. As such, the Organization's ability to generate resources via contributions and grants is dependent upon the economic health of that area. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Organization's services.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets by investment advisors of mutual funds should mitigate the impact of changes in any one class. As of June 30, 2017, the Organization held \$362,136 in mutual funds subject to these risks.

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2017

10. RISK MANAGEMENT

From time to time, the Organization may be aware of various asserted and unasserted claims. Management feels that these claims can be successfully defended and intends to resist the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interest were to be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

The Organization is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Organization purchases commercial insurance coverage against risk of loss due to property damage, theft, and various other insurable risks. The Organization carries personal property insurance in the amount of \$150,000 in 2016 and 2017 with a deductible of \$1,000 for all perils. The Organization carries wind and hail insurance in the amount of \$165,000 for personal property in 2016 and 2017 with a deductible of \$2,500. The Organization carries a commercial package policy with a \$2,000,000 aggregate. The Organization carries directors and officers insurance in the amount of \$2,000,000 per policy period with an aggregate of \$2,000,000 and \$1,000 retention. The Organization also carries employee theft insurance in the amount of \$50,000 with a deductible of \$500.

No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.

United Way of the Cape Fear Area
Schedule of Support Allocations and Donor Designations for the 2016
Campaign
For the Period From July 1, 2016 to June 30, 2017

Cape Fear HealthNet, Inc.	\$ 180,216
Coastal Horizons Center, Inc.	110,787
Brigade Boys and Girls Club, Inc.	59,922
The Salvation Army	56,379
Good Shepherd Center	56,144
Food Bank of Central & Eastern North Carolina, Inc. (Back Pack)	50,000
Communities in Schools Cape Fear, Inc.	48,000
Kids Making It, Inc.	45,432
Blue Ribbon Commission on the Prevention of Youth Violence - Youth Enrichment Zone	42,500
Wilmington Area Rebuilding Ministry, Inc.	40,809
Catholic Charities of the Diocese of Raleigh, Inc.	32,868
Smart Start of New Hanover County	31,215
Brunswick Family Assistance Agency, Inc.	25,906
The American Red Cross of the Cape Fear Area of North Carolina	25,000
Columbus County DREAM Center, Incorporated	22,000
Domestic Violence Shelter and Services, Inc.	21,143
Communities In Schools of Brunswick County, Inc.	20,792
DREAMS of Wilmington, Inc.	20,000
The Carousel Center, Inc.	20,000
Food Bank of Central & Eastern North Carolina, Inc.	19,337
Cape Fear Literacy Council	18,041
North Carolina Baptist Men	18,000
Lower Cape Fear Hospice, Incorporated	17,226
L.I.N.C., Inc.	17,000
Burgaw Elementary School	15,000
Pender County Christian Services, Inc.	15,000
Phoenix Employment Ministry	15,000
YWCA of the Lower Cape Fear, Inc.	15,000
NourishNC, Inc.	10,233
Matthew's Ministry, Inc.	10,000
Mother Hubbard's Cupboard of Wilmington, Inc.	10,000
United Way of Cumberland County	7,397
United Way of the Greater Triangle, Inc.	5,608
Pender Adult Services, Inc.	5,229
United Way of Greater Milwaukee & Waukesha County, Inc.	5,065
The National Center for Outdoor and Adventure Education	5,000
Boys and Girls Homes of North Carolina, Inc.	4,683
United Way of Onslow County, Inc.	3,873

**United Way of the Cape Fear Area
Schedule of Support Allocations and Donor Designations for the 2016
Campaign – Continued
For the Period From July 1, 2016 to June 30, 2017**

Shiloh Missionary Baptist Church, Inc.	3,739
The Warrior Ride	3,663
Disabled American Veterans, Inc.	3,500
United Way of Pitt County, Inc.	3,262
Child Development Center, Inc.	2,190
Albemarle Area United Way, Inc.	2,039
Beaufort County United Way	2,000
Gateway Community Church	2,000
Hope Harbor Home, Inc.	1,994
Community Boys & Girls Club of Wilmington, NC, Inc.	1,876
United Way of Coastal Carolina, Inc.	1,573
Boy Scouts of America	1,525
United Way of Lee County, Inc.	1,421
Cape Fear Habitat for Humanity, Inc.	1,413
United Way of Wayne County, Inc.	1,379
United Way of Robeson County, Inc.	1,349
Brunswick Senior Resources, Inc.	1,325
United Way of Wilson County, Inc.	1,268
St. Jude Children's Research Hospital	1,105
United Way of Moore County, Inc.	1,050
Wilmington Police Recreation Association	1,001
Direct pay & other designations	<u>211,671</u>
	1,378,148
Less: Contributions designated by donors	<u>(283,804)</u>
Total Support Allocations & Donor Designations for the 2016 Campaign	<u>\$ 1,094,344</u>