

**United Way of the  
Cape Fear Area, Inc.**

***Financial Statements***  
*For the Year Ended June 30, 2018*  
*(with Comparative Totals for 2017)*

## United Way of the Cape Fear Area, Inc.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
• Statement of Financial Position	3
• Statement of Activities	4
• Statement of Functional Expenses	5
• Statement of Cash Flows	6
• Notes to Financial Statements	7 - 16
SUPPLEMENTARY INFORMATION	17



*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
United Way of the Cape Fear Area, Inc.

We have audited the accompanying financial statements of United Way of the Cape Fear Area, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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, Inc. as of June 30, 2018, 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 2017 Campaign on page 17 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 Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Ernst & Young, L.L.P.*

Wilmington, North Carolina  
October 17, 2018

**United Way of the Cape Fear Area, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2018**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Comparative Total
<b>ASSETS</b>				
Current Assets				
Cash & cash equivalents	\$ 1,530,699	\$ -	\$ 1,530,699	\$ 1,370,802
Investments	359,222	-	359,222	362,136
Annual campaign pledges receivable, net of allowance for doubtful pledges of \$98,747 and \$125,841, respectively	603,938	-	603,938	783,353
Grants & other receivables	38,212	-	38,212	38,517
Prepaid expenses	9,324	-	9,324	16,561
Total Current Assets	<u>2,541,395</u>	<u>-</u>	<u>2,541,395</u>	<u>2,571,369</u>
Property				
Furniture & equipment	128,985	-	128,985	123,144
Less: Accumulated depreciation	<u>(113,500)</u>	<u>-</u>	<u>(113,500)</u>	<u>(111,778)</u>
Property, Net	<u>15,485</u>	<u>-</u>	<u>15,485</u>	<u>11,366</u>
Total Assets	<u>\$ 2,556,880</u>	<u>\$ -</u>	<u>\$ 2,556,880</u>	<u>\$ 2,582,735</u>
<b>LIABILITIES &amp; NET ASSETS</b>				
Current Liabilities				
Accounts payable & accrued expenses	\$ 12,696	\$ -	\$ 12,696	\$ 17,271
Deferred revenue	12,500	-	12,500	46,737
Grants payable	775,026	-	775,026	878,390
Due to designated agencies	<u>142,189</u>	<u>-</u>	<u>142,189</u>	<u>114,776</u>
Total Current Liabilities/Total Liabilities	<u>942,411</u>	<u>-</u>	<u>942,411</u>	<u>1,057,174</u>
Net Assets				
Unrestricted	1,614,469	-	1,614,469	1,416,634
Temporarily restricted	-	-	-	108,927
Total Net Assets	<u>1,614,469</u>	<u>-</u>	<u>1,614,469</u>	<u>1,525,561</u>
Total Liabilities & Net Assets	<u>\$ 2,556,880</u>	<u>\$ -</u>	<u>\$ 2,556,880</u>	<u>\$ 2,582,735</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**United Way of the Cape Fear Area, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Comparative Total
<b>REVENUE &amp; SUPPORT</b>				
Annual campaign, net	\$ 2,078,677	\$ -	\$ 2,078,677	\$ 2,025,440
Less: Designations	(343,510)	-	(343,510)	(283,804)
Federal grant - Senior Aides Program	-	555,403	555,403	604,046
Homeless Project	-	-	-	151,867
Blue Ribbon Commission grants	-	18,200	18,200	51,200
Grants & other income	-	-	-	95,000
In-kind contributions	25,340	-	25,340	29,899
Investment income	2,590	-	2,590	2,422
Gain (loss) on market securities	30,086	-	30,086	39,917
Miscellaneous income	40,317	-	40,317	44,438
Net assets released from restriction	<u>682,530</u>	<u>(682,530)</u>	<u>-</u>	<u>-</u>
Total Revenue & Support	<u>2,516,030</u>	<u>(108,927)</u>	<u>2,407,103</u>	<u>2,760,425</u>
<b>EXPENSES</b>				
Program				
Allocations & grants	871,508	-	871,508	1,094,344
Senior Aides	635,414	-	635,414	691,034
Community Impact	190,519	-	190,519	220,411
Marketing & communications	78,867	-	78,867	91,064
Other programs	31,354	-	31,354	244,514
General & administrative	96,600	-	96,600	81,212
Fundraising	<u>413,933</u>	<u>-</u>	<u>413,933</u>	<u>419,580</u>
Total Expenses	<u>2,318,195</u>	<u>-</u>	<u>2,318,195</u>	<u>2,842,159</u>
<b>Change in Net Assets</b>	197,835	(108,927)	88,908	(81,734)
<b>Net Assets, Beginning</b>	<u>1,416,634</u>	<u>108,927</u>	<u>1,525,561</u>	<u>1,607,295</u>
<b>Net Assets, Ending</b>	<u>\$ 1,614,469</u>	<u>\$ -</u>	<u>\$ 1,614,469</u>	<u>\$ 1,525,561</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**United Way of the Cape Fear Area, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**

	2018							2017 Comparative Total	
	Program Allocations & Grants	Senior Aides	Community Impact	Marketing & Communications	Other Programs	General & Administrative	Fundraising		Total
Salaries	\$ -	\$ -	\$ 82,079	\$ 31,117	\$ 15,401	\$ 31,191	\$ 215,233	\$ 375,021	\$ 430,418
Employee benefits	-	-	15,580	11,776	2,664	8,836	31,165	70,021	69,259
Payroll taxes	-	-	8,832	3,437	1,875	3,273	24,883	42,300	49,396
Total Salaries & Related	-	-	106,491	46,330	19,940	43,300	271,281	487,342	549,073
Professional fees	-	3,935	1,463	1,401	656	17,529	4,528	29,512	28,263
Supplies	-	2,986	1,495	1,221	246	1,920	5,505	13,373	26,819
Campaign grant supplies	-	120	1,045	131	62	111	37,246	38,715	41,778
Telephone	-	3,595	1,801	2,025	288	2,053	5,756	15,518	14,525
Utilities & housekeeping	-	1,191	504	520	149	726	1,609	4,699	3,128
Postage	-	742	327	355	60	440	2,123	4,047	5,924
Occupancy	-	26,328	11,041	11,304	3,489	13,065	35,147	100,374	99,946
Computer software & maintenance	-	7,793	3,998	3,611	642	3,264	14,859	34,167	27,228
Advertising & printing	-	7,374	3,148	3,238	1,037	3,587	9,602	27,986	34,998
Travel	-	5,178	1,869	196	31	230	3,178	10,682	8,356
Annual meeting	-	-	-	-	-	-	-	-	2,794
Membership dues	-	9,363	4,396	4,471	775	5,218	14,658	38,881	39,507
Insurance	-	1,780	694	635	370	720	2,108	6,307	6,048
Conferences & training	-	912	2,549	452	64	617	2,548	7,142	10,915
211 project	-	-	15,784	-	-	-	-	15,784	25,500
Special grants & events	-	-	29,383	-	-	-	-	29,383	171,947
In-kind expense	-	2,339	4,290	2,925	2,925	3,510	3,510	19,499	29,899
Senior Aides - salaries & related	-	561,554	-	-	-	-	-	561,554	619,699
Allocations & grants	1,215,018	-	-	-	-	-	-	1,215,018	1,378,148
Less: Designations	(343,510)	-	-	-	-	-	-	(343,510)	(283,804)
Total Operating Expenses	871,508	635,190	190,278	78,815	30,734	96,290	413,658	2,316,473	2,840,691
Depreciation & loss on retirement	-	224	241	52	620	310	275	1,722	1,468
Total Expenses	<u>\$ 871,508</u>	<u>\$ 635,414</u>	<u>\$ 190,519</u>	<u>\$ 78,867</u>	<u>\$ 31,354</u>	<u>\$ 96,600</u>	<u>\$ 413,933</u>	<u>\$ 2,318,195</u>	<u>\$ 2,842,159</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**United Way of the Cape Fear Area, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Comparative Total
<b>Cash Flows From Operating Activities</b>				
Cash Collections for:				
Contributions & other	\$ 2,593,381	\$ (75,000)	\$ 2,518,381	\$ 2,704,188
Less: Cash Payments for:				
Total expenses	<u>(2,391,484)</u>	<u>-</u>	<u>(2,391,484)</u>	<u>(2,902,739)</u>
Net Cash Provided (Used)				
By Operating Activities	<u>201,897</u>	<u>(75,000)</u>	<u>126,897</u>	<u>(198,551)</u>
<b>Cash Flows From Investing Activities</b>				
Purchase of property & equipment	-	-	-	-
Purchases & proceeds of investments, net	<u>33,000</u>	<u>-</u>	<u>33,000</u>	<u>-</u>
Net Cash Provided (Used)				
By Investing Activities	<u>33,000</u>	<u>-</u>	<u>33,000</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>				
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>
<b>Net Increase (Decrease) in Cash</b>	234,897	(75,000)	159,897	(198,551)
<b>Cash &amp; Cash Equivalents, Beginning</b>	<u>1,295,802</u>	<u>75,000</u>	<u>1,370,802</u>	<u>1,569,353</u>
<b>Cash &amp; Cash Equivalents, Ending</b>	<u>\$ 1,530,699</u>	<u>\$ -</u>	<u>\$ 1,530,699</u>	<u>\$ 1,370,802</u>
<b>Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:</b>				
Change in net assets	\$ 197,835	\$ (108,927)	\$ 88,908	\$ (81,734)
Depreciation & loss on retirement	1,722	-	1,722	1,468
(Gain) loss on market securities	(30,086)	-	(30,086)	(39,917)
Non-cash donations	(5,841)	-	(5,841)	-
(Increase) Decrease in:				
Pledges receivable & other current assets	145,793	33,927	179,720	(9,664)
Prepaid expenses	7,237	-	7,237	(8,124)
Increase (Decrease) in:				
Grants payable	(103,364)	-	(103,364)	(88,710)
Accounts payable & other current liabilities	<u>(11,399)</u>	<u>-</u>	<u>(11,399)</u>	<u>28,130</u>
Net Cash Provided (Used)				
By Operating Activities	<u>\$ 201,897</u>	<u>\$ (75,000)</u>	<u>\$ 126,897</u>	<u>\$ (198,551)</u>
<b>Supplemental Disclosure</b>				
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, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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**1. ORGANIZATION**

United Way of the Cape Fear Area, Inc. (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 Brunswick, Columbus, New Hanover, and Pender 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. In recent years, the department has focused on three different impact areas identifying needs, strategies, and solutions specific to each area. The areas have been defined as education, health, and financial stability. Going forward, the department will refocus on areas related to children, families, and neighborhoods. 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, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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**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 and disclosure of contingent 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, 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.
- 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 any 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. There were no restrictions on net assets as of June 30, 2018.

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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Annual Campaign Pledges Receivable and Allowance for Doubtful Pledges

Annual campaign 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 pledges receivable is reduced by an allowance for doubtful pledges 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 the allowance for the current year campaign pledges. This allowance 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. Furniture and 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.

Property 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.

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.

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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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.

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. U.S. 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 2018, advertising donated by local media, fundraising items, and a phone system were valued at \$25,340 and recorded. 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.

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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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.

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 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 taxing authorities for fiscal years prior to 2015.

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 conjunction 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.

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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Subsequent Events

Subsequent events have been evaluated through October 17, 2018, 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. The following subsequent event has been noted:

On September 14, 2018, Hurricane Florence made landfall as a Category 1 hurricane at Wrightsville Beach, North Carolina, which is a barrier island contiguous to Wilmington, North Carolina. The winds and heavy rain caused widespread damage. Although the Organization's operations and cash flows were adversely impacted by the storm, in the opinion of management, there will be no permanent long-term effect on the operations of the Organization and no adjustments related to the storm were required in the accompanying financial statements.

**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>2018</u>	<u>2017</u>
Petty Cash	\$ 1,375	\$ 1,375
Checking - Operating	49,360	96,964
Checking - Senior Aides	56,066	38,783
Checking - Other	497,466	184,805
Money Markets & Savings	<u>926,432</u>	<u>1,048,875</u>
Total Cash & Cash Equivalents	<u>\$ 1,530,699</u>	<u>\$ 1,370,802</u>

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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**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 U.S. 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 prices (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 are as follows:

	2018		2017	
	Fair Value	Level 1	Fair Value	Level 1
Mutual Fund	<u>\$ 359,222</u>	<u>\$ 359,222</u>	<u>\$ 362,136</u>	<u>\$ 362,136</u>

**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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**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 \$555,403 for the year ended June 30, 2018 and \$604,046 for the year ended 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 miscellaneous income in the statement of activities. Rent expense totaling \$100,374 was recorded for the year ended June 30, 2018 and \$99,946 for the year ended June 30, 2017.

During fiscal year 2016, the Organization entered into two operating lease agreements for various office equipment with four-year lease terms. Under the terms of these lease agreements, monthly rent expense is \$298. Rent expense totaling \$3,576 was recorded for the year ended June 30, 2018 and 2017.

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

2019	\$ 92,342
2020	<u>450</u>
Total	<u>\$ 92,792</u>



**United Way of the Cape Fear Area, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

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**7. GRANTS PAYABLE AND DUE TO DESIGNATED AGENCIES**

In June 2017, the Organization approved its 2017 operating budget, including grant allocations communicated to partner agencies in the amount of \$775,026, as well as \$142,189 of donor designations (due to designated agencies). Prior year grants and donor designations were \$878,390 and \$114,776, respectively. 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 were \$40,672 for the year ended June 30, 2018 and \$51,571 for the year ended June 30, 2017.

**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, 2018, the Organization held \$359,222 in mutual funds subject to these risks.

## **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 2018 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 2018 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, Inc.**  
**Schedule of Support Allocations and Donor Designations for the 2017**  
**Campaign**  
**For the Period From July 1, 2017 to June 30, 2018**

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Cape Fear HealthNet, Inc.	\$ 207,061
Food Bank of Central & Eastern North Carolina, Inc.	93,213
Brigade Boys and Girls Club, Inc.	54,050
Good Shepherd Ministries of Wilmington, Inc.	50,691
Blue Ribbon Commission on the Prevention of Youth Violence (BRC)	48,250
Coastal Horizons Center, Inc.	44,547
Communities in Schools of Cape Fear, Inc.	43,200
Kids Making It, Inc.	41,029
The Salvation Army	40,500
Smart Start of New Hanover County	27,868
Brunswick Family Assistance Agency, Inc.	22,894
Domestic Violence Shelter and Services, Inc.	22,032
Lower Cape Fear Hospice, Incorporated	20,881
Columbus County DREAM Center, Incorporated	19,800
Communities in Schools of Brunswick County, Inc.	18,559
The Carousel Center, Inc.	18,000
DREAMS Center for Arts Education	18,000
Cape Fear Literacy Council	15,750
L.I.N.C., Inc.	15,300
Pender Alliance for Teen Health (PATH)	15,000
American Red Cross Cape Fear Chapter	13,500
Step Up Wilmington	13,500
Wilmington Area Rebuilding Ministry, Inc.	13,500
YWCA of the Lower Cape Fear, Inc.	13,500
Matthews Ministry, Inc.	9,000
Mother Hubbard's Cupboard of Wilmington, Inc.	9,000
NourishNC, Inc.	9,000
United Way of Cumberland County	7,129
United Way of Coastal Carolina, Inc.	4,987
United Way of Greater Milwaukee	4,668
Education Without Walls	4,500
United Way of the Greater Triangle, Inc.	4,031
United Way of Pitt County, Inc.	3,627
United Way of Onslow County, Inc.	3,501
Boys and Girls Homes of North Carolina, Inc.	3,292
Best for Kids	3,250
Boy Scouts of America-Cape Fear	3,228
Disabled American Veterans, Inc. (DAV)	3,150
Charity Tracker	3,045
Community Boys & Girls Club of Wilmington, NC, Inc.	2,996
United Way of Robeson County, Inc.	2,969
The Warrior Ride	2,184
United Way Tar River Region	1,874
Cape Fear Habitat for Humanity, Inc.	1,852
The United Way of Wilson County, Inc.	1,824
Child Development Center, Inc.	1,587
Trident United Way	1,423
United Way of Greater St Louis	1,363
Harrelson Center Agreement	1,200
United Way of Kitsap County	1,186
United Way of Lee County, Inc.	1,143
Direct pay & other designations	<u>227,384</u>
	1,215,018
Less: Contributions designated by donors	<u>(343,510)</u>
Total Support Allocations & Donor Designations for the 2017 Campaign	<u>\$ 871,508</u>