

United Way of the Cape Fear Area

Financial Statements

*For the Year Ended June 30, 2015
(with Comparative Totals for 2014)*

United Way of the Cape Fear Area

CONTENTS

	<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 - 15
Schedule of Expenditures of Federal Awards	16
Supplementary Information	17 - 18
AUDITOR'S REPORTS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20
Report On Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	21 - 22
Schedule of Findings and Questioned Costs	23 - 24



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2015, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of support allocations and donor designations for the 2014 campaign on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of United Way of the Cape Fear Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of the Cape Fear Area's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited United Way of the Cape Fear Area's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ewing & Company, L.L.P.

Wilmington, North Carolina
October 20, 2015

United Way of the Cape Fear Area
Statement of Financial Position
As of June 30, 2015

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Comparative Total
Assets				
Current Assets				
Cash & cash equivalents	\$ 1,669,342	\$ 75,000	\$ 1,744,342	\$ 1,802,997
Investments	314,657	-	314,657	298,524
Annual campaign pledges receivable, net of \$134,482 allowance for doubtful accounts	696,558	-	696,558	844,014
Grant receivable	42,746	-	42,746	34,404
Other receivable	10,271	-	10,271	8,053
Prepaid expense	8,691	-	8,691	8,191
Total Current Assets	<u>2,742,265</u>	<u>75,000</u>	<u>2,817,265</u>	<u>2,996,183</u>
Non-current advance receivable	<u>45,000</u>	<u>-</u>	<u>45,000</u>	<u>-</u>
Property & Equipment				
Furniture & equipment	123,144	-	123,144	123,144
Less: Accumulated depreciation	<u>(107,354)</u>	<u>-</u>	<u>(107,354)</u>	<u>(98,993)</u>
Property, net	<u>15,790</u>	<u>-</u>	<u>15,790</u>	<u>24,151</u>
Total Assets	<u>\$ 2,803,055</u>	<u>\$ 75,000</u>	<u>\$ 2,878,055</u>	<u>\$ 3,020,334</u>
Liabilities & Net Assets				
Current Liabilities				
Accounts payable & accrued expense	\$ 34,911	\$ -	\$ 34,911	\$ 15,467
Deferred revenue	25,771	-	25,771	31,250
Grants payable	942,920	-	942,920	930,350
Due to designated agencies	107,950	-	107,950	161,097
Lease payable	-	-	-	338
Total Current Liabilities/Total Liabilities	<u>1,111,552</u>	<u>-</u>	<u>1,111,552</u>	<u>1,138,502</u>
Net Assets				
Unrestricted	1,691,503	-	1,691,503	1,844,332
Temporarily restricted	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>37,500</u>
Total Net Assets	<u>1,691,503</u>	<u>75,000</u>	<u>1,766,503</u>	<u>1,881,832</u>
Total Liabilities & Net Assets	<u>\$ 2,803,055</u>	<u>\$ 75,000</u>	<u>\$ 2,878,055</u>	<u>\$ 3,020,334</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, 2015

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Comparative Total
Revenue & Support				
Annual campaign, net	\$ 2,100,497	\$ -	\$ 2,100,497	\$ 2,090,953
Less designations	(404,530)	-	(404,530)	(407,550)
Federal grant - Senior Aides Program	-	555,247	555,247	589,292
Federal grant - ESG	-	151,043	151,043	282,583
Homeless Project grants	37,000	95,500	132,500	176,058
Blue Ribbon Commission grants	-	42,000	42,000	55,000
Other grants	-	75,000	75,000	90,270
In-kind contributions	87,500	-	87,500	105,000
Investment income	2,025	-	2,025	2,239
Gain (loss) on market securities	16,133	-	16,133	45,185
Miscellaneous income	26,546	-	26,546	36,886
Net assets released from restriction	881,290	(881,290)	-	-
Total Revenue & Support	<u>2,746,461</u>	<u>37,500</u>	<u>2,783,961</u>	<u>3,065,916</u>
Expenses				
Program				
Allocation & grants	975,271	-	975,271	930,350
Senior Aides	639,084	-	639,084	672,604
Community Impact	284,586	-	284,586	302,990
Marketing & communications	98,939	-	98,939	106,694
Other programs	490,420	-	490,420	530,316
General & administrative	86,966	-	86,966	120,680
Fundraising	324,024	-	324,024	332,790
Total Expenses	<u>2,899,290</u>	<u>-</u>	<u>2,899,290</u>	<u>2,996,424</u>
Change in Net Assets	(152,829)	37,500	(115,329)	69,492
Net Assets				
Beginning of year	<u>1,844,332</u>	<u>37,500</u>	<u>1,881,832</u>	<u>1,812,340</u>
End of year	<u>\$ 1,691,503</u>	<u>\$ 75,000</u>	<u>\$ 1,766,503</u>	<u>\$ 1,881,832</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, 2015

	2015							2014 Comparative Total	
	Program Allocations & Grants	Senior Aides	Community Impact	Marketing & Communications	Other Programs	General & Administrative	Fundraising		Total Expenses
Salaries	\$ -	\$ -	\$ 125,948	\$ 47,373	\$ 98,576	\$ 31,199	\$ 141,315	\$ 444,411	\$ 493,761
Employee benefits	-	-	22,551	11,090	14,479	6,941	23,726	78,787	85,833
Payroll taxes	-	-	15,070	5,416	11,573	4,667	17,829	54,555	52,707
Total Salary & Related	-	-	163,569	63,879	124,628	42,807	182,870	577,753	632,301
Professional fees	-	4,132	3,335	1,270	3,334	794	3,335	16,200	20,499
Supplies	-	2,129	3,144	1,419	3,979	11,215	26,875	48,761	55,148
Campaign grant supplies	-	197	782	148	393	132	32,972	34,624	36,552
Telephone	-	966	1,693	725	2,045	644	2,536	8,609	11,387
Utilities & house keeping	-	449	787	337	885	300	995	3,753	2,913
Postage	-	380	637	268	710	248	2,038	4,281	5,265
Occupancy	-	23,601	20,660	7,871	21,159	5,830	20,165	99,286	88,839
Computer software & maintenance	-	3,637	4,685	2,007	5,230	1,785	6,794	24,138	20,043
Advertising & printing	-	3,077	7,068	2,450	6,405	2,051	7,536	28,587	29,610
Travel	-	5,219	4,507	398	3,701	-	4,673	18,498	22,056
Annual meeting	-	5	8	4	9	23	11	60	-
Membership dues	-	4,016	7,778	3,068	8,008	2,677	9,502	35,049	35,700
Insurance	-	658	1,151	493	1,260	438	1,479	5,479	10,021
Conferences & training	-	600	2,731	752	1,595	345	3,784	9,807	11,298
211 project	-	633	21,630	474	1,266	422	1,371	25,796	27,265
Special grants & events	-	-	20,000	-	111,797	-	-	131,797	72,528
In-kind expense	-	10,500	19,250	13,125	13,125	15,750	15,750	87,500	105,000
Senior Aides - salary & related	-	577,798	-	-	-	-	-	577,798	609,807
Allocations & grants	1,379,801	-	-	-	-	-	-	1,379,801	1,337,900
Less: Designations	(404,530)	-	-	-	-	-	-	(404,530)	(407,550)
Homeless Project allocations & expenses	-	-	-	-	177,881	-	-	177,881	260,927
Total Operating Expenses	975,271	637,997	283,415	98,688	487,410	85,461	322,686	2,890,928	2,987,509
Depreciation & loss on retirement	-	1,087	1,171	251	3,010	1,505	1,338	8,362	8,915
Total Expenses	\$ 975,271	\$ 639,084	\$ 284,586	\$ 98,939	\$ 490,420	\$ 86,966	\$ 324,024	\$ 2,899,290	\$ 2,996,424

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, 2015

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Comparative Total
Cash Flows From Operating Activities				
Cash Collections for:				
Contributions & other	\$ 2,696,724	\$ 75,000	\$ 2,771,724	\$ 2,789,021
Less: Cash Payments for:				
Total expenses	<u>(2,792,879)</u>	<u>(37,500)</u>	<u>(2,830,379)</u>	<u>(2,919,140)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(96,155)</u>	<u>37,500</u>	<u>(58,655)</u>	<u>(130,119)</u>
Cash Flows From Investing Activities				
Purchase of property & equipment	-	-	-	-
Purchases & proceeds of investments, net	-	-	-	-
Net Cash Provided by (Used in) Investing Activities	-	-	-	-
Cash Flows From Financing Activities				
Payments of principal	-	-	-	-
Net Cash Provided by (Used in) Financing Activities	-	-	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	(96,155)	37,500	(58,655)	(130,119)
Cash & Cash Equivalents				
Beginning of year	<u>1,765,497</u>	<u>37,500</u>	<u>1,802,997</u>	<u>1,930,877</u>
End of year	<u>\$ 1,669,342</u>	<u>\$ 75,000</u>	<u>\$ 1,744,342</u>	<u>\$ 1,800,758</u>
Reconciliation of Change in Net Assets to Cash Provided by (Used in) Operating Activities:				
Excess of revenues over (under) expenses	\$ (152,829)	\$ 37,500	\$ (115,329)	\$ 69,492
Depreciation	8,362	-	8,362	8,915
Unrealized (gain) loss	(16,133)	-	(16,133)	(45,185)
(Increase) Decrease in:				
Receivables	91,895	-	91,895	(134,756)
Prepays	(500)	-	(500)	(8,042)
Increase (Decrease) in:				
Accounts payable	<u>(26,950)</u>	-	<u>(26,950)</u>	<u>(18,304)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (96,155)</u>	<u>\$ 37,500</u>	<u>\$ (58,655)</u>	<u>\$ (127,880)</u>
Interest paid			\$ -	\$ -
Income taxes paid			\$ -	\$ -

The Accompanying Notes are an Integral Part of these Financial Statements

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2015

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 29 programs to address critical health and human service needs in the tri-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, 2015

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-profits. 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.
- 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 are 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. 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, 2015

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.

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.

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, 2015

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, required specialized skills, and are provided by individuals possessing those skills.

During fiscal 2015, advertising donated by local media was valued at \$87,500 and recorded. No other amounts for donated services were recognized in the financial statements as the criteria for recognition have not been met.

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 the Office of Management and Budget Circular A-133 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.

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. United Way of the Cape Fear Area 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 2012.

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2015

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.

Prior Year Information

The financial statements include 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 20, 2015, 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 at June 30:

	<u>2015</u>	<u>2014</u>
Petty Cash	\$ 1,375	\$ 1,375
Checking - Operating	66,353	87,537
Checking - Senior AIDES	39,707	38,816
Checking - Other	492,090	533,405
Money Markets & Savings	<u>1,144,817</u>	<u>1,141,864</u>
	<u>\$ 1,744,342</u>	<u>\$ 1,802,997</u>

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2015

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, 2015 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual Fund	<u>\$ 314,657</u>	<u>\$ 314,657</u>

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2015

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 \$555,247 during the period July 1, 2014 to June 30, 2015.

The Organization also sponsors the Emergency Solutions Grant (ESG) program under the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009. Funding for this program is passed through the NC Department of Health and Human Services. The purpose of this program is to assist people to quickly regain stability and permanent housing after experiencing a housing crisis and/or homelessness. Grant revenue recognized under this program was \$151,043 during the period July 1, 2014 to June 30, 2015.

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 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 was granted the right to sublease that space to Corbett Partners Incorporated, d/b/a Eastcoast Research, or its successors and assigns. Rent expense totaling \$98,292 was recorded for the period July 1, 2014 to June 30, 2015 and \$87,396 for the period July 1, 2013 to June 30, 2014.

7. GRANTS PAYABLE AND DUE TO DESIGNATED AGENCIES

In June 2014, the Organization approved its 2014 operating budget, including grant allocations communicated to partner agencies in the amount of \$942,920, as well as \$107,950 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.

United Way of the Cape Fear Area
Notes to Financial Statements
June 30, 2015

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 \$48,050.

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 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, 2015, the Organization held \$314,657 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 omission, and employee workers' compensation and medical claims.

The Organization purchases commercial insurance coverage against risk of loss due to property damage and theft, and various other insurable risks. The Organization carries personal property insurance in the amount of \$150,000 in 2014 and 2015 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 2014 and 2015 with a \$2,500 deductible. 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 \$500 deductible.

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 Expenditures of Federal Awards
For the Year Ended June 30, 2015

	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>U.S. Department of Labor</u>			
Passed through Senior Service America, Inc. Employment Program	17.235	\$ 555,247	\$ -
<u>U.S. Department of Housing and Urban Development</u>			
Passed through North Carolina Department of Health and Human Services, Division of Aging and Adult Services	14.231	<u>172,701</u>	<u>161,881</u>
Total Federal Grants		<u>\$ 727,948</u>	<u>\$ 161,881</u>

Notes:

1. The schedule was prepared on the accrual basis.
2. No noncash expenditures are included in this schedule.

United Way of the Cape Fear Area
Schedule of Support Allocations and Donor Designations for the 2014
Campaign
For the Period From July 1, 2014 to June 30, 2015

Cape Fear Health Net	\$ 180,000
Coastal Horizons Center Inc.	101,752
Food Bank of Central & Eastern NC	93,000
Good Shepherd Center	82,746
Brigade Boys & Girls Club	59,921
Communities in Schools Cape Fear	48,552
Salvation Army	45,000
BRC - Youth Enrichment Zone	41,820
Kids Making It, Inc.	40,551
Smart Start of New Hanover County	30,000
Brunswick Family Assistance	25,774
Lower Cape Fear Hospice Inc.	25,151
Communities in Schools Brunswick	20,905
The Carousel Center	20,811
DREAMS Center for Arts Education	20,000
American Red Cross Cape Fear Chapter	18,520
Cape Fear Literacy Council	17,910
LINC	17,000
Safe Haven of Pender County	16,909
Wilmington Area Rebuilding Ministry Inc.	15,878
YWCA of the Lower Cape Fear	15,000
Domestic Violence Shelter & Services	12,702
Brunswick Housing Opportunities	10,000
Mother Hubbards Cupboard of Wilmington	10,000
Nourish NC	10,000
Community Boys and Girls Club of Wilmington	5,328
National Center for Outdoor and Adventure Education	5,000
Phoenix Employment Ministries	5,000
Pender Adult Services Inc.	5,000
United Way of the Greater Triangle	4,677
Cape Fear Habitat for Humanity	4,238
Shiloh Missionary Baptist Church	3,312
Canines for Service	2,721
Wilmington Police Recreation Association	2,424
Boy Scouts of America - Cape Fear	2,346
United Way of Massachusetts Bay	2,182
American Cancer Society NC Division	2,020
United Way of South Suburban Cook County	1,820
United Way Treasure Valley	1,365
Catholic Charities of the Diocese of Raleigh, Inc.	1,305
Boys and Girls Home of NC	1,238
Cape Fear Youth Soccer Association	1,092
The Children's Museum of Wilmington	1,092
Girl Scouts - NC Coastal Pines	1,079
YMCA of Wilmington	975
Wounded Warriors, Inc.	946

United Way of the Cape Fear Area
Schedule of Support Allocations and Donor Designations for the 2014
Campaign – Continued
For the Period From July 1, 2014 to June 30, 2015

Salvation Army Heartland Division	910
Families First	801
Crohn's and Colitis Foundation - Carolina	774
American Red Cross - Onslow County	773
Brunswick County Senior Resources	746
March of Dimes Birth Defect Foundation	743
Elderhaus, Inc.	682
United Way of Chatham County	655
YAHWEH Center	655
United Way of Onslow County	615
CFPUA Assist Neighbors Helping Neighbors	610
Public Health Foundation of New Hanover	592
Life and Safety Education Resources	546
Direct Pay and Other Designations	<u>335,637</u>
	<u>1,379,801</u>
Less: Contributions designated by donors	<u>(404,530)</u>
	<u>\$ 975,271</u>



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of the Cape Fear Area (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of the Cape Fear Area's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of the Cape Fear Area's internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of the Cape Fear Area's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of the Cape Fear Area's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young, L.L.P.

Wilmington, North Carolina
October 20, 2015



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited United Way of the Cape Fear Area's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of United Way of the Cape Fear Area's major federal programs for the year ended June 30, 2015. United Way of the Cape Fear Area's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of United Way of the Cape Fear Area's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Way of the Cape Fear Area's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of United Way of the Cape Fear Area's compliance.

Opinion on Each Major Federal Program

In our opinion, United Way of the Cape Fear Area complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of United Way of the Cape Fear Area is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Way of the Cape Fear Area's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way of the Cape Fear Area's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eamy & Company, L.L.P.

Wilmington, North Carolina
October 20, 2015

United Way of the Cape Fear Area
Schedule of Findings and Questioned Costs
June 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued:

Unmodified

- Going concern identified Yes No
- Significant deficiency disclosed Yes No
- Significant deficiency reported as a material weakness Yes No

Noncompliance material to financial statements noted

Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified Yes No
- Significant deficiency identified that is not considered to be material weakness Yes No

Type of auditor’s report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133

Yes No

Identification of major programs:

CFDA Number
17.235

Name of Federal Program or Cluster
Senior Aides Employment Program

Dollar threshold used to distinguish type A and type B programs

\$300,000

Auditee qualified as low-risk auditee

Yes No

United Way of the Cape Fear Area
Schedule of Findings and Questioned Costs – Continued
June 30, 2015

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Prior Audit Findings

1. During fiscal year 2014, United Way of the Cape Fear Area failed to submit three of the required monthly SA1 reports by the deadline required by the grant agreement.

Status: Significant progress was made in improving the timeliness of report submissions during fiscal 2014. All SA1 and SA2 reports and the Closeout Grant Report were filed in a timely manner. Management has been actively involved in monitoring the timely submission of required reports resulting in no additional late filings.