

**United Way of the Cape Fear Area**

***Financial Statements***

*For the Year Ended June 30, 2016  
(with Comparative Totals for 2015)*

## 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

### **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, 2016, 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, 2016, 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 2015 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 United Way of the Cape Fear Area's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Eamy & Company, L.L.P.*

Wilmington, North Carolina  
September 22, 2016

**United Way of the Cape Fear Area**  
**Statement of Financial Position**  
**As of June 30, 2016**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Comparative Total
<b>ASSETS</b>				
Current Assets				
Cash & cash equivalents	\$ 1,494,353	\$ 75,000	\$ 1,569,353	\$ 1,744,342
Investments	322,219	-	322,219	314,657
Annual campaign pledges receivable, net of allowance for doubtful accounts of \$132,613 and \$134,482, respectively	752,824	-	752,824	696,558
Grants & other receivables	48,678	-	48,678	53,017
Prepaid expense	8,437	-	8,437	8,691
Total Current Assets	<u>2,626,511</u>	<u>75,000</u>	<u>2,701,511</u>	<u>2,817,265</u>
Non-current advance receivable	<u>45,000</u>	<u>-</u>	<u>45,000</u>	<u>45,000</u>
Property				
Furniture & equipment	123,144	-	123,144	123,144
Less: Accumulated depreciation	<u>(110,310)</u>	<u>-</u>	<u>(110,310)</u>	<u>(107,354)</u>
Property, Net	<u>12,834</u>	<u>-</u>	<u>12,834</u>	<u>15,790</u>
Total Assets	<u>\$ 2,684,345</u>	<u>\$ 75,000</u>	<u>\$ 2,759,345</u>	<u>\$ 2,878,055</u>
<b>LIABILITIES &amp; NET ASSETS</b>				
Current Liabilities				
Accounts payable & accrued expense	\$ 56,377	\$ -	\$ 56,377	\$ 34,911
Deferred revenue	14,171	-	14,171	25,771
Grants payable	967,100	-	967,100	942,920
Due to designated agencies	<u>114,402</u>	<u>-</u>	<u>114,402</u>	<u>107,950</u>
Total Current Liabilities/Total Liabilities	<u>1,152,050</u>	<u>-</u>	<u>1,152,050</u>	<u>1,111,552</u>
Net Assets				
Unrestricted	1,532,295	-	1,532,295	1,691,503
Temporarily restricted	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Total Net Assets	<u>1,532,295</u>	<u>75,000</u>	<u>1,607,295</u>	<u>1,766,503</u>
Total Liabilities & Net Assets	<u>\$ 2,684,345</u>	<u>\$ 75,000</u>	<u>\$ 2,759,345</u>	<u>\$ 2,878,055</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, 2016**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Comparative Total
<b>REVENUE &amp; SUPPORT</b>				
Annual campaign, net	\$ 2,148,728	\$ -	\$ 2,148,728	\$ 2,100,497
Less: Designations	(358,935)	-	(358,935)	(404,530)
Federal grant - Senior Aides Program	-	550,229	550,229	555,247
Federal grant - ESG	-	139,996	139,996	151,043
Homeless Project grants	-	112,000	112,000	132,500
Blue Ribbon Commission grants	-	62,000	62,000	42,000
Other grants	-	75,000	75,000	75,000
In-kind contributions	39,025	-	39,025	87,500
Investment income	2,339	-	2,339	2,025
Gain (loss) on market securities	7,562	-	7,562	16,133
Miscellaneous income	20,058	-	20,058	26,546
Net assets released from restriction	939,225	(939,225)	-	-
<b>Total Revenue &amp; Support</b>	<b>2,798,002</b>	<b>-</b>	<b>2,798,002</b>	<b>2,783,961</b>
<b>EXPENSES</b>				
Program				
Allocations & grants	1,007,108	-	1,007,108	975,271
Senior Aides	663,616	-	663,616	639,084
Community Impact	225,388	-	225,388	284,586
Marketing & communications	90,131	-	90,131	98,939
Other programs	418,603	-	418,603	490,420
General & administrative	87,767	-	87,767	86,966
Fundraising	464,597	-	464,597	324,024
<b>Total Expenses</b>	<b>2,957,210</b>	<b>-</b>	<b>2,957,210</b>	<b>2,899,290</b>
<b>Change in Net Assets</b>	<b>(159,208)</b>	<b>-</b>	<b>(159,208)</b>	<b>(115,329)</b>
<b>Net Assets, Beginning</b>	<b>1,691,503</b>	<b>75,000</b>	<b>1,766,503</b>	<b>1,881,832</b>
<b>Net Assets, Ending</b>	<b>\$ 1,532,295</b>	<b>\$ 75,000</b>	<b>\$ 1,607,295</b>	<b>\$ 1,766,503</b>

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, 2016**

	2016							2015 Comparative Total	
	Program Allocations & Grants	Senior Aides	Community Impact	Marketing & Communications	Other Programs	General & Administrative	Fundraising		Total
Salaries	\$ -	\$ -	\$ 86,992	\$ 47,195	\$ 62,579	\$ 47,078	\$ 200,663	\$ 444,507	\$ 444,411
Employee benefits	-	-	20,393	10,384	14,045	6,814	23,541	75,177	78,787
Payroll taxes	-	-	9,035	4,928	7,382	3,522	23,762	48,629	54,555
Total Salary & Related	-	-	116,420	62,507	84,006	57,414	247,966	568,313	577,753
Professional fees	-	5,115	1,749	1,431	1,342	1,590	5,018	16,245	16,200
Supplies	-	2,036	10,900	1,218	3,223	1,636	58,460	77,473	48,761
Campaign grant supplies	-	256	1,097	192	494	171	37,625	39,835	34,624
Telephone	-	3,288	483	752	651	922	3,111	9,207	8,609
Utilities & house keeping	-	1,205	405	350	287	493	1,245	3,985	3,753
Postage	-	685	601	307	560	303	1,898	4,354	4,281
Occupancy	-	29,621	11,045	8,946	8,448	9,918	31,423	99,401	99,286
Computer software & maintenance	-	2,990	4,353	1,544	4,922	1,372	8,109	23,290	24,138
Advertising & printing	-	3,319	3,452	2,705	3,572	1,656	10,752	25,456	28,587
Travel	-	4,858	2,738	179	1,851	166	5,579	15,371	18,498
Annual meeting	-	8	14	6	15	5	26,010	26,058	60
Membership dues	-	11,579	4,435	3,060	3,166	3,652	12,085	37,977	35,049
Insurance	-	1,377	897	540	893	554	1,745	6,006	5,479
Conferences & training	-	978	7,740	451	965	359	6,074	16,567	9,807
211 project	-	-	21,649	-	-	-	-	21,649	25,796
Special grants & events	-	-	28,410	-	179,994	-	-	208,404	131,797
In-kind expense	-	4,683	8,586	5,854	5,854	7,024	7,024	39,025	87,500
Senior Aides - salary & related	-	573,162	-	-	-	-	-	573,162	577,798
Allocations & grants	1,366,043	-	-	-	-	-	-	1,366,043	1,379,801
Less: Designations	(358,935)	-	-	-	-	-	-	(358,935)	(404,530)
Homeless Project allocations & expenses	-	18,072	-	-	117,296	-	-	135,368	177,881
Total Operating Expenses	<u>1,007,108</u>	<u>663,232</u>	<u>224,974</u>	<u>90,042</u>	<u>417,539</u>	<u>87,235</u>	<u>464,124</u>	<u>2,954,254</u>	<u>2,890,928</u>
Depreciation & loss on retirement	-	384	414	89	1,064	532	473	2,956	8,362
Total Expenses	<u>\$ 1,007,108</u>	<u>\$ 663,616</u>	<u>\$ 225,388</u>	<u>\$ 90,131</u>	<u>\$ 418,603</u>	<u>\$ 87,767</u>	<u>\$ 464,597</u>	<u>\$ 2,957,210</u>	<u>\$ 2,899,290</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, 2016**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Comparative Total
<b>Cash Flows From Operating Activities</b>				
Cash Collections for:				
Contributions & other	\$ 2,712,831	\$ 75,000	\$ 2,787,831	\$ 2,771,724
Less: Cash Payments for:				
Total expenses	<u>(2,887,820)</u>	<u>(75,000)</u>	<u>(2,962,820)</u>	<u>(2,830,379)</u>
Net Cash Provided (Used)				
By Operating Activities	<u>(174,989)</u>	<u>-</u>	<u>(174,989)</u>	<u>(58,655)</u>
<b>Cash Flows From Investing Activities</b>				
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>
<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>	(174,989)	-	(174,989)	(58,655)
<b>Cash &amp; Cash Equivalents, Beginning</b>	<u>1,669,342</u>	<u>75,000</u>	<u>1,744,342</u>	<u>1,802,997</u>
<b>Cash &amp; Cash Equivalents, Ending</b>	<u>\$ 1,494,353</u>	<u>\$ 75,000</u>	<u>\$ 1,569,353</u>	<u>\$ 1,744,342</u>
<b>Reconciliation of Change in Net Assets to Cash Provided (Used) By Operating Activities:</b>				
Excess of revenues over (under) expenses	\$ (159,208)	\$ -	\$ (159,208)	\$ (115,329)
Depreciation	2,956	-	2,956	8,362
Unrealized (gain) loss	(7,562)	-	(7,562)	(16,133)
(Increase) Decrease in:				
Receivables	(51,927)	-	(51,927)	91,895
Prepays	254	-	254	(500)
Increase (Decrease) in:				
Accounts payable	<u>40,498</u>	<u>-</u>	<u>40,498</u>	<u>(26,950)</u>
Net Cash Provided (Used)				
By Operating Activities	<u>\$ (174,989)</u>	<u>\$ -</u>	<u>\$ (174,989)</u>	<u>\$ (58,655)</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**  
**Notes to Financial Statements**  
**June 30, 2016**

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**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, 2016**

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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-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.

Temporarily restricted net assets at June 30, 2016 consist of restricted grants totaling \$75,000 to purchase school supplies for area schools in the next fiscal year (\$50,000 from Walmart and \$25,000 from GlaxoSmithKline).

**United Way of the Cape Fear Area**  
**Notes to Financial Statements**  
**June 30, 2016**

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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.

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, 2016**

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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.

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 allow 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 2016, advertising donated by local media and fundraising items were valued at \$39,025 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**  
**Notes to Financial Statements**  
**June 30, 2016**

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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. 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 2013.

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 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 September 22, 2016, 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.

**United Way of the Cape Fear Area**  
**Notes to Financial Statements**  
**June 30, 2016**

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**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>2016</u>	<u>2015</u>
Petty Cash	\$ 1,375	\$ 1,375
Checking - Operating	31,462	66,353
Checking - Senior AIDES	63,449	39,707
Checking - Other	325,890	492,090
Money Markets & Savings	<u>1,147,177</u>	<u>1,144,817</u>
	<u>\$ 1,569,353</u>	<u>\$ 1,744,342</u>

**United Way of the Cape Fear Area**  
**Notes to Financial Statements**  
**June 30, 2016**

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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 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, 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual Fund	<u>\$ 322,219</u>	<u>\$ 322,219</u>

**United Way of the Cape Fear Area**  
**Notes to Financial Statements**  
**June 30, 2016**

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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 \$550,229 during the period July 1, 2015 to June 30, 2016.

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 \$139,996 during the period July 1, 2015 to June 30, 2016.

**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 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. Rent expense totaling \$99,401 was recorded for the period July 1, 2015 to June 30, 2016 and \$98,292 was recorded for the period July 1, 2014 to June 30, 2015.

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 July 1, 2015 to June 30, 2016.

Future minimum lease payments are as follows:

<u>Years Ending June 30</u>	
2017	\$ 3,576
2018	3,576
2019	2,241
2020	<u>450</u>
	<u>\$ 9,843</u>

**United Way of the Cape Fear Area**  
**Notes to Financial Statements**  
**June 30, 2016**

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

In June 2015, the Organization approved its 2015 operating budget, including grant allocations communicated to partner agencies in the amount of \$967,100, as well as \$114,402 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 \$49,068.

**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, 2016, the Organization held \$322,219 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 2015 and 2016 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 2015 and 2016 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 Support Allocations and Donor Designations for the 2015**  
**Campaign**  
**For the Period From July 1, 2015 to June 30, 2016**

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Cape Fear HealthNet	\$ 180,000
Coastal Horizons Center, Inc.	101,485
Good Shepherd Center	82,251
Food Bank (BackPack Program)	75,000
Brigade Boys & Girls Club	59,682
Communities in Schools of Cape Fear	48,483
BRC - Youth Enrichment Zone	41,820
Kids Making It, Inc.	40,470
Salvation Army	37,500
Smart Start of New Hanover County	37,500
American Red Cross Cape Fear Chapter	28,437
Brunswick Family Assistance	25,644
Lower Cape Fear Hospice Inc	22,438
Communities in Schools of Brunswick County, Inc.	20,722
The Carousel Center	20,699
DREAMS Center for Arts Education	20,000
Food Bank of Central & Eastern North Carolina	18,000
Cape Fear Literacy Council	17,680
LINC, Inc.	17,000
Columbus County DREAM Center, Inc.	17,000
Wilmington Area Rebuilding Ministry, Inc.	15,778
YWCA Lower Cape Fear	15,000
Domestic Violence Shelter & Services, Inc.	11,290
Mother Hubbard's Cupboard of Wilmington	10,000
NourishNC	10,000
Brunswick Housing Opportunities, Inc.	10,000
United Way of the Greater Triangle	6,461
Pender Adult Services, Inc.	5,000
Phoenix Employment Ministry	5,000
The National Center For Outdoor & Adventure Education	5,000
North Carolina Baptist Men	5,000
Community Boys & Girls Club of Wilmington	4,817
Cape Fear Habitat for Humanity, Inc.	3,619
United Way of Onslow County	3,509
Shiloh Missionary Baptist Church	3,217
Canines for Service, Inc.	2,326
Wilmington Police Recreation Association	2,315
Boy Scouts of America Cape Fear Council	2,202
United Way of Pitt County	2,141
United Way of Cumberland County	1,981
American Cancer Society NC Division	1,693
United Way of Wayne County	1,552
United Way of Treasure Valley	1,365

**United Way of the Cape Fear Area**  
**Schedule of Support Allocations and Donor Designations for the 2015**  
**Campaign – Continued**  
**For the Period From July 1, 2015 to June 30, 2016**

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United Way of Lee County	1,335
United Way of Coastal Carolina	1,274
Catholic Charities of the Diocese of Raleigh, Inc.	1,240
Boys & Girls Homes of North Carolina	1,209
Albemarle Area United Way	1,104
YMCA of Wilmington	1,034
Girl Scouts - NC Coastal Pines, Inc	951
The Children's Museum of Wilmington	940
The Salvation Army Heartland Division	910
Cape Fear Youth Soccer Association	907
United Way of Massachusetts Bay and Merrimack Valley	883
United Way of Wilson County	840
Wounded Warriors, Inc.	786
Families First	777
Brunswick Senior Resources, Inc.	693
United Way of Chatham County	658
Direct Pay & Other Designations	<u>309,425</u>
	<u>1,366,043</u>
Less: Contributions designated by donors	<u>(358,935)</u>
	<u>\$ 1,007,108</u>