

UNITED WAY OF THE CAPITAL AREA, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

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CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of the Capital Area, Inc.
Jackson, Mississippi

We have audited the accompanying financial statements of United Way of the Capital Area, Inc. which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Auditor's Responsibility - continued:

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 Capital Area, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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 accompanying supplementary information on pages 19-21 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.

Waldox Reid Eubank Nettis PLLC

Jackson, Mississippi
January 16, 2019

UNITED WAY OF THE CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents		
Cash	\$ 332,183	197,015
Short-term deposits	<u>248,212</u>	<u>246,277</u>
Total cash and cash equivalents	580,395	443,292
Pledges receivable, net of allowance	613,985	869,775
Investments	63,922	314,720
Other receivables	143,851	258,463
Prepaid expenses and other assets	<u>13,532</u>	<u>12,892</u>
	<u>1,415,685</u>	<u>1,899,142</u>
 PROPERTY AND EQUIPMENT:		
Land	222,129	222,129
Building, furnishings and equipment, net	<u>102,893</u>	<u>117,638</u>
	<u>325,022</u>	<u>339,767</u>
 TOTAL ASSETS	 \$ <u>1,740,707</u>	 <u>2,238,909</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 27,218	24,853
Accrued expenses	53,284	44,018
Agency funds	2,269	14,471
Designations payable	223,746	325,798
Deferred revenue	<u>20,026</u>	<u>19,933</u>
	<u>326,543</u>	<u>429,073</u>
 NET ASSETS:		
Unrestricted:		
Board designated	245,070	305,992
Undesignated	<u>248,173</u>	<u>104,939</u>
Total unrestricted	<u>493,243</u>	<u>410,931</u>
Temporarily restricted	<u>920,921</u>	<u>1,398,905</u>
	<u>1,414,164</u>	<u>1,809,836</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>1,740,707</u>	 <u>2,238,909</u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE CAPITAL AREA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Campaign results:			
Total campaign contributions	\$ 512,988	846,347	1,359,335
Less:			
Amounts designated by donors for specific organizations	(238,003)	-	(238,003)
Allowance for uncollectible pledges	<u>-</u>	<u>(108,680)</u>	<u>(108,680)</u>
	274,985	737,667	1,012,652
Prior year campaign contributions, net of amounts deemed uncollectible	48,866	-	48,866
Investment income	2,422	-	2,422
Realized/unrealized loss on investments	(3,355)	-	(3,355)
Grants and other contributions	150,927	109,969	260,896
Other revenues	<u>105,017</u>	<u>-</u>	<u>105,017</u>
	578,862	847,636	1,426,498
Net assets released from restrictions	<u>1,325,620</u>	<u>(1,325,620)</u>	<u>-</u>
	<u>1,904,482</u>	<u>(477,984)</u>	<u>1,426,498</u>
EXPENSES:			
Program Services:			
Allocations to agencies	260,000	-	260,000
Other community services	<u>682,145</u>	<u>-</u>	<u>682,145</u>
	942,145	-	942,145
Support Services:			
Resource development (fund-raising)	283,858	-	283,858
Administration	<u>596,167</u>	<u>-</u>	<u>596,167</u>
	1,822,170	-	1,822,170
CHANGE IN NET ASSETS	82,312	(477,984)	(395,672)
NET ASSETS, BEGINNING OF YEAR	<u>410,931</u>	<u>1,398,905</u>	<u>1,809,836</u>
NET ASSETS, END OF YEAR	\$ <u>493,243</u>	<u>920,921</u>	<u>1,414,164</u>

The accompanying notes are an integral part of this statement.

UNITED WAY OF THE CAPITAL AREA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Campaign results:			
Total campaign contributions	\$ 730,245	1,129,643	1,859,888
Less:			
Amounts designated by donors for specific organizations	(253,536)	-	(253,536)
Allowance for uncollectible pledges	<u>-</u>	<u>(144,399)</u>	<u>(144,399)</u>
	476,709	985,244	1,461,953
Prior year campaign contributions, net of amounts deemed uncollectible	237,419	-	237,419
Investment income	880	-	880
Realized/unrealized gain on investments	123	-	123
Grants and other contributions	200	132,149	132,349
Insurance recovery	150,000	-	150,000
Other revenues	<u>77,664</u>	<u>-</u>	<u>77,664</u>
	942,995	1,117,393	2,060,388
Net assets released from restrictions	<u>1,205,245</u>	<u>(1,205,245)</u>	<u>-</u>
	<u>2,148,240</u>	<u>(87,852)</u>	<u>2,060,388</u>
EXPENSES:			
Program services:			
Allocations to agencies	294,160	-	294,160
Other community services	<u>735,379</u>	<u>-</u>	<u>735,379</u>
	1,029,539	-	1,029,539
Support services:			
Resource development (fund-raising)	280,680	-	280,680
Administration	<u>497,640</u>	<u>-</u>	<u>497,640</u>
	1,807,859	-	1,807,859
CHANGE IN NET ASSETS	340,381	(87,852)	252,529
NET ASSETS, BEGINNING OF YEAR	<u>70,550</u>	<u>1,486,757</u>	<u>1,557,307</u>
NET ASSETS, END OF YEAR	\$ <u>410,931</u>	<u>1,398,905</u>	<u>1,809,836</u>

The accompanying notes are an integral part of this statement.

UNITED WAY OF THE CAPITAL AREA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (395,672)	252,529
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	37,225	33,588
Provision for uncollectible pledges	108,680	144,399
Net realized/unrealized (gain) loss on investments	3,355	(123)
Receipt of donated investment securities	(65,259)	-
Decrease in pledges, CFC and other receivables	261,722	22,156
(Increase) decrease in prepaid expenses and other assets	(640)	13,710
Decrease in accounts payable and accrued expenses	(571)	(173,638)
Decrease in designations payable	(102,052)	(185,899)
Increase (decrease) in deferred revenue	<u>93</u>	<u>(34,711)</u>
Net cash provided by (used) in operating activities	<u>(153,119)</u>	<u>72,011</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments - net	312,702	(414)
Purchase of property, plant and equipment	<u>(22,480)</u>	<u>(24,813)</u>
Net cash provided by (used in) investing activities	<u>290,222</u>	<u>(25,227)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,103	46,784
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>443,292</u>	<u>396,508</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>580,395</u></u>	<u><u>443,292</u></u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE CAPITAL AREA, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Way of the Capital Area, Inc. ("the United Way") is a not-for-profit corporation that was formed to raise and distribute funds for the community's needs. The United Way's fund-raising efforts are concentrated in the Jackson, Mississippi metropolitan area.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The United Way considers all liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2018 and 2017, cash equivalents consisted primarily of money market funds and certificates of deposit. At June 30, 2018 and 2017, the United Way's cash accounts were fully insured by the Federal Deposit Insurance Corporation (FDIC).

Restricted Cash

Restricted cash consists of the amount of contributions received which are designated by the donor for another specified agency. See Note 8.

Investments

Investments are reported at fair value based on quoted market prices. Investment income includes interest, dividend and other investment income. All investment income is deemed to be available for operations and is included with unrestricted support.

Pledges Receivable

Campaign pledge contributions receivable are generally paid within one year. The United Way provides an allowance for uncollectible pledges based on historical collection experience and other factors. Collections of pledges written off or fully reserved in prior years are recorded as contributions in the year received.

UNITED WAY OF THE CAPITAL AREA, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Property and Depreciation

All acquisitions of property and equipment and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset (31.5 years for buildings and 3 to 7 years for furnishings and equipment).

Long-lived Asset Impairment

The United Way evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2018 and 2017.

Designations Payable

Contributions received which are designated to another specified agency reduce total campaign contribution revenue and are recorded as payables until such time the amounts are distributed to the other agency.

Deferred Revenue

Deferred revenue consists of income from the administrative fee on designated contributions for the current campaign and is deferred and recognized in the following year when the fee is actually collected and disbursed.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the United Way has been limited by donors to a specific time period or purpose.

Contributions

Annual fall campaign contributions are reduced by pledges designated to a specified agency and by an allowance for uncollectible pledges. The net campaign results are reflected as either unrestricted or temporarily restricted revenue in the accompanying statements of activities.

UNITED WAY OF THE CAPITAL AREA, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Contributions - continued:

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

During the years ended June 30, 2018 and 2017, the United Way received several grants from local businesses that were designated for specific programs. Therefore, this revenue is reflected in the accompanying statements of activities as temporarily restricted. The portion of the grants that was used for the designation purpose during the years ended June 30, 2018 and 2017 is reflected as net assets released from restrictions in the accompanying statements of activities.

In-Kind Contributions

In addition to receiving cash contributions, the United Way receives in-kind contributions of office supplies, small office equipment, and other tangible assets from various donors. It is the policy of the United Way to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly, increase contribution revenue by the same amount.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service, and the service would typically need to be purchased if not donated.

UNITED WAY OF THE CAPITAL AREA, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Contributed Services - continued:

United Way pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the United Way with specific assistance programs, campaign solicitations and various assignments. During the years ended June 30, 2018 and 2017, the approximate number of volunteer hours donated to the United Way were not determinable.

Grants

Support funded by grants is recognized as the United Way performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency, and, as a result of such audit, adjustments could be required.

Income Taxes

The United Way is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state income taxes pursuant to Section 501(a) of the Code as other than a private foundation. Accounting standards require the recognition and measurement of uncertain tax positions taken or expected to be taken by the United Way in income tax issues. The United Way has evaluated its tax positions and determined that it does not have any liability that should be accrued under the standards related to uncertain tax positions.

Functional Allocation of Expenses

The costs of providing the United Way's programs, administration, and resource development activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, administration, and resource development categories based on actual expenditures and estimates of time spent by United Way personnel.

NOTE 2 - INVESTMENTS

At June 30, 2018 and 2017, investments consisted of the following:

UNITED WAY OF THE CAPITAL AREA, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 2 - INVESTMENTS - CONTINUED:

	<u>2018</u>		<u>2017</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Corporate stocks	\$ 63,893	71,622	1,988	6,363
Certificate of deposit	-	-	312,703	311,722
Other	<u>29</u>	<u>29</u>	<u>29</u>	<u>29</u>
	<u>\$ 63,922</u>	<u>71,651</u>	<u>314,720</u>	<u>318,114</u>

Total investment return is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 2,422	880
Net unrealized gains (losses)	<u>(3,355)</u>	<u>123</u>
	<u>\$ (933)</u>	<u>1,003</u>

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable, all of which are due within one year, consisted of the following:

	<u>June 30, 2018</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
2016/2017 campaign	\$ 200,662	-	200,662
2017/2018 campaign	<u>-</u>	<u>719,497</u>	<u>719,497</u>
	200,662	719,497	920,159
Less allowance for estimated uncollectible pledges	<u>(197,494)</u>	<u>(108,680)</u>	<u>(306,174)</u>
	<u>\$ 3,168</u>	<u>610,817</u>	<u>613,985</u>

UNITED WAY OF THE CAPITAL AREA, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 3 - PLEDGES RECEIVABLE - CONTINUED:

	June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
2015/2016 campaign	\$ 181,733	-	181,733
2016/2017 campaign	-	1,014,128	1,014,128
	181,733	1,014,128	1,195,861
Less allowance for estimated uncollectible pledges	(181,733)	(144,353)	(326,086)
	\$ -	869,775	869,775

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 consisted of:

	2018	2017
Land	\$ 222,129	222,129
Building	654,172	644,050
Furniture and equipment	114,750	102,392
	991,051	968,571
Less accumulated depreciation	(666,029)	(628,804)
	\$ 325,022	339,767

NOTE 5 - NET ASSETS

Unrestricted Net Assets

The unrestricted net asset class includes general and board-designated assets and liabilities of the United Way. The unrestricted net assets of the United Way may be used at the discretion of management to support the United Way's purposes and operations. Board designated net assets

UNITED WAY OF THE CAPITAL AREA, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 5 - NET ASSETS - CONTINUED:

Unrestricted Net Assets - continued:

consist of assets set aside by the Board of Directors for various purposes, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes. Unrestricted net assets at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Board designated for:		
Community projects	\$ 89,503	105,992
Operating and capital reserves	<u>155,567</u>	<u>200,000</u>
	245,070	305,992
Net invested in property and equipment	325,022	339,767
Undesignated (deficit)	<u>(76,849)</u>	<u>(234,828)</u>
	<u>248,173</u>	<u>104,939</u>
	<u>\$ 493,243</u>	<u>410,931</u>

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Program services	\$ 306,936	460,660
Community impact areas	<u>-</u>	<u>68,470</u>
	306,936	529,130
For future periods:		
2016/2017 campaign pledge receivable	-	869,775
2017/2018 campaign pledge receivable	<u>613,985</u>	<u>-</u>
	<u>\$ 920,921</u>	<u>1,398,905</u>

UNITED WAY OF THE CAPITAL AREA, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 5 - NET ASSETS - CONTINUED:

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished	\$ 387,375	321,899
Community impact areas	68,470	32,926
Time restrictions expired due to passage of specified time	<u>869,775</u>	<u>850,420</u>
	<u>\$ 1,325,620</u>	<u>1,205,245</u>

NOTE 6 - BENEFIT PLAN

The United Way provides its employees with a 403(b) thrift plan that allows employees to defer a percentage of compensation subject to certain limitations. The United Way contributes 5% of compensation for all employees and matches 50% of participants' contributions up to 4% of their compensation. Employer contributions to the plan for the years ended June 30, 2018 and 2017 totaled \$25,434 and \$24,556, respectively.

NOTE 7 - PAYMENT TO UNITED WAY WORLDWIDE

The United Way allocates a portion of total annual contributions to the United Way of America for general support. Amounts allocated to United Way of America during the years ended June 30, 2018 and 2017 totaled \$21,224 and \$30,105, respectively.

NOTE 8 - AGENCY TRANSACTIONS

The United Way has served as an administrative agent for the Combined Federal Campaign (CFC) in the Jackson, Mississippi metropolitan area. Beginning on July 1, 2016, the United Way ended its services as an administrative agent for the CFC. The CFC is a separate program from the United Way and is available to federal employees only. Additionally, federal employees may either designate their gifts to any not-for-profit organization or to one of the United Way's member organizations.

UNITED WAY OF THE CAPITAL AREA, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - AGENCY TRANSACTIONS - CONTINUED:

A separate cash account is maintained for processing these receipts and disbursements. Designations are paid quarterly based on the amounts actually received and not the pledged amounts. The United Way retains an administrative fee for providing this service.

At June 30, 2018 and 2017, cash held for the CFC was \$397 and \$569. These amounts are included with "Cash" in the accompanying statements of financial position.

In addition to the CFC designations, the United Way receives designated and undesignated contributions from both individuals and organizations. Contributions that are pledged to specific United Way member organizations are described as campaign designations. All other contributions are denoted as undesignated. The tracking of designated pledges is maintained by a software system that is mutually exclusive from the accounting software used to maintain the general ledger accounts. Once designated pledges are reconciled from total contributions, an accurate representation of designated pledges is reflected in the designations payable balance. Designations payable totaled \$223,746 and \$325,798 as of June 30, 2018 and 2017, respectively.

NOTE 9 - LEASE COMMITMENTS

The United Way presently leases office equipment. The current lease agreement was effective beginning February 13, 2017 and will expire on February 13, 2021. Rent expense under this lease amounted to \$10,740 and \$11,874 for the years ended June 30, 2018 and 2017, respectively.

The future minimum lease payments under the current operating lease are as follows:

2019	\$	10,740
2020		10,740
2021		<u>7,160</u>
	\$	<u>28,640</u>

NOTE 10 - FAIR VALUE MEASUREMENTS

Authoritative guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets

UNITED WAY OF THE CAPITAL AREA, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 10 - FAIR VALUE MEASUREMENTS - CONTINUED:

for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are described as follows:

Level I - Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level II - Observable inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level III - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Company's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary greatly and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level III.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, the asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value of assets measured on a recurring basis at June 30, 2018 are as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Corporate stock and other	\$ <u>63,922</u>	<u>-</u>	<u>-</u>	<u>63,922</u>
	\$ <u>63,922</u>	<u>-</u>	<u>-</u>	<u>63,922</u>

UNITED WAY OF THE CAPITAL AREA, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 10 - FAIR VALUE MEASUREMENTS - CONTINUED:

Fair value of assets measured on a recurring basis at June 30, 2017 are as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Corporate stock and other	\$ 2,017	-	-	2,017
Certificate of deposit	<u>312,703</u>	<u>-</u>	<u>-</u>	<u>312,703</u>
	<u>\$ 314,720</u>	<u>-</u>	<u>-</u>	<u>314,720</u>

NOTE 11 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS OF RISK

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

Pledges Receivable and Contributions

Substantially all contributions and pledges receivable are from individuals, businesses, and not-for-profit foundations in the Jackson, Mississippi metropolitan area. Concentrations of credit risk are limited due to the large number of donors comprising the United Way's donor base. The United Way does not consider itself to have any significant concentrations of credit risk with respect to pledges receivable.

NOTE 12 - OTHER CONTRIBUTIONS

In 2010, the United Way was named as one of several beneficiaries under a will that was conditioned upon the death of another family member who was the main beneficiary. That person died in 2018, at which time all conditions had been met for United Way and the other beneficiaries to receive the remaining assets. During the year ended June 30, 2018, the United Way received cash of \$5,625 and securities with a fair market value of \$65,259, which were recorded as unrestricted revenues in the accompanying statements of activities under "Grants and other contributions". Subsequent to June 30, 2018, the United Way received cash of \$75,000 and securities with a fair market value of \$4,287, which have been accrued at June 30, 2018 and are recorded in the accompanying statements of financial position under "Other receivables" and in the accompanying statements of activities under "Grants and other contributions". In addition, the United Way expects to receive additional funds within the next one to two years from other investments of the estate. These other investments consist of investments in privately owned entities. Management is not currently able to value these investments and has therefore not accrued these future receipts at June 30, 2018.

UNITED WAY OF THE CAPITAL AREA, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 13 - DIVERSION OF ASSETS

During the year ended June 30, 2017, United Way received \$150,000 of insurance proceeds to cover a portion of the losses from the fraudulent diversion of assets discovered by United Way in the previous year.

NOTE 14 - NEW ACCOUNTING STANDARD

In August 2016, the FASB issued ASU 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). FASB ASU 2016-14 will change the way all not-for-profits classify net assets and prepare financial statements. Adoption of FASB ASU 2016-14 will result in significant changes for financial reporting and disclosures for not-for-profits. The update will improve not-for-profit financial statements and provide more useful information to donors, grantors, creditors and other financial statement users. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods with fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this standard on the United Way's financial statements.

NOTE 15 - SUBSEQUENT EVENTS

The United Way had no subsequent events, other than those referenced in Note 12, of a material nature requiring adjustments to or disclosure in the financial statements through January 16, 2019, the date the financial statements were approved by management and thereby available to be issued.

SUPPLEMENTAL INFORMATION

UNITED WAY OF THE CAPITAL AREA
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Resource Development</u>	<u>Administration</u>	<u>Total</u>
Salaries and wages	\$ 159,197	141,420	296,601	597,218
Employee benefits	29,761	35,702	60,533	125,996
Payroll taxes	7,452	10,861	23,648	41,961
	<u>196,410</u>	<u>187,983</u>	<u>380,782</u>	<u>765,175</u>
Allocation to agencies	260,000	-	-	260,000
Grant expense	352,417	-	-	352,417
Miscellaneous community service projects	64,895	-	-	64,895
Advertising	-	6,006	-	6,006
Building occupancy	16,207	14,728	34,471	65,406
Conferences, conventions and meetings	10,666	17,295	6,242	34,203
Dues and subscriptions	741	546	1,041	2,328
Equipment rental and maintenance	3,316	5,718	4,871	13,905
Information systems support and services	12,866	395	19,340	32,601
Local transportation	560	1,737	997	3,294
Miscellaneous	3,138	4,604	48,637	56,379
Postage	413	927	1,348	2,688
Printing, artwork and films	128	22,904	-	23,032
Professional fees	3,938	7,281	44,308	55,527
Supplies	911	1,822	3,142	5,875
Telephone	3,374	4,890	11,726	19,990
United Way of America dues	-	-	21,224	21,224
	<u>929,980</u>	<u>276,836</u>	<u>578,129</u>	<u>1,784,945</u>
Depreciation	12,165	7,022	18,038	37,225
	<u>\$ 942,145</u>	<u>283,858</u>	<u>596,167</u>	<u>1,822,170</u>

See Independent Auditor's Report.

UNITED WAY OF THE CAPITAL AREA
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Resource Development</u>	<u>Administration</u>	<u>Total</u>
Salaries and wages	\$ 84,572	149,186	243,992	477,750
Employee benefits	16,105	32,972	46,034	95,111
Payroll taxes	6,518	11,336	19,364	37,218
	<u>107,195</u>	<u>193,494</u>	<u>309,390</u>	<u>610,079</u>
Allocation to agencies	294,160	-	-	294,160
Grant expense	425,848	-	-	425,848
Miscellaneous community service projects	119,684	-	-	119,684
Advertising	-	20,400	-	20,400
Building occupancy	14,380	14,924	20,774	50,078
Conferences, conventions and meetings	8,016	5,156	2,677	15,849
Dues and subscriptions	75	1,124	135	1,334
Equipment rental and maintenance	4,615	6,157	3,195	13,967
Information systems support and services	19,204	1,309	13,516	34,029
Local transportation	931	1,947	1,028	3,906
Miscellaneous	1,635	7,202	48,758	57,595
Postage	414	231	344	989
Printing, artwork and films	97	6,936	-	7,033
Professional fees	5,250	4,587	43,899	53,736
Supplies	1,073	5,310	2,274	8,657
Telephone	11,839	5,202	9,781	26,822
United Way of America dues	-	-	30,105	30,105
	<u>1,014,416</u>	<u>273,979</u>	<u>485,876</u>	<u>1,774,271</u>
Depreciation	15,123	6,701	11,764	33,588
	<u>\$ 1,029,539</u>	<u>280,680</u>	<u>497,640</u>	<u>1,807,859</u>

UNITED WAY OF THE CAPITAL AREA

**ALLOCATIONS TO AGENCIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Boys and Girls Club of Central Mississippi	\$ 40,000	35,000
Catholic Charities of Jackson	45,000	45,000
Center for Violence Prevention	30,000	30,000
Christians in Action	10,000	10,000
Clinton Community Christian Center	10,000	10,000
Girl Scouts, Middle Mississippi Council	17,000	16,660
JSU Continuing Education Learning Center	-	15,000
Madison Countians Allied Against Poverty	8,000	7,500
Magnolia Speech School	25,000	25,000
Midtown Partners	25,000	30,000
Operation Shoestring	50,000	50,000
Young Men's Christian Association (YMCA) - Metro	-	20,000
	<u>\$ 260,000</u>	<u>294,160</u>

See Independent Auditor's Report.