

UNITED WAY OF LOUDON COUNTY, INC.

Financial Statements

Years Ended March 31, 2017 and 2016



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Independent Auditors' Report

To the Board of Directors
United Way of Loudon County, Inc.
Lenoir City, Tennessee

We have audited the accompanying financial statements of United Way of Loudon County, Inc. (the "Organization"), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' judgement, 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 Organization'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 Organization'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 the United Way of Loudon County, Inc. as of March 31, 2017 and the changes in 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 Summarized Comparative Information

We have previously audited United Way of Loudon County, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
August 15, 2017



UNITED WAY OF LOUDON COUNTY, INC.
 Statements of Financial Position
 March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 1)	\$ 375,492	\$ 316,982
Certificates of deposit	51,983	51,928
Pledges receivable, net of allowance for uncollectible pledges of \$50,553 and \$73,683 (Note 1)	132,997	167,893
Other current assets	<u>903</u>	<u>902</u>
Total assets	<u>\$ 561,375</u>	<u>\$ 537,705</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable, related party (Note 2)	\$ 72,586	\$ 65,918
Allocations payable (Note 1)	299,970	296,597
Amounts designated by donors for specific organizations (Note 3)	<u>60,188</u>	<u>77,486</u>
Total liabilities	<u>432,744</u>	<u>440,001</u>
Net Assets		
Without Donor Restrictions (Note 4)		
Designated by the Board for operating reserve (Note 4)	30,000	42,626
Undesignated	<u>98,631</u>	<u>55,078</u>
Total net assets	<u>128,631</u>	<u>97,704</u>
Total liabilities and net assets	<u>\$ 561,375</u>	<u>\$ 537,705</u>

UNITED WAY OF LOUDON COUNTY, INC.

Statements of Activities

Years Ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Campaign Support, Revenues, and Other		
Campaign Revenue		
Campaign results	\$ 450,385	\$ 479,432
Less amounts designated by donors for specific organizations (Note 3)	(45,707)	(64,009)
Less provision for uncollectible pledges (Note 1)	(25,690)	(27,502)
Bad debt recovery	<u>27,317</u>	<u>2,529</u>
Net campaign revenue	406,305	390,450
Support and Other		
Miscellaneous income	4,545	-
Interest income	<u>88</u>	<u>118</u>
Total campaign support, revenues, and other	<u>410,938</u>	<u>390,568</u>
Grants, Designations, and Functional Expenses		
Grants and designations		
Allocations and donor designations	347,453	395,598
Less amounts designated by donors for specific organizations (Note 3)	<u>(45,707)</u>	<u>(64,009)</u>
Net grants and designations	<u>301,746</u>	<u>331,589</u>
Functional Expenses (Note 1)		
Program services	16,684	16,117
Support services	<u>61,581</u>	<u>59,103</u>
Total functional expenses	<u>78,265</u>	<u>75,220</u>
Total allocations and functional expenses	<u>380,011</u>	<u>406,809</u>
Change in net assets	30,927	(16,241)
Net assets at the beginning of the year	<u>97,704</u>	<u>113,945</u>
Net assets at the end of the year	<u>\$ 128,631</u>	<u>\$ 97,704</u>

UNITED WAY OF LOUDON COUNTY, INC.
Statement of Functional Expenses
Year Ended March 31, 2017
(with summarized financial information for the year ended March 31, 2016)

	2017				2016	
	Support Services					
	Program Services	Resource Development	Management and General	Total Support Services	Total Program and Support Services	Total Program and Support Services
Professional and contract fees	\$ 1,102	\$ 2,694	\$ 1,372	\$ 4,066	\$ 5,168	\$ 9,699
Membership dues and permits	1,142	2,793	1,421	4,214	5,356	701
United Way of Greater Knoxville campaign and administrative fees	<u>14,440</u>	<u>35,318</u>	<u>17,983</u>	<u>53,301</u>	<u>67,741</u>	<u>64,820</u>
Total	<u>\$ 16,684</u>	<u>\$ 40,805</u>	<u>\$ 20,776</u>	<u>\$ 61,581</u>	<u>\$ 78,265</u>	<u>\$ 75,220</u>

UNITED WAY OF LOUDON COUNTY, INC.

Statements of Cash Flows

Years Ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 30,927	\$ (16,241)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	25,690	27,502
Bad debt recovery	(27,317)	(2,529)
Decrease (increase) in current assets		
Pledges receivable	36,523	5,884
Other current assets	(1)	64
Increase (decrease) in current liabilities		
Allocations payable	3,373	7,356
Amounts designated by donors for specific organizations	(17,298)	(2,886)
Accounts payable, related party	<u>6,668</u>	<u>2,648</u>
Net cash flows from operating activities	58,565	21,798
Cash Flows From Investing Activities		
Investments in certificates of deposit, net	<u>(55)</u>	<u>110,935</u>
Net change in cash and cash equivalents	58,510	132,733
Cash and cash equivalents at the beginning of the year	<u>316,982</u>	<u>184,249</u>
Cash and cash equivalents at the end of the year	<u>\$ 375,492</u>	<u>\$ 316,982</u>

UNITED WAY OF LOUDON COUNTY, INC.
Notes to Financial Statements
March 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - United Way of Loudon County, Inc. (the “Organization”) is a non-profit corporation under Internal Revenue Code Section 501(c)(3) which provides supporting services and other assistance to public and private agencies and community organizations to meet the human service needs of the general public of Loudon County, Tennessee. The Organization was formed to bring together a cross section of people and organizations in a community-wide effort to support the efficient delivery of human service programs that are directly related to current needs.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. During the years ended March 31, 2017 and 2016, there were no net assets or activities classified as net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

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 (“GAAP”). Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended March 31, 2016, from which the summarized information was derived.

Use of Estimates and Assumptions - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Organization considers investments with an initial maturity of three months or less and readily convertible into cash without significant loss due to penalties or interest to be cash and cash equivalents.

Allowance for Uncollectible Pledges - The Organization uses the allowance method to establish an allowance for uncollectible receivables. Management’s estimate of the allowance is based on historical experience and analysis of specific accounts. Periodically, management reviews pledges receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed.

Allocations Payable - Amounts pledged to the Organization that have been designated for specific purposes are recorded as allocations payable. Allocations authorized but unpaid at year end are reported as liabilities in the accompanying statements of financial position.

Revenue Recognition - Pledges and contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the existence and nature of any donor restrictions. Pledges and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the pledge or contribution is recognized. All other donor-restricted net assets are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. During the years ended March 31, 2017 and 2016, there were no contributions received that were classified as net assets with donor restrictions.

Advertising - The costs of advertising, promotion and marketing programs are charged to operations in the year incurred.

UNITED WAY OF LOUDON COUNTY, INC.
Notes to Financial Statements - (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Tax Status - The Organization is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code (“IRC”) §501(c)(3). Accordingly, no provision for federal income taxes has been made. Management is not aware of any uncertain tax positions as of March 31, 2017.

The Organization’s Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

The Organization is not aware of any unrelated business income that would trigger a taxable event for the tax years still open for examination.

Donated Services, Materials and Labor - A substantial number of unpaid volunteers have donated significant amounts of their time to develop and staff the Organization’s many programs. The value of these services is not susceptible to objective measurement or valuation. Thus, no amounts are reflected in the financial statements for these services.

Concentration of Credit Risk - Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Management of the Organization does not believe significant credit risk exists at March 31, 2017.

Functional Classification of Expenses - Functional classifications of expenses are based upon the guidance included in the *Audit and Accounting Guide for Not-For-Profit Organizations*, issued by the American Institute of Certified Public Accountants. The Organization incurs costs and expenses related to its supporting activities, such as fundraising and management. Expenses that are directly related to, and can be assigned to, a single supporting activity are charged directly to such function. Expenses that are related to more than one function are allocated among the appropriate functions. The most significant of the Organization’s joint costs are the costs associated with campaign and administrative fees. The Organization allocates these joint costs primarily using proportional methods based on the time expended by personnel on the various functions.

Recent Adopted New Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board (“FASB”) issued *Accounting Standards Update (“ASU”) No. 2016-14, Presentation of Financial Statements For Not-For-Profit Entities*, which amends *FASB Codification Topic 958: Not-For-Profit Entities*, and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The objective of the ASU is to (1) improve the usefulness of information provided to donors, grantors, creditors and other users of a Not-For-Profit (“NFP”) financial statements, (2) reduce complexities or costs for preparers or users of financial statements and (3) both improve usefulness and reduce complexities or costs.

The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing complexity of how they are reported. Net Assets are to be reported in the following two categories: Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions. Enhanced disclosure in the notes to financial statements will provide useful information about the nature, amounts, and effects of various types of donor-imposed restrictions. Simplifying the face of the financial statements will enable NFP’s to continue to provide more useful information about an entity’s resources and changes in those resources and will allow a user of the entity’s financial statements to assess (1) the availability of resources to meet cash needs for general expenditures within one year of the date of the statement of financial position, (2) liquidity and financial flexibility, (3) financial performance during the period, (4) service efforts and ability to continue providing services, and (5) execution of its stewardship responsibilities and other aspects of its management performance.

UNITED WAY OF LOUDON COUNTY, INC.
Notes to Financial Statements - (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Recent Adopted New Accounting Pronouncements - (Continued) The ASU continues to allow NFP's to present operating cash flows using either the direct or indirect method by choosing the method that best serves the informational needs of their users. If the NFP elects to use the direct method for reporting its cash flows it is no longer required to include the indirect reconciliation on the face of the cash flow statement.

The ASU will require a NFP entity to report its investment return net of external and direct internal expenses and provides a more comparable measure of investment returns.

The Organization has chosen to early adopt this ASU and has applied the changes retrospectively to the prior year financial statement amounts included within these financial statements.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 2 - RELATED PARTY

Fundraising and management and general expenses are the costs incurred by the United Way of Greater Knoxville, Inc. (a related party) for campaign and accounting expenses on behalf of and charged to the Organization. Total costs incurred were \$99,549 for the year ending March 31, 2017, \$67,741 being the expenses paid and the remainder of \$31,808 considered services donated by the United Way of Greater Knoxville. For the year ending March 31, 2016, total costs incurred were \$94,316 with \$64,820 being the expenses paid and the remainder of \$29,496 considered services donated by the United Way of Greater Knoxville. Accounts payable to United Way of Greater Knoxville at March 31, 2017 and 2016 was \$72,586 and \$65,918, respectively.

NOTE 3 - AMOUNTS DESIGNATED BY DONORS FOR SPECIFIC ORGANIZATIONS

The Organization has included \$45,707 and \$64,009 of amounts designated by donors for specific organizations as a portion of total campaign results on the statement of activities for the years ended March 31, 2017 and 2016, respectively. Such contributions are referred to as "donor choice." The collections of these contributions and distributions to donor specified agencies are transactions in which the Organization is acting as the agent. These transactions are not reported in the statement of activities as revenues and expenses, but are included in the total campaign results and then deducted as amounts designated by donors for specific organizations before arriving at net campaign revenue.

NOTE 4 - NET ASSETS WITHOUT RESTRICTIONS

The Board has designated funds for the years ended March 31, 2017 and 2016, of \$30,000 and \$42,626, respectively. These are funds which have been set aside by the Organization's board of directors as an agency operating reserve, but also include a commitment to support the LCEF Graduation Coach Program of \$0 and \$12,626 at March 31, 2017 and 2016, respectively.

NOTE 5 - EAST TENNESSEE FOUNDATION

During the year ended March 31, 2015, the United Way of Loudon County Opportunity Endowment Fund ("the Fund") was created with the East Tennessee Foundation ("the Foundation") via an irrevocable contribution of \$100,000. The Fund is the property of the Foundation and is owned by it in its normal corporate capacity. In such capacity, the Foundation has ultimate authority and control of all property of the Fund, and the income derived therefrom, for the charitable purposes of the Foundation.

UNITED WAY OF LOUDON COUNTY, INC.
Notes to Financial Statements - (Continued)

NOTE 5 - EAST TENNESSEE FOUNDATION - (Continued)

Consistent with the policies of the Foundation, at their Board's discretion, only the net income, or an amount calculated according to the annual spending rate (a percentage of market value), shall be distributed to the United Way of Loudon County each year. Upon a 75% vote of approval of the Board of Directors of United Way of Loudon County, and with the approval of the Foundation, which approval shall not be unreasonably withheld, the Fund or some portion thereof in excess of the Annual Distribution Amount may be distributed exclusively for the exempt purpose of the Fund within the meaning of Section 501(c)(3) of the Internal Revenue Code.

