

UNITED WAY OF EAST MISSISSIPPI, INC.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of East Mississippi, Inc.
Meridian, Mississippi

We have audited the accompanying financial statements of United Way of East Mississippi, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 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.

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' 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 procedure 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 East Mississippi, Inc. as of December 31, 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 Summarized Comparative Information

We have previously audited the United Way of East Mississippi, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash	\$ 267,852	\$ 229,895
Unconditional promises to give, net allowance for uncollectibles	353,279	297,324
Grant receivable, current portion	81,950	12,200
Prepaid expenses	<u>7,369</u>	<u>4,026</u>
Total current assets	<u>\$ 710,450</u>	<u>\$ 543,445</u>
Property, Plant and Equipment		
Building held for sale	\$ 37,187	\$ 79,900
Furniture, fixtures and equipment	57,117	55,247
Less accumulated depreciation	<u>(42,746)</u>	<u>(37,522)</u>
Total property, plant and equipment, net	<u>\$ 51,558</u>	<u>\$ 97,625</u>
Other Assets		
Grant receivable, long-term portion	<u>\$ 78,000</u>	<u>\$ -</u>
Total other assets	<u>\$ 78,000</u>	<u>\$ -</u>
Total assets	<u>\$ 840,008</u>	<u>\$ 641,070</u>

	2016	2015
LIABILITIES AND NET ASSETS		
Current Liabilities		
Agency allocations payable	\$ 53,333	\$ 42,515
Accounts payable	6,998	5,804
Tornado disaster fund payable	2,212	12,545
Accrued liabilities	4,837	3,848
Capital lease payable, current portion	<u>1,441</u>	<u>1,344</u>
Total current liabilities	<u>\$ 68,821</u>	<u>\$ 66,056</u>
Long-term Liabilities		
Capital lease payable, long-term portion	<u>\$ 631</u>	<u>\$ 2,072</u>
Total long-term liabilities	<u>\$ 631</u>	<u>\$ 2,072</u>
Net Assets		
Unrestricted net assets	\$ 127,830	\$ 217,956
Temporarily restricted net assets	<u>642,726</u>	<u>354,986</u>
Total net assets	<u>\$ 770,556</u>	<u>\$ 572,942</u>
 Total liabilities and net assets	 <u>\$ 840,008</u>	 <u>\$ 641,070</u>

The Notes to Financial Statements are an integral part of these statements.

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2016

(with summarized financial information for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
REVENUE AND SUPPORT				
Contributions	\$ 350,409	\$ 487,544	\$ 837,953	\$ 688,106
In-kind contributions	60,000	-	60,000	48,380
Grant income	70,704	234,000	304,704	104,312
Impairment loss	(42,713)	-	(42,713)	(32,445)
Administrative fee income	-	-	-	753
Endowment income	31,174	-	31,174	-
Other income	1,582	-	1,582	2,916
Interest income	595	-	595	98
Net assets released from restrictions	<u>433,804</u>	<u>(433,804)</u>	<u>1,193,295</u>	<u>812,120</u>
 Total revenue and other support	 <u>\$ 905,555</u>	 <u>\$ 287,740</u>	 <u>\$ 1,193,295</u>	 <u>\$ 812,120</u>
EXPENSES				
Program services	\$ 713,144	\$ -	\$ 713,144	\$ 605,280
Supporting services				
Management and general	227,310	-	227,310	220,025
Fundraising	<u>73,702</u>	<u>-</u>	<u>73,702</u>	<u>77,600</u>
 Total expenses	 <u>\$ 1,014,156</u>	 <u>\$ -</u>	 <u>\$ 1,014,156</u>	 <u>\$ 902,905</u>
 Change in net assets	 \$ (108,601)	 \$ 287,740	 \$ 179,139	 \$ (90,785)
Net assets, beginning of year	217,956	354,986	572,942	663,727
Acquisition of net assets	<u>18,475</u>	<u>-</u>	<u>18,475</u>	<u>-</u>
Net assets, end of year	<u>\$ 127,830</u>	<u>\$ 642,726</u>	<u>\$ 770,556</u>	<u>\$ 572,942</u>

The Notes to Financial Statements are an integral part of these statements.

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

(with summarized financial information for the year ended December 31, 2015)

	Support Services			2016 Total	2015 Total
	Program Services	Management and General	Fundraising		
Bad debts expense	\$ -	\$ 79,641	\$ -	\$ 79,641	\$ 66,780
Conferences and meetings	1,143	614	360	2,117	1,222
Depreciation	1,619	3,605	-	5,224	6,086
Employee benefits	3,305	4,683	5,785	13,773	13,869
Grants and allocations	411,160	-	-	411,160	327,761
In-kind contributions	60,000	-	-	60,000	40,380
Insurance	-	8,564	-	8,564	6,052
Interest	-	197	-	197	287
Miscellaneous	11,746	32,910	2,349	47,005	47,301
Occupancy	2,328	3,965	-	6,293	8,446
Payroll tax expense	9,933	4,202	4,967	19,102	21,479
Postage	548	1,020	-	1,568	1,978
Professional fees	-	10,584	-	10,584	6,403
Repairs and maintenance	1,325	11,921	-	13,246	20,916
Retirement	4,651	4,369	5,074	14,094	13,267
Salaries	140,739	51,885	40,283	232,907	254,523
Special events	41,213	425	850	42,488	19,791
Supplies and campaign expense	8,076	3,230	11,768	23,074	23,126
Telephone	3,209	2,266	2,266	7,741	8,862
Travel	12,149	3,229	-	15,378	14,376
Total expenses	\$ 713,144	\$ 227,310	\$ 73,702	\$ 1,014,156	\$ 902,905

The Notes to Financial Statements are an integral part of these statements.

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 179,139	\$ (90,785)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	5,224	6,086
Loss on disposal of property and equipment	-	3,618
Impairment loss	42,713	32,445
(Increase) decrease in:		
Unconditional promises to give, net of allowance	(55,955)	45,914
Endowment receivable	-	41,845
Grant receivable	(147,750)	38,723
Prepaid expenses	(3,343)	(1,418)
Increase (decrease) in:		
Agency allocations payable	10,818	(10,318)
Accounts payable	1,194	5,804
Tornado disaster fund payable	(10,333)	(12,000)
Accrued liabilities	989	(2,183)
	<u> </u>	<u> </u>
Net cash provided by operating activities	\$ 22,696	\$ 57,731
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	\$ (1,870)	\$ (11,164)
Net assets acquired in business combination	<u>18,475</u>	<u>-</u>
	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	\$ 16,605	\$ (11,164)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	\$ (1,344)	\$ (1,253)
	<u> </u>	<u> </u>
Net cash used in financing activities	\$ (1,344)	\$ (1,253)
Increase in cash and cash equivalents	\$ 37,957	\$ 45,314
Cash and cash equivalents at beginning of year	<u>229,895</u>	<u>184,581</u>
	<u> </u>	<u> </u>
Cash and cash equivalents at end of year	\$ 267,852	\$ 229,895
NONCASH INVESTING AND FINANCING ACTIVITIES		
Furniture, fixtures, and equipment received through in-kind donations	<u> </u>	<u>\$ 8,000</u>

The Notes to Financial Statements are an integral part of these statements.

UNITED WAY OF EAST MISSISSIPPI, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Principles

Nature of activities

United Way of East Mississippi, Inc. (the Organization) is a Mississippi non-profit corporation serving the needs of the residents of Meridian, Lauderdale County and the surrounding areas in East Mississippi and Philadelphia, Neshoba County. Programs and services offered by the Organization include community welfare and social services.

Acquisition of net assets

On June 29, 2016, United Way of East Mississippi entered into a merger agreement with United Way of Neshoba County. All liquid assets held by the United Way of Neshoba County were transferred to the Organization. The Organization acquired cash in the amount of \$18,475. United Way of Neshoba had no other assets or liabilities at the time of acquisition.

Financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Endowment funds that are not available for use by the Organization are not recorded in these financial statements.

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 certain 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Significant estimates that are particularly susceptible to change in the near-term are allowance for uncollectible promises to give.

Income taxes

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Note 1. Summary of Significant Accounting Principles (continued)

The Organization adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes. The Organization's status as a 501(c)(3) not-for-profit has been determined to be valid and the adoption of FASB ASC 740-10 did not result in a change to net assets. The Organization files Federal Form 990 and is generally no longer subject to examination by the Internal Revenue Service for years prior to 2013.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Property and equipment

Acquisitions of property, plant and equipment are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment are depreciated using the straight line method over the estimated life of the asset. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Promises to give and revenue recognition

An annual fundraising campaign is conducted to raise support for allocations to other organizations and agencies. Contributions received that are intended to be used in a subsequent year are time-restricted and/or purpose restricted contributions and are recorded as temporarily restricted net assets until the time expires or the purpose is fulfilled.

Contributions are recognized when the donor makes a promise to give to the Organization; that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-kind contributions

In-kind contributions are recorded in the accompanying financial statements. A corresponding in-kind expense is recorded for in-kind contributions that are not capitalized.

Note 1. Summary of Significant Accounting Principles (continued)

Functional expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Subsequent events

Management has evaluated subsequent events through September 15, 2017, the date on which the financial statements were available to be issued.

Note 2. Concentration of Credit Risk

The Organization maintains deposits in a financial institution that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization believes that there is no significant risk with respect to these deposits.

The Organization's contributions consist primarily of donations from East Central Mississippi.

Note 3. Promises to Give

Unconditional promises to give at December 31, 2016 and 2015 are as follows:

	2016	2015
Unconditional promises to give	\$ 407,207	\$ 363,905
Allowance for uncollectible promises to give	<u>(53,928)</u>	<u>(66,581)</u>
Unconditional promises to give, net of allowance	<u>\$ 353,279</u>	<u>\$ 297,324</u>

Note 4. Grant Receivable

During 2016, the Organization was awarded the Volunteer Generation Fund grant from the Corporation of National and Community Service. The grant is based on monthly cost reimbursement. The grant ends October 31, 2017. Included in grants receivable is \$3,950 at December 31, 2016.

During 2015, the Organization received a grant from the Phil Hardin Foundation in the amount of \$234,000. The grant is receivable in equal payments over a three year period. Included in grants receivable is \$156,000 at December 31, 2016.

Note 4. Grant Receivable (continued)

During 2012, the Organization received a grant from the Phil Hardin Foundation in the amount of \$61,000. The grant is receivable in equal payments over a five year period. Included in grants receivable is \$12,200 at December 31, 2015.

Note 5. Property Held for Sale

The Organization moved into donated rental space during May 2015. See Note 12 for further information regarding donated space. During 2015, the former building was listed with a realtor, and the Organization anticipated selling the property within one-year. Therefore, the net book value of the property was reclassified to property held for sale and was reported at fair value less cost to sell in the statements of financial position. During 2016, the Organization recognized impairment loss of \$42,713 and \$32,445 in the statements of activities as of December 31, 2016 and 2015, respectively.

Land, building, and improvements	\$ 112,345
2015 impairment loss	<u>(32,445)</u>
	\$ 79,900
2016 impairment loss	<u>(42,713)</u>
	<u>\$ 37,187</u>

Note 6. Tornado Disaster Fund Payable

During 2011, the Organization received funds from contributors for the purpose of supporting unmet needs of survivors in Federal Emergency Management Agency (FEMA) disaster declared communities in Kemper County and Clarke County, Mississippi. During 2011 and 2012, the Organization coordinated with FEMA to identify individuals in need within the communities and provided financial assistance while FEMA handled the case work. During 2013, FEMA stopped providing case work. The Board of Directors approved allocating the remaining funds to Habitat for Humanity who is able to identify needs and provide case work. The Organization acts as an agent on behalf of Habitat for Humanity by providing money or goods to benefit specified third parties. Therefore, management accounts for these transactions as agency transactions by recording cash receipts to a liability account. The funds available for this purpose at December 31, 2016 and 2015 are reported as Tornado Disaster Fund Payable in the accompanying statements of financial position at \$2,212 and \$12,545, respectively.

Note 7. Capital Lease Payable

The Organization leases equipment under a capital lease. Capital lease equipment included in the property and equipment section of the accompanying statements of financial position is summarized below:

	2016	2015
Equipment	\$ 6,522	\$ 6,522
Less accumulated depreciation	<u>4,673</u>	<u>3,369</u>
	<u>\$ 1,849</u>	<u>\$ 3,153</u>

Future minimum lease payments under the capital lease using the present value of net minimum lease payments are as follows:

2017	\$ 1,540
2018	642
2019	-
2020	-
2021	<u>-</u>
Total minimum lease payments	\$ 2,182
Less amount representing interest	<u>(110)</u>
Present value of net minimum lease payments	\$ 2,072
Less current maturities	<u>1,441</u>
	<u>\$ 631</u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for funding various donor stipulated organizations and projects during the next calendar year. Temporarily restricted net assets for 2016 and 2015 are as follows:

	2016	2015
Annual Fundraising Campaign	\$ 497,543	\$ 351,529
Imagination Library	141,726	-
Delco Remy Fund	<u>3,457</u>	<u>3,457</u>
Temporarily restricted net assets	<u>\$ 642,726</u>	<u>\$ 354,986</u>

Note 9. Payments to Affiliates

The Organization pays quarterly dues to the national organization, the United Way of America. Dues for 2016 and 2015 were \$7,322 and \$7,453, respectively.

Note 10. Intra-Organization Transactions

Retired Senior Volunteer Program (RSVP) is a program of the Organization. The Organization allocates grant funds to RSVP. Therefore, the Organization's financial statements include the revenues and expenses attributable to RSVP. Any grant or allocation by the Organization to RSVP is, for financial statement purposes, a grant to United Way of East Mississippi, Inc. All intra-organization activity has been eliminated.

Note 11. Donated Services

The Organization received donated services from a variety of unpaid volunteers assisting in meeting the Organization's goals. No amount has been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

Note 12. Donated Space

In February 2015, the Organization entered into a contract of sale with Midwest Properties to purchase a building. In March 2015, the Organization entered into a memorandum of understanding and joint use agreement with the Community Foundation of East Mississippi, Inc. (CFEM) in which CFEM agreed to purchase the building from Midwest Properties using funds of \$400,000 from the George Hampton True Friends Endowment Fund held by CFEM. See Note 13 for further information regarding the endowment fund held by CFEM. The Organization and CFEM occupy the building jointly. Either party may terminate the joint use agreement on giving a six-month notice to the other party. In addition to the purchase of the building, \$48,813 was also disbursed from the endowment fund for roof repairs making the total disbursement from the endowment fund for the building \$448,813. In March 2015, CFEM formed UW, LLC to hold the property. Therefore, the building is owned by UW, LLC. CFEM estimated the fair market rental value to United Way of East Mississippi, Inc. at \$5,000 per month. Therefore, \$60,000 and \$40,000 of donated rent is included in the statements of activities as of December 31, 2016 and 2015, respectively.

Note 13. Endowment Fund

The State of Mississippi approved the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in July 2012. The Organization interprets UPMIFA as requiring preservation of the fair value of the original gift, as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Note 13. Endowment Fund (continued)

During 2006, the Organization entered into an agreement with the Community Foundation of East Mississippi (the Foundation) to establish the George Hampton True Friends Endowment Fund. The Endowment Fund is held by the Foundation and future earnings from the Endowment Fund will be used exclusively to provide support to the administrative, operating, and programmatic needs of the Organization. The Foundation holds the Endowment Fund in perpetuity, the investment of which is determined by the Foundation rather than the Organization. Contributions to the Endowment can be made directly to the Foundation or allocated through the Organization. The Endowment Fund fair market value as of December 31, 2016 and 2015 was \$523,782 and \$513,602, respectively.

Changes in the Endowment Fund held at the Community Foundation of East Mississippi as of December 31, 2016 are as follows:

Endowment, beginning of year	\$ 513,602
Contributions	100
Distributions	(31,174)
Investment income	14,064
Unrealized gain	48,946
Administrative fees	<u>(21,756)</u>
Endowment, ending of year	<u>\$ 523,782</u>

Changes in the Endowment Fund held at the Community Foundation of East Mississippi as of December 31, 2015 are as follows:

Endowment, beginning of year	\$ 1,032,728
Distributions	(488,922)
Investment income	19,356
Unrealized loss	(21,677)
Administrative fees	<u>(27,883)</u>
Endowment, ending of year	<u>\$ 513,602</u>