

UNITED WAY OF MORGAN COUNTY
FINANCIAL STATEMENTS
June 30, 2018

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6--11
Supplementary Information	
Independent Auditor's Report on Supplementary Information	12
Schedule of Receipts and Disbursements for the State Combined Campaign	13

Independent Auditor's Report

The Board of Directors
United Way of Morgan County
Decatur, Alabama

We have audited the accompanying financial statements of the United Way of Morgan County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses 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 of 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 the United Way of Morgan County as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Morgan County's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2018. In our opinion, the summarized comparative information presented herein as of June 30, 2018, and for the year ended June 30, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
August 15, 2019

UNITED WAY OF MORGAN COUNTY
Statement of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,348,346	\$ 1,189,034
Pledges receivable (Note 3)	557,405	499,233
Other assets	-	43
Total current assets	<u>1,905,751</u>	<u>1,688,310</u>
Property and equipment, net (Note 4)	<u>341,459</u>	<u>356,172</u>
TOTAL ASSETS	<u>\$ 2,247,210</u>	<u>\$ 2,044,482</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 39,898	\$ 28,407
Allocations payable to agencies (Note 9)	1,029,986	1,032,503
Donor designations payable (Note 9)	190,859	148,637
Current portion, long-term debt	<u>10,977</u>	<u>10,730</u>
Total current liabilities	<u>1,271,720</u>	<u>1,220,277</u>
LONG-TERM LIABILITIES		
Long-term debt, less current portion	<u>265,807</u>	<u>275,512</u>
Total liabilities	<u>1,537,527</u>	<u>1,495,789</u>
NET ASSETS		
Unrestricted	310,608	179,618
Temporarily restricted	<u>399,075</u>	<u>369,075</u>
Total net assets	<u>709,683</u>	<u>548,693</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,247,210</u>	<u>\$ 2,044,482</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF MORGAN COUNTY
Statement of Activities
For the years ended June 30, 2018 and 2017

	2018		2017
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Campaign revenue	\$ 2,058,685	\$ -	\$ 2,058,685
Less designated contributions (Note 9)	(200,984)	-	(200,984)
Less direct-paid designated contributions (Note 9)	(153,341)	-	(153,341)
Less allowance for uncollectible pledges	(142,285)	-	(142,285)
Total campaign	1,562,075	-	1,562,075
Other contributions	19,006	30,000	49,006
Service fees and other revenue	10,125	-	10,125
Interest income	1,477	-	1,477
Rent income	11,400	-	11,400
Special events income			
Less: Expenses	\$ 93,745		
	(57,464)		
Total Revenues, Gains and Other Support	1,640,364	30,000	1,670,364
ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES			
Program Services			
Agency allocations	1,202,294	-	1,202,294
Agency relations and services	80,525	-	80,525
Total Program Services	1,282,819	-	1,282,819
Supporting Services			
Management and general	109,286	-	109,286
Fundraising and marketing	97,780	-	97,780
Total Supporting Services	207,066	-	207,066
Unallocated payments to national organization	19,489	-	19,489
Total Expenses	1,509,374	-	1,509,374
CHANGE IN NET ASSETS			
Net Assets, Beginning of Year	130,990	30,000	160,990
Net Assets, End of Year	179,618	369,075	548,693
	\$ 310,608	\$ 399,075	\$ 709,683

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF MORGAN COUNTY
Statement of Functional Expenses
Years Ended June 30, 2018 with summarized financial information for the year ended June 30, 2017

	Supporting Services			Total Expenses	
	Program Services	Management and general and Marketing	Fundraising and Marketing Services	2018	2017
Allocations to agencies (Note 9)	\$ 1,142,294	\$ -	\$ -	\$ 1,142,294	\$ 1,032,503
Other Allocations	60,000	-	-	60,000	48,332
Total allocations	1,202,294	-	-	1,202,294	1,080,835
Compensation					
Salaries	35,823	48,616	43,499	127,938	135,185
Employee benefits	6,236	8,463	7,572	22,271	24,883
Payroll taxes	2,204	2,992	2,677	7,873	12,177
Total compensation	44,263	60,071	53,748	158,082	172,245
Professional fees	12,591	17,089	15,290	44,970	47,726
Supplies	2,805	3,806	3,406	10,017	22,427
Telephone	3,374	4,577	4,094	12,045	11,728
Shipping and postage	512	696	623	1,831	3,273
Occupancy	2,986	4,053	3,626	10,665	16,526
Equipment maintenance	2,313	3,139	2,808	8,260	9,463
Travel and meetings	418	567	507	1,492	1,395
Miscellaneous	7,143	9,697	8,675	25,515	19,755
Depreciation	4,120	5,591	5,003	14,714	14,906
Total functional expenses	\$ 1,282,819	\$ 109,286	\$ 97,780	\$ 1,489,885	\$ 1,400,279
Dues to national organization				19,489	28,069
Total expenses				\$ 1,509,374	\$ 1,428,348

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF MORGAN COUNTY
Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 160,990	\$ 234,822
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	14,714	14,906
(Increase) decrease in pledges receivable	(58,172)	(136,592)
(Increase) decrease in prepaid allocations	42	8,318
Increase (decrease) in accounts payable and accrued expenses	11,491	1,299
Increase (decrease) in allocations payable	(2,517)	(72,021)
Increase (decrease) in designations payable	42,222	28,284
Net cash provided (used) by operating activities	<u>168,770</u>	<u>79,016</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(355,080)</u>
Net cash used by investing activities	-	(355,080)
Cash flows from financing activities:		
Loan for building	-	295,375
Repayment of loan principal	<u>(9,458)</u>	<u>(9,133)</u>
Net cash used by financing activities	<u>(9,458)</u>	286,242
Net increase (decrease) in cash and cash equivalents	159,312	10,178
Cash and cash equivalents at beginning of year	<u>1,189,034</u>	<u>1,178,856</u>
Cash and cash equivalents at end of year	<u>\$ 1,348,346</u>	<u>\$ 1,189,034</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements

NOTE 1 NATURE OF OPERATIONS

United Way of Morgan County was established in 1940 as a not-for-profit organization to promote the social welfare of Morgan County by encouraging cooperation and community planning among citizens of Morgan County and among its Civic, Health, Recreational and Welfare agencies, and the Department of Government. Annual campaigns are conducted to raise support for allocations to participating agencies in the subsequent calendar year. The Board of Directors, pursuant to the Bylaws, disburses funds for the maintenance of health, recreation, and welfare services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The financial statements of United Way have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Donors have the option to designate their contribution to a specific organization. The collection of these contributions and distribution to donor specified agencies or other regional United Way Organizations are transactions in which United Way is acting as an agent or intermediary. These transactions are not reported in the statement of activities as revenues and expenses but are included in the total campaign amounts raised on the statement and then deducted as amounts raised on behalf of others before arriving at net current year contributions. Designations to member organizations do not increase the current allocation to that agency, unless the total designations exceed the current allocation.

B. Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

C. Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the United Way of Morgan County reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The United Way of Morgan County reclassifies temporarily restricted net assets to unrestricted net assets at that time.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements (continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Property and Equipment (continued)

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment is depreciated using the straight-line method. Any equipment with a useful life of more than a year and more than \$2,500 is capitalized.

D. Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. A substantial number of volunteers have donated significant amounts of their time in the organization's program services and in its fund-raising campaigns.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Campaign shrinkage and functional expense allocations are based on estimates provided by the management.

F. Income Taxes

The Organization is a not-for-profit organization that is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

G. Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and administrative activities benefited.

H. Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived. Certain items have been reclassified to compare to the current year presentation.

I. Subsequent Events

Subsequent events were evaluated through August 15, 2019, which is the date the financial statements were available to be issued.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements (continued)

NOTE 3 PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Pledges receivable in less than one year	\$ 727,531	\$ 709,425
Less allowance for uncollectible	<u>(170,126)</u>	<u>(210,192)</u>
Net pledges receivable	<u>\$ 557,405</u>	<u>\$ 499,233</u>

The allowance for uncollectible pledges, referred to as shrinkage, is an estimate by management.

NOTE 4 PROPERTY AND EQUIPMENT

	<u>2018</u>	<u>2017</u>
Land	\$ 29,955	\$ 29,955
Building	317,545	317,545
Furniture and Equipment	<u>65,505</u>	<u>65,505</u>
	413,005	413,005
Less: Accumulated Depreciation	<u>(71,546)</u>	<u>(56,833)</u>
Property and Equipment, net	<u>\$ 341,459</u>	<u>\$ 356,172</u>

NOTE 5 FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and promises to give receivable. Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries. The small geographical area from which these funds are collected is considered a concentration of credit risk.

The Organization maintains its cash balances in various financial institutions located in Decatur, Alabama. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, the Organization's uninsured cash balances total \$461,419 and \$484,053, respectively.

NOTE 6 ACCRUED COMPENSATED ABSENCES

United Way of Morgan County's policy concerning compensated absences is that an employee may accrue up to a maximum of 300 hours of leave time. Upon separation from United Way of Morgan County, employees who choose to give notice as prescribed in United Way's Separation Policy will receive payment for one-half of their accrued leave bank. At June 30, 2018 and 2017, the approximate amount that could be paid would be \$5,487 and \$8,221 respectively.

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements (continued)

NOTE 7 LONG-TERM DEBT

Current and non-current debt consists of the following at June 30:

Promissory Note dated July 18, 2016 due in monthly installments of \$1,760.08 for 83 months with the final payment being a balloon payment due at maturity on July 20, 2023. The interest rate on this note is 3.75% and the note is secured by real estate	<u>2018</u>	<u>2017</u>
	\$ 276,784	\$ 286,242
Less current maturities	<u>(10,977)</u>	<u>(10,730)</u>
Long-term debt, net	<u>\$ 265,807</u>	<u>\$ 275,512</u>

Long-term debt matures as follows:

2018	\$ 10,977
2019	11,395
2020	11,830
2021	12,282
2022 and thereafter	<u>230,300</u>
	<u>\$ 276,784</u>

NOTE 8 DEFINED CONTRIBUTION PLAN

The organization sponsors a defined contribution plan covering all employees. Contributions and costs are determined as a percent of each covered employee's salary and totals \$6,097 and \$8,770 for the years ending June 30, 2018 and 2017, respectively.

NOTE 9 ALLOCATIONS TO AGENCIES

United Way of Morgan County has notified agencies of the amount of allocation each will receive in the subsequent year. While this award has been made prior to the completion of the annual campaign, the probability of the payment not being completed is remote.

	<u>2018</u>	<u>2017</u>
Allocations to agencies	\$ 1,142,294	\$ 1,131,450
Less designations	<u>(113,308)</u>	<u>(98,947)</u>
Allocations payable to agencies	<u>\$ 1,029,986</u>	<u>\$ 1,032,503</u>

UNITED WAY OF MORGAN COUNTY
Notes to the Financial Statements (continued)

NOTE 9 ALLOCATIONS TO AGENCIES (continued)

Payment of designations to United Way Partner Agencies: The United Way Partner Agency will receive the greater amount of either the total designations or the amount approved through the United Way fund distribution process.

Payment of designations to Other United Way Organizations: The amount paid to other United Way organizations will be the total amount designated less the actual percentage of uncollected pledges from the previous year's campaign. Payment of designations will be made quarterly.

Payment of Designations to Non-United Way Agencies: The amount paid to Non-United Way agencies will be the total amount designated less the estimated percentage of uncollected pledges, and a service fee. The United Way Board of Directors may choose to disallow designations to any organization that conducts an organized effort to encourage businesses or employee groups in Morgan County to designate their donations to a specific agency.

	<u>2018</u>	<u>2017</u>
Designations to United Way of Morgan County Agencies	\$ 113,308	\$ 98,947
Designations to other United Ways	41,154	32,431
Designations to non-UW agencies	<u>46,522</u>	<u>27,894</u>
Total Designations	200,984	159,272
Less: Service fees and shrinkage	<u>(10,125)</u>	<u>(10,635)</u>
Donor designations payable	<u>\$ 190,859</u>	<u>\$ 148,637</u>

Direct-paid designations are designated funds that United Way of Morgan County accounts for as campaign revenue, but funds are not actually received by the organization. Rather, the funds are paid to the designated agencies directly by companies conducting United Way campaigns. Other allocations are paid to organizations from designated contributions.

NOTE 10 DONOR-IMPOSED RESTRICTED CONTRIBUTION

In the prior year, United Way of Morgan County accepted a donor-restricted contribution in the amount of \$379,075 to benefit local pre-kindergarten programs. Previously, \$10,000 of the restricted funds were awarded as an expenditure to benefit a local day-care center for kids, leaving a total restricted cash balance of \$369,075 at June 30, 2018.

Subsequent to year-end, the United Way of Morgan County awarded from these same restricted funds, a \$247,500 grant for the purchase and renovation of a facility to be used as an early learning center.

During the current year, the United Way of Morgan County was awarded a \$30,000 grant, that is restricted for renovations of the new United Way of Morgan County office building. These funds were expended subsequent to June 30, 2018.

NOTE 11 RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. ASU 2016-14 guidance simplifies the current net asset classification requirements from three net asset classifications to two. The amendment also improves the information presented in the financial statements and notes regarding liquidity, financial performance, and cash flows. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2017. We are currently evaluating the standard and do not anticipate it will have a material impact on the Agency's financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenues from Contracts with Customers (Topic 606) and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU No. 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2017. We are currently evaluating the magnitude and other potential impacts on the Agency's financial statements.

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Supplementary Information

The Board of Directors
United Way of Morgan County
Decatur, Alabama

We have audited the financial statements of the United Way of Morgan County (a nonprofit organization as of and for the period ended June 30, 2018 and our report thereon dated June 30, 2019, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Receipts and Disbursements for the State Combined Campaign on page 13, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
August 15, 2019

UNITED WAY OF MORGAN COUNTY

Schedule of Receipts and Disbursements for the State Combined Campaign

Year Ended June 30, 2018

	State Combined Campaign
Beginning Cash as of July 1, 2017	\$ 4,396
<u>2017-2018 Campaign</u>	
Receipts	28,254
Disbursements	<u>22,731</u>
Ending Cash as of June 30, 2018	<u>\$ 9,919</u>