

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD
AND CANNON COUNTIES
*(A Nonprofit Organization)***

**Financial Statements
With Independent Auditors' Report Thereon**

For the Years Ended June 30, 2016 and 2015

**H A Beasley & Company, PLLC
Certified Public Accountants
Murfreesboro, Tennessee**

United Way of Rutherford County
dba United Way of Rutherford and Cannon Counties

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**H A Beasley
& Company, PLLC**

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of Rutherford County dba United Way of Rutherford and Cannon Counties, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Rutherford County dba United Way of Rutherford and Cannon Counties, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Auditors' 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 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Rutherford County dba United Way of Rutherford and Cannon Counties, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'H A Beasley & Company, PLLC'.

H A Beasley & Company, PLLC
August 23, 2016

A Positive Difference Through Professional Accounting Service

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**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 1,347,645	\$ 1,370,189
Promises to give, net	1,258,090	1,215,347
Prepaid expenses	<u>26,459</u>	<u>25,541</u>
Total current assets	2,632,194	2,611,077
 PROPERTY AND EQUIPMENT, NET	 185,180	 202,115
 INVESTMENTS	 918,239	 892,047
 OTHER ASSET	 <u>29,123</u>	 <u>-</u>
 TOTAL ASSETS	 <u><u>\$ 3,764,736</u></u>	 <u><u>\$ 3,705,239</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,369	\$ 61,820
Due to agencies	2,025,698	1,988,398
Due to designated agencies	97,213	70,300
Community needs assessment	3,750	3,750
Deferred revenue	39,886	32,904
Accrued expenses	<u>25,529</u>	<u>11,542</u>
Total current liabilities	2,213,445	2,168,714
 NET ASSETS		
Unrestricted net assets		
Undesignated unrestricted net assets	112,975	130,009
Board designated for operations	218,717	213,774
Board designated for agency endowment	<u>61,591</u>	<u>62,929</u>
Total unrestricted net assets	393,283	406,712
Temporarily restricted net assets	<u>1,158,008</u>	<u>1,129,813</u>
Total net assets	<u>1,551,291</u>	<u>1,536,525</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,764,736</u></u>	<u><u>\$ 3,705,239</u></u>

See accompanying notes to financial statements and independent auditors' report.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016		2015			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Public support						
Contributions	\$ 1,984,144	1,158,008	\$ 3,142,152	\$ 1,655,940	1,130,113	\$ 2,786,053
Net assets released from restrictions	<u>1,129,813</u>	<u>(1,129,813)</u>	<u>-</u>	<u>1,387,392</u>	<u>(1,387,392)</u>	<u>-</u>
Total public support	3,113,957	28,195	3,142,152	3,043,332	(257,279)	2,786,053
Revenue						
Interest and dividend income	33,938	-	33,938	36,629	-	36,629
Realized gains (losses) on investments	(29,137)	-	(29,137)	67,423	-	67,423
Unrealized gains (losses) on investments	26,626	-	26,626	(96,341)	-	(96,341)
Gain on sale of equipment	225	-	225	351	-	351
Other income	-	-	-	2,009	-	2,009
Total revenue	<u>31,652</u>	<u>-</u>	<u>31,652</u>	<u>10,071</u>	<u>-</u>	<u>10,071</u>
Total public support and revenue	3,145,609	28,195	3,173,804	3,053,403	(257,279)	2,796,124
EXPENSES						
Programs						
Fund distribution	2,146,821	-	2,146,821	2,145,780	-	2,145,780
Information and referral program	23,000	-	23,000	23,998	-	23,998
Other programs	<u>522,321</u>	<u>-</u>	<u>522,321</u>	<u>361,240</u>	<u>-</u>	<u>361,240</u>
Total programs	2,692,142	-	2,692,142	2,531,018	-	2,531,018
Fundraising	120,448	-	120,448	119,894	-	119,894
Management and general	<u>403,543</u>	<u>-</u>	<u>403,543</u>	<u>304,610</u>	<u>-</u>	<u>304,610</u>
Total expenses	3,216,133	-	3,216,133	2,955,522	-	2,955,522
Increase (decrease) in net assets	(70,524)	28,195	(42,329)	97,881	(257,279)	(159,398)
Acquisition of Rutherford Books from Birth	57,095	-	57,095	-	-	-
Net assets at beginning of year	<u>406,712</u>	<u>1,129,813</u>	<u>1,536,525</u>	<u>308,831</u>	<u>1,387,092</u>	<u>1,695,923</u>
Net assets at end of year	<u>\$ 393,283</u>	<u>\$ 1,158,008</u>	<u>\$ 1,551,291</u>	<u>\$ 406,712</u>	<u>\$ 1,129,813</u>	<u>\$ 1,536,525</u>

See accompanying notes to financial statements and independent auditors' report.

UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Programs			Other Functional Expenses		Total
	Fund Distribution	Information and Referral	Other Programs	Fund Raising	Management and General	
Salaries and related expenses						
Salaries and wages	\$ -	\$ -	\$ 209,166	\$ 104,646	\$ 160,647	\$ 474,459
Employee insurance	-	-	31,812	-	47,230	79,042
Retirement	-	-	3,955	1,978	3,056	8,989
Payroll taxes	-	-	15,393	7,976	12,321	35,690
Total salaries and related expenses	-	-	260,326	114,600	223,254	598,180
Other expenses						
Agency allocations	2,146,821	-	-	-	-	2,146,821
Grant funding expenses	-	-	9,023	-	-	9,023
Books from Birth expenses	-	-	97,405	-	-	97,405
Bank service fees	-	-	5	-	1,783	1,788
Promotional items	-	-	1,083	1,394	1,378	3,855
Conference fees	-	-	660	1,790	2,235	4,685
Depreciation	-	-	11,083	-	14,106	25,189
Employee development	-	-	2,714	-	3,333	6,047
Equipment maintenance/rental	-	-	2,901	-	8,776	11,677
Fundraiser events	-	-	53,206	721	31,065	84,992
General insurance	-	-	2,596	-	3,197	5,793
Change in cash surrender value	-	-	-	-	20,877	20,877
Investment fees	-	-	4,909	-	6,247	11,156
Meetings	-	-	1,531	-	199	1,730
Membership dues	-	23,000	16,975	-	21,605	61,580
Miscellaneous	-	-	164	-	343	507
Rent	-	-	14,570	-	18,543	33,113
Office supplies	-	-	2,127	63	2,709	4,899
Professional services	-	-	22,575	-	23,537	46,112
Postage	-	-	2,925	-	3,619	6,544
Printing and publication	-	-	5,152	880	5,207	11,239
Signage	-	-	143	-	182	325
Software	-	-	40	-	51	91
Taxes	-	-	54	-	68	122
Telephone	-	-	3,220	1,000	4,852	9,072
Travel	-	-	6,405	-	5,706	12,111
Staff appreciation	-	-	529	-	671	1,200
Total other expenses	2,146,821	23,000	261,995	5,848	180,289	2,617,953
Total expenses	\$ 2,146,821	\$ 23,000	\$ 522,321	\$ 120,448	\$ 403,543	\$ 3,216,133

See accompanying notes to financial statements and independent auditors' report.

UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Programs			Other Functional Expenses		Total
	Fund Distribution	Information and Referral	Other Programs	Fund Raising	Management and General	
Salaries and related expenses						
Salaries and wages	\$ -	\$ -	\$ 180,753	\$ 90,377	\$ 139,673	\$ 410,803
Employee insurance	-	-	30,493	15,247	23,562	69,302
Retirement	-	-	3,767	1,884	2,911	8,562
Payroll taxes	-	-	14,012	7,006	10,828	31,846
Total salaries and related expenses	-	-	229,025	114,514	176,974	520,513
Other expenses						
Advertising	-	-	885	-	84	969
Agency allocations	2,145,780	-	-	-	-	2,145,780
Bank service fees	-	-	-	-	1,385	1,385
Promotional items	-	-	603	940	1,175	2,718
Conference fees	-	-	343	515	-	858
Depreciation	-	-	3,379	-	4,301	7,680
Employee development	-	-	1,480	100	1,441	3,021
Equipment maintenance/rental	-	-	2,677	-	3,535	6,212
Fundraiser events	-	-	49,193	1,162	30,119	80,474
General insurance	-	-	2,324	-	2,931	5,255
Investment fees	-	-	5,373	-	6,838	12,211
Meetings	-	-	752	-	-	752
Membership dues	-	23,998	15,910	77	20,251	60,236
Miscellaneous	-	-	114	-	216	330
Rent	-	-	14,209	-	18,085	32,294
Office supplies	-	-	2,652	55	3,376	6,083
Professional services	-	-	18,228	-	16,707	34,935
Postage	-	-	2,011	6	2,540	4,557
Printing and publication	-	-	4,510	748	4,749	10,007
Signage	-	-	100	37	128	265
Software	-	-	108	-	137	245
Taxes	-	-	148	-	159	307
Telephone	-	-	2,990	1,740	4,003	8,733
Travel	-	-	3,773	-	4,899	8,672
Staff appreciation	-	-	453	-	577	1,030
Total other expenses	2,145,780	23,998	132,215	5,380	127,636	2,435,009
Total expenses	\$ 2,145,780	\$ 23,998	\$ 361,240	\$ 119,894	\$ 304,610	\$ 2,955,522

See accompanying notes to financial statements and independent auditors' report.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (42,579)	\$ (159,398)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,189	7,680
Earnings on investments	(33,938)	(36,629)
Fees paid on investments	11,156	12,211
Realized (gains) losses on sale of investments	29,137	(67,423)
Unrealized (gains) losses on investments	(26,626)	96,341
Gain on sale of equipment	(225)	(351)
Acquisition of Rutherford Books from Birth Program	57,095	-
(Increase) decrease in operating assets:		
Promises to give, net	(42,743)	256,094
Prepaid expenses	(918)	1,747
Other asset	(29,123)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(40,451)	39,209
Due to agencies	37,300	(84,234)
Due to designated agencies	26,913	1,888
Deferred revenue	6,982	9,176
Accrued expenses	<u>13,987</u>	<u>(2,205)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(8,844)	74,106
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	225	1,416
Purchase of property and equipment	(8,254)	(201,665)
Proceeds from sale of investments	397,638	678,721
Purchase of investments	<u>(403,559)</u>	<u>(655,089)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(13,950)</u>	<u>(176,617)</u>
NET DECREASE IN CASH AND EQUIVALENTS	(22,794)	(102,511)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>1,370,189</u>	<u>1,472,700</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 1,347,395</u>	<u>\$ 1,370,189</u>

See accompanying notes to financial statements and independent auditors' report.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The United Way of Rutherford County dba United Way of Rutherford and Cannon Counties (the Organization) is a member of the United Way World Wide. The Organization completes a series of requirements in thirteen areas to maintain its membership. The United Way of Rutherford County dba United Way of Rutherford and Cannon Counties improves lives by advancing opportunities for education, health and financial stability for all. The United Way of Rutherford County dba United Way of Rutherford and Cannon Counties serves as a primary community solutions leader that produces measureable, sustainable results through mobilizing and engaging the community it serves.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization is required to report 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.

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. At June 30, 2016 and 2015 the Organization had no permanently restricted net assets.

Public support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Because of the inherent uncertainties in estimating collections, it is at least reasonably possible that the estimates used will change within the near term.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized as public support and revenue when received or unconditionally pledged. All contributions are available for unrestricted use unless specially restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Equivalents

For purposes of the statements of cash flows, cash equivalents include all highly liquid investments with an initial maturity of three months or less and all certificates of deposit.

Promises to Give, Net

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value, based on prior years' experience and management's analysis of specific promises made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in public support and revenues. Conditional promises to give are not included as support until such time as the conditions are substantially met. Using historical data, management estimates the promises to give allowance each year for uncollectible promises to give. For the years ending June 30, 2016 and 2015 management has estimated the promises to give allowance to be \$609,878 and \$681,505, respectively.

Investments

The investments consist of available-for-sale securities invested in equity and fixed income securities as well as mutual funds. These securities are recognized at fair value on the statements of financial position, with realized and unrealized gains or losses on the statements of activities.

Property and Equipment, Net

The Organization capitalizes all property and equipment expenditures with a cost of \$1,000 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or for donated items, at fair value as of the date received. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset for 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. The useful lives of the assets range from 3 to 10 years. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Designated Pledges

A designated pledge is a contribution to the Organization that is to be paid to a donor specified charity that is a non-member. This is an agency transaction that is recorded as a liability and is not included in public support and revenue.

The Organization's policy is for the community investment committee, which is made up of community volunteers, to set investment amounts per program with designated donor contributions being the first dollars in. Any supplemental amount is invested from the unrestricted pool.

Fair value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification estimates a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 and Level 2 were not available.

Advertising

The Organization expenses advertising costs as they are incurred. For the years ended June 30, 2016 and 2015, advertising expenses totaled \$-0- and \$969, respectively.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) (2) of the Internal Revenue Code.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the years ended June 30, 2013, 2014 and 2015.

However the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended June 30, 2016 and 2015.

Donor-Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as unrestricted.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional expenses

Presentation of operating expenses includes production costs directly incurred for program activities and supporting expense activity classifications of management and general as well as fund-raising.

Reclassifications

Certain reclassifications have been made to the June 30, 2015 financial statements to conform to the presentation used in the June 30, 2016 financial statements.

NOTE B – PROMISES TO GIVE, NET

Included in promises to give are the following unconditional promises to give as of June 30, 2016 and 2015:

	<u>2016</u>		<u>2015</u>
2014 Campaign:		2013 Campaign:	
Undesignated	\$ -	Undesignated	\$ 13,445
Designated	-	Designated	818
2015 Campaign:		2014 Campaign:	
Undesignated	1,141,615	Undesignated	1,120,185
Designated	95,525	Designated	73,599
2016 Campaign:		2015 Campaign:	
Undesignated	20,950	Undesignated	4,300
Capital Campaign	<u>-</u>	Capital Campaign	<u>3,000</u>
Total promises to give, net	<u>\$ 1,258,090</u>	Total promises to give, net	<u>\$ 1,215,347</u>

NOTE C – OTHER ASSET

During the year ended June 30, 2016, a donation was received by the Organization in the form of a life insurance policy on the life of a donor of which the Organization was named as the owner and beneficiary. The donor contributes \$50,000 annually to the Organization by depositing the cash into an investment account under the name of the Organization. In turn, the life insurance company uses the \$50,000 deposited into the investment account to pay the premium on the policy. The Organization has recorded the balance on the life insurance policy as an "other asset" on the balance sheet. As of June 30, 2016 the value of the assets within the program totaled \$29,123.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE D – INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30, 2016 and 2015:

	2016		2015	
	Cost	Value	Cost	Value
Equity securities	\$ 386,451	\$ 419,183	\$ 402,173	\$ 405,909
Fixed income securities	241,964	227,908	237,182	217,425
Mutual funds	196,859	209,557	187,834	205,784
Totals	<u>\$ 825,274</u>	<u>\$ 856,648</u>	<u>\$ 827,189</u>	<u>\$ 829,118</u>

Unrealized gains (losses) during the years ended June 30, 2016 and 2015 totaled \$26,626 and (\$96,341) respectively. At June 30, 2016 and 2015 the Board designated funds of these investments consisted of stocks with a cost of \$196,859 and \$187,834, respectively, and a fair value of \$209,557 and \$205,784, respectively, and have been designated by the Board of Directors to support the general purposes and objectives of the Organization and they are long-term investments. Cash invested with Raymond James Financial Services is shown in cash and equivalents.

Assets totaling \$30,228 were transferred as a board designation to the Community Foundation of Middle Tennessee, Inc. (the Foundation), a Tennessee not-for-profit corporation, exempt under Internal Revenue Code 501(c) (3) for its charitable, educational and public purposes. These funds were invested in an endowment fund named “United Way of Rutherford County Agency Endowment” (referred to as the “agency endowment”). The Foundation has the ultimate authority and control over all property of the fund, and the income derived therefrom, for use in furthering the charitable purposes of the Foundation.

Interpretation of relevant law in relation to the agency endowment

The Organization has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original board designation. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) The investment policies of the Organization

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE D – INVESTMENTS (CONTINUED)

As of June 30, 2016 and 2015 the agency endowment funds included board restricted net assets and reported as “board designated for agency endowment”. As of June 30, 2016 and 2015 the Organization did not have any funds in the agency endowment fund received from donors. Therefore there are no permanently restricted net assets as of June 30, 2016 and 2015.

Return objectives and risk parameters of the agency endowment

The Organization operates with investment and spending policies for endowment assets that attempt to provide a steady stream of funding to programs supported by its endowment while maintaining its long-term value. Endowment assets include those of board-designated funds. The Foundation invests the assets in a manner that is intended to produce income while incurring a moderate level of investment risk. Each year, the Foundation sets a percentage draw from endowment funds that are intended to allow them to grow in value, while also supporting the general purposes and objectives of the Organization.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending practice and how the investment objections relate to spending practice

For many years, the Foundation has followed a practice of setting a draw from endowment funds appropriate for distribution in subsequent fiscal year as needed by the Organization to meet its needs in order to prudently preserve capital in a difficult economic environment. During both years ending June 30, 2016 and 2015 the Organization has received \$1,250. The Organization may request an amount up to 5.0% for the agency fund value for distribution to fund operations in order to prudently preserve capital in a difficult economic environment.

In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 1 to 2 percent annually. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for specified terms as well as to provide additional real growth through investment return.

The Organization’s investment of the agency endowment is recorded at fair market value in the amount of \$61,591 and \$62,929 at June 30, 2016 and 2015, respectively. The agency endowment fund has been reported as a long-term investment on the statements of financial position.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE D – INVESTMENTS (CONTINUED)

Fair value measurements as of June 30, 2016 and 2015 are determined as follows:

Fair Value Measurements at June 30, 2016				
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Totals
Equity securities	\$ 419,183	\$ -	\$ -	\$ 419,183
Fixed income securities	227,908	-	-	227,908
Mutual funds	209,557	-	-	209,557
Agency endowment	-	-	61,591	61,591
Totals	<u>\$ 856,648</u>	<u>\$ -</u>	<u>\$ 61,591</u>	<u>\$ 918,239</u>

Fair Value Measurements at June 30, 2015				
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Totals
Equity securities	\$ 405,909	\$ -	\$ -	\$ 405,909
Fixed income securities	217,425	-	-	217,425
Mutual funds	205,784	-	-	205,784
Agency endowment	-	-	62,929	62,929
Totals	<u>\$ 829,118</u>	<u>\$ -</u>	<u>\$ 62,929</u>	<u>\$ 892,047</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 investments for the years ended June 30, 2016 and 2015:

	2016	2015
Balance, beginning of year	\$ 62,929	\$ 62,371
Realized gains (losses)	(120)	4,618
Unrealized gains (losses) related to investments still held at the reporting date	(1,631)	(4,623)
Investment income	838	1,044
Investment fees	(425)	(481)
Balance, end of year	<u>\$ 61,591</u>	<u>\$ 62,929</u>

The level 3 investments are reported at fair value on a recurring basis determined by reference to quoted market prices for similar assets.

**UNITED WAY OF RUTHERFORD COUNTY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE E – PROPERTY AND EQUIPMENT, NET

Property and equipment, net and the related accumulated depreciation consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Computers and office equipment	\$ 60,469	\$ 55,822
Furniture, fixtures and equipment	39,964	37,032
Leasehold improvements	<u>164,412</u>	<u>163,737</u>
Totals	264,845	256,591
Accumulated depreciation	<u>(79,665)</u>	<u>(54,476)</u>
Property and equipment, net	<u>\$ 185,180</u>	<u>\$ 202,115</u>

Depreciation for the years ended June 30, 2016 and 2015 totaled \$25,189 and \$7,680, respectively.

NOTE F – RESTRICTIONS ON AND DESIGNATIONS OF NET ASSETS

Net assets released from restrictions during the year ended June 30, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
Campaign 2014 and 2013, respectively	\$ 1,125,613	\$ 1,387,092
Mott Industries grant	<u>4,200</u>	<u>300</u>
Net assets released from restrictions	<u>\$ 1,129,813</u>	<u>\$ 1,387,392</u>

Unrestricted net assets at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Board designated for operations	\$ 218,717	\$ 213,774
Board designated for agency endowment	61,591	62,929
Unrestricted, undesignated	<u>112,975</u>	<u>130,009</u>
Total unrestricted net assets	<u>\$ 393,283</u>	<u>\$ 406,712</u>

Temporarily restricted net assets at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Campaign 2015 and 2014, respectively	\$ 1,158,008	\$ 1,125,613
Mott Industries grant	<u>-</u>	<u>4,200</u>
Total temporarily restricted net assets	<u>\$ 1,158,008</u>	<u>\$ 1,129,813</u>

**UNITED WAY OF RUTHERFORD COUNTY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE G – ACQUISITION OF RUTHERFORD BOOKS FROM BIRTH

On October 1, 2015, the Organization acquired the assets, which consisted solely of cash, of another not-for-profit entity, Rutherford Books from Birth. Rutherford Books from Birth was dissolved as of October 1, 2015. The transaction was recorded as an increase in unrestricted net assets of \$57,095. The acquisition of this entity into the Organization further enhances the education component of their community impact model.

NOTE H – FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

For the years ended June 30, 2016 and 2015 the Organization incurred expenses amounting to \$2,692,142 and \$2,531,018, respectively, related to program services and \$403,543 and \$304,610, respectively, related to management and general and \$120,448 and \$119,894, respectively, related to fund-raising.

NOTE I – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash equivalents and promises to give. The Organization estimates that the fair value of all financial instruments at June 30, 2016 and 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and equivalents and the current portion of promises to give reported in the statements of financial position approximate fair market values because of the short maturities of those instruments. The Organization does not have any long-term promises to give requiring estimation by discounting of future cash flows using a risk-free rate of return.

NOTE J – SIMPLIFIED EMPLOYEE PENSION PLAN

The Organization adopted a simplified employee pension plan effective January 1, 1991 for the benefit of eligible employees. An employee is eligible for participation one year after their service entry date. Contributions to the plan are made at the discretion of the Board of Directors. For each of the years ended June 30, 2016 and 2015 the board approved a 3% matching retirement contribution.

For the years ended June 30, 2016 and 2015 retirement expense totaled \$8,989 and \$8,562, respectively.

NOTE K – OPERATING LEASES

The Organization entered into a month-to-month operating lease beginning July 1, 2012 requiring monthly lease payments of \$2,550 through May 2015. On May 1, 2015, the Organization entered into an operating lease for office space for 10 years with an option to extend the term for an additional 5 year period. The monthly rent due under this lease for the first year is \$2,520. Annual rent for each successive year after the first year will increase by 2%. The Lessor and the Organization can terminate the lease with a 30 day notice to the other party only for failure of the other party to fulfil its obligations under the lease.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE K – OPERATING LEASES (CONTINUED)

The Organization leased two pieces of office equipment with operating agreements of varying lengths.

For the years June 30, 2016 and 2015 ended total rent expense was \$33,113 and \$32,294, respectively, and was included in management and general, fundraising and program expenses in the accompanying financial statements.

The future minimum lease payments due are as follows:

<u>June 30,</u>	
2017	\$ 36,220
2018	35,521
2019	32,198
2020	32,842
2021	33,499
Thereafter	<u>134,686</u>
Total	<u>\$ 304,966</u>

NOTE L – INTEREST AND DIVIDEND INCOME

Investment income is comprised of interest earned on funds held in money market accounts and certificates of deposit at financial institutions, dividends earned on the agency endowment and securities held in brokerage accounts. The income is reported as unrestricted revenue.

NOTE M – CONCENTRATIONS OF RISK

At June 30, 2016 and 2015 and at certain times during the years then ended, the balances on deposit at financial institutions exceeded the federally insured limit of \$250,000. The amounts exceeding the FDIC coverage at June 30, 2016 and 2015 totaled \$128,456 and \$236,208, respectively.

As of June 30, 2016 and 2015, the total amount of funds in a financial institution which is not federally insured totaled \$47,382 and \$54,716, respectively. The Organization manages this risk by maintaining all deposits in high quality institutions.

Approximately 94.3% of the Organization's support and revenue for the year ended June 30, 2016 was from pledges promised or received in its Fall 2015 fundraising campaign. Approximately 96.9% of the Organization's public support and revenue for the year ended June 30, 2015 was from pledges promised or received in its Fall 2014 fundraising campaign.

NOTE N – CASH FLOW INFORMATION

There were no cash outlays for interest or income taxes during the years ending June 30, 2016 and 2015.

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE O – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through August 23, 2016, which is the date the financial statements were available to be issued. There have been no adjustments to the financial statements to include any subsequent transactions or events.

SUPPLEMENTARY INFORMATION



**H A Beasley
& Company, PLLC**

Certified Public Accountants
**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
United Way of Rutherford County dba United Way of Rutherford and Cannon Counties, Inc.

We have audited the financial statements of United Way of Rutherford County dba United Way of Rutherford and Cannon Counties, Inc. as of and for the year ended June 30, 2016, and have issued our report thereon dated August 23, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Amounts Given to Agencies is presented for the 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. The Schedule of Investment in Community, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads 'H A Beasley & Company, PLLC'.

H A Beasley & Company, PLLC
August 23, 2016

A Positive Difference Through Professional Accounting Service

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**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
SCHEDULES OF AMOUNTS GIVEN TO AGENCIES (CASH BASIS)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
ACE Learning Center	\$ 87,839	\$ 90,721
American Red Cross - Heart of Tennessee	99,688	119,000
Big Brother Big Sisters	54,428	49,117
Boy Scouts of America, Middle Tennessee Council	24,927	29,336
Boys & Girls Clubs of Rutherford County	120,687	162,760
Cannon County Imaginatin Library/Cannon Reads	-	1,000
Cannon County Rescue Squad	6,000	-
Cannon County SAVE	-	6,000
Cannon County Senior Citizens Center	40,999	34,000
CASA of Rutherford County	28,006	29,700
Child Advocacy Center of Rutherford County	114,896	88,434
Community Food Partners - 2nd Harvest	21,418	23,000
Community Helpers of Rutherford County	244,500	275,000
Crisis Intervention Center	13,361	12,642
Discovery Center of Murfree Spring	15,406	15,745
Domestic Violence Program, Inc.	45,704	54,418
Exchange Club Family Center, Inc.	38,000	30,150
Girl Scouts Council of Cumberland Valley	-	29,520
Girl Scouts of Middle Tennessee	28,929	-
Holloway Harbor	4,500	4,500
Hospice of Murfreesboro - MTMC	19,521	44,130
Interfaith Dental Clinic	8,500	5,000
Journeys in Community Living (formerly RCAAC)	87,218	104,500
Kids on the Block: A Program of STARS Nashville	-	65,000
Kymari House	10,000	7,000
Legal Aid Society of Middle Tennessee	17,000	17,700
MCHRA - Homemaker Program	50,000	71,190
MCHRA - Long-term Care Ombudsman Program	-	3,000
MCHRA - Meals on Wheels & Senior Dining	49,979	47,700
MCHRA - Youth-CAN-Career Action Network	58,308	59,377
MCS - Franklin Heights Tutoring and Homework Help	19,000	18,856
Mindful Care Adult Day Services	5,000	-
Nurses for Newborns Foundation	14,268	15,000
Read To Succeed	8,000	5,000
Rutherford Co. Books from Birth	8,000	3,000
Rutherford Co. Emergency Food Bank	54,353	58,000
Rutherford Co. Primary Care & Hope Clinic	67,571	70,000
Rutherford Co. Schools' Charity Fund	22,990	27,000
Sexual Assault Services of Domestic Violence Program	12,440	10,500
Smyrna-Lavergne Food Bank	77,107	76,640
St. Clair Street Senior Center	45,520	42,000
STARS Nashville	87,649	-
Tennessee Poison Center	12,000	12,000
The Guidance Center	44,725	50,000
The Journey Home	-	2,250
The Salvation Army	112,284	106,700
Wee Care Day Care Center	25,151	27,790
West Main Mission	53,921	50,126
Woodbury United Methodist Church	-	7,000
Totals	<u>\$ 1,959,793</u>	<u>\$ 2,061,502</u>

See accompanying notes to financial statements and independent auditors' report

**UNITED WAY OF RUTHERFORD COUNTY
DBA UNITED WAY OF RUTHERFORD AND CANNON COUNTIES
SCHEDULE OF INVESTMENT IN COMMUNITY
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

From July 1, 2015 to June 30, 2016, United Way of Rutherford County dba United Way of Rutherford and Cannon Counties (United Way) was able to see a \$13.10 return for every \$1 invested in the operation of United Way.

For the year ended June 30 2016, \$1,219,228 was returned back into the community through the Volunteer Income Tax Assistance Program and \$699,255 was saved by the FamilyWize Prescription Discount Program. United Way also recruited volunteers, making a \$155,930 impact throughout this time frame. United Way also organized several volunteer events (Hometown Huddle, Stuff the Bus and the Community Baby Shower) that resulted in \$45,119 worth of in-kind donations and supplies and materials.

Additionally, United Way invested \$2,884,506 in the areas of education, income and health to improve lives In Rutherford and Cannon counties. United Way partner programs were able to leverage \$1,312,482 in additional funds because of their partnership with United Way. United Way was also the sole provider of the 2-1-1 program to Rutherford and Cannon counties with an investment of \$23,000.

From July 1, 2014 to June 30, 2015, United Way of Rutherford County dba United Way of Rutherford and Cannon Counties (United Way) was able to see a \$12 return for every \$1 invested in the operation of United Way.

For the year ended June 30 2015, \$1,011,648 was returned back into the community through the Volunteer Income Tax Assistance Program and \$448,836 was saved by the FamilyWize Prescription Discount Program. United Way also recruited volunteers, making a \$176,048 impact throughout this time frame. United Way also organized several volunteer events (Hometown Huddle, Stuff the Bus and the Community Baby Shower) that resulted in \$38,750 worth of in-kind donations and supplies and materials.

Additionally, United Way invested \$2,670,201 in the areas of education, income and health to improve lives In Rutherford and Cannon counties. United Way partner programs were able to leverage \$619,100 in additional funds because of their partnership with United Way. United Way was also the sole provider of the 2-1-1 program to Rutherford and Cannon counties with an investment of \$24,000.