

FINANCIAL REPORT

**UNITED WAY OF OXFORD - LAFAYETTE
COUNTY, INC.**

(a Not-For-Profit Organization)

Oxford, Mississippi

June 30, 2017

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Independent Auditors' Report

To the Board of Trustees
United Way of Oxford - Lafayette County, Inc.
Oxford, Mississippi

We have audited the accompanying financial statements of United Way of Oxford-Lafayette County, Inc. (a Not-For-Profit Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 Oxford-Lafayette County, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nail McKinney P.A.

Tupelo, Mississippi
December 21, 2017

Statements of Financial Position
UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC.
(a Not-For-Profit Organization)

June 30, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and savings	\$ 238,675	\$ 200,588
Certificates of deposit	159,764	159,058
Accounts receivable	3,967	4,155
Unconditional promises to give, net	<u>135,380</u>	<u>209,429</u>
Total current assets	<u>537,786</u>	<u>573,230</u>
Property and Equipment		
Furniture, fixtures, and equipment	24,742	24,742
Less: Accumulated depreciation	<u>(20,560)</u>	<u>(19,827)</u>
Total property and equipment	<u>4,182</u>	<u>4,915</u>
Other Assets		
CREATE Endowment	<u>54,269</u>	<u>48,752</u>
Total assets	<u><u>\$ 596,237</u></u>	<u><u>\$ 626,897</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,748	\$ 9,911
Disaster relief fund payable	9,685	9,705
Allocations payable	<u>326,330</u>	<u>353,345</u>
Total current liabilities	<u>339,763</u>	<u>372,961</u>
Net Assets		
Unrestricted:		
Board designated for CREATE endowment	54,269	48,752
Undesignated	187,839	202,886
Temporarily restricted	<u>14,366</u>	<u>2,298</u>
Total unrestricted net assets	<u>256,474</u>	<u>253,936</u>
Total liabilities and net assets	<u><u>\$ 596,237</u></u>	<u><u>\$ 626,897</u></u>

The accompanying notes are an integral part of these statements.

Statements of Activities
UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC.
(a Not-For-Profit Organization)

Years ended June 30, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Revenues, Gains and Other Support						
Contributions:						
Campaign revenue	\$ 497,829	\$ -	\$ 497,829	\$ 614,471	\$ -	\$ 614,471
Less: provision for uncollectible promises to give	(43,220)	-	(43,220)	(29,275)	-	(29,275)
Net campaign revenue	<u>454,609</u>	<u>-</u>	<u>454,609</u>	<u>585,196</u>	<u>-</u>	<u>585,196</u>
LOU Excel by 5 Coalition	-	5,777	5,777	-	1,668	1,668
LOU Reads	-	6,565	6,565	-	-	-
In-kind income	66,424	1,523	67,947	12,730	1,287	14,017
Interest income	1,015	-	1,015	905	-	905
CREATE endowment interest income	1,062	-	1,062	1,176	-	1,176
CREATE endowment gains (losses)	4,795	-	4,795	(575)	-	(575)
Special Events	40,284	-	40,284	1,283	-	1,283
Net assets released from restrictions	<u>1,797</u>	<u>(1,797)</u>	<u>-</u>	<u>1,412</u>	<u>(1,412)</u>	<u>-</u>
Total revenue	<u>569,986</u>	<u>12,068</u>	<u>582,054</u>	<u>602,127</u>	<u>1,543</u>	<u>603,670</u>
Expenses						
Program services:						
United Way community services	428,000	-	428,000	459,564	-	459,564
Supporting services:						
Management and general	50,905	-	50,905	54,786	-	54,786
Fundraising	<u>100,611</u>	<u>-</u>	<u>100,611</u>	<u>47,635</u>	<u>-</u>	<u>47,635</u>
Total expenses	<u>579,516</u>	<u>-</u>	<u>579,516</u>	<u>561,985</u>	<u>-</u>	<u>561,985</u>
Change in net assets	(9,530)	12,068	2,538	40,142	1,543	41,685
Net assets, beginning of year	<u>251,638</u>	<u>2,298</u>	<u>253,936</u>	<u>211,496</u>	<u>755</u>	<u>212,251</u>
Net assets, end of year	<u>\$ 242,108</u>	<u>\$ 14,366</u>	<u>\$ 256,474</u>	<u>\$ 251,638</u>	<u>\$ 2,298</u>	<u>\$ 253,936</u>

The accompanying notes are an integral part of these statements.

Statements of Functional Expenses
UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC.
(a Not-For-Profit Organization)

Years ended June 30, 2017 and 2016

	<i>2017</i>				<i>2016</i>			
	<i>Program Services</i>	<i>Support Services</i>			<i>Program Services</i>	<i>Support Services</i>		
	<i>United Way Community Services</i>	<i>Management and General</i>	<i>Fund Raising</i>	<i>Total</i>	<i>United Way Community Services</i>	<i>Management and General</i>	<i>Fund Raising</i>	<i>Total</i>
Salaries	\$ 42,381	\$ 18,902	\$ 23,478	\$ 84,761	\$ 42,965	\$ 18,420	\$ 24,544	\$ 85,929
Payroll taxes	3,566	1,594	1,970	7,130	3,590	1,538	2,051	7,179
Employee benefits	6,199	2,786	3,412	12,397	5,936	2,530	3,405	11,871
Total personnel costs	52,146	23,282	28,860	104,288	52,491	22,488	30,000	104,979
Bank charges	-	396	-	396	-	459	-	459
Campaign expenses	-	-	66,484	66,484	-	-	11,736	11,736
Other community impact	10,726	-	-	10,726	7,517	-	-	7,517
CREATE endowment fees	-	340	-	340	-	330	-	330
Vista volunteer	5,668	-	-	5,668	5,535	-	-	5,535
Conferences	8	4	3	15	847	474	373	1,694
Depreciation	323	410	-	733	323	410	-	733
Dues-United Way Worldwide	-	5,931	-	5,931	-	6,132	-	6,132
Insurance	-	3,501	-	3,501	-	3,654	-	3,654
Marketing - website	943	472	471	1,886	1,071	535	535	2,141
Office expense	158	1,113	814	2,085	202	1,746	1,109	3,057
Repairs & maintenance	540	2,522	541	3,603	471	2,200	472	3,143
Postage	27	94	13	134	60	210	30	300
Professional fees	-	9,414	-	9,414	-	12,768	-	12,768
Rent	4,488	2,856	2,856	10,200	4,488	2,856	2,856	10,200
Telephone	1,139	570	569	2,278	1,048	524	524	2,096
Grants to agencies	337,616	-	-	337,616	372,451	-	-	372,451
Other program expense	3,274	-	-	3,274	2,326	-	-	2,326
Excel by Five Coalition Expense	10,944	-	-	10,944	10,734	-	-	10,734
Total expenses	<u>\$ 428,000</u>	<u>\$ 50,905</u>	<u>\$ 100,611</u>	<u>\$ 579,516</u>	<u>\$ 459,564</u>	<u>\$ 54,786</u>	<u>\$ 47,635</u>	<u>\$ 561,985</u>

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC.
(a Not-For-Profit Organization)

Years ended June 30, 2017 and 2016

	<i>2017</i>	<i>2016</i>
Cash flows from operating activities:		
Change in net assets	\$ 2,538	\$ 41,685
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	733	733
(Increase) decrease in:		
Accounts receivable	188	(2,653)
Unconditional promises to give	74,049	(21,612)
Prepaid expense	-	777
Increase (decrease) in:		
Accounts payable and accrued expenses	(6,163)	4,369
Allocations payable	(27,015)	18,400
Net cash provided by operating activities	44,330	41,699
Cash flows from investing activities:		
Interest reinvested in certificates of deposit	(706)	(783)
Change in CREATE endowment	(5,517)	(271)
Net cash used in investing activities	(6,223)	(1,054)
Cash flows from financing activities:		
Agency transactions, net	(20)	(60)
Net cash used in financing activities	(20)	(60)
Net change in cash	38,087	40,585
Cash and savings, beginning of year	200,588	160,003
Cash and savings, end of year	\$ 238,675	\$ 200,588

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

UNITED WAY OF OXFORD-LAFAYETTE COUNTY, INC. (a Not-For-Profit Organization)

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The United Way of Oxford-Lafayette County, Inc. (the Organization) is a Mississippi nonprofit organization, governed by a volunteer board of directors, whose primary mission is to improve lives and meet community needs by uniting people and resources. To this end, the Organization raises funds and invests in education, health and human service programs throughout the county, while also leading coalitions to drive community-level change and mobilizing volunteers. The Organization has served the local community since it was established on November 17, 1970. The Organization raises funds through organized volunteer campaigns that are supported by businesses and individuals. Contributions are received in the form of direct cash donations, annual campaign promises to give, corporate matching sponsorships, and employer remittances of participating employee payroll deduction arrangements. The Organization's Community Investment Committee, made up of board members and other community volunteers, reviews grant applications from local nonprofit service providers and recommends annual funding amounts to the board of directors. The organization also serves as the Chair of the Local Board for Emergency Food & Shelter Program, through which federal funding is periodically distributed to direct aid providers in Lafayette County.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Public Support and Revenue

Annual campaign contributions and other direct contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recognized and recorded when received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their estimated net realizable value. Unconditional promises to give due in subsequent years (if any) are reflected as long-term promises to give and are recorded at the present value of their estimated net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on prior years' experience and management's evaluation of campaign revenue and potential uncollectible promises receivable at year end.

Contributions and grants of cash or other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Administrative fees earned by the Organization for processing and distributing FEMA grant proceeds to specific agencies, interest from certificates of deposit and other interest bearing accounts, designations from other United Way agencies throughout the country, and other receipts not mentioned above are classified as other income. Such revenue is considered unrestricted support and can be used as the Board directs.

Use of 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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Notes to Financial Statements (continued)

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

Cash and Cash Equivalents (continued)

The total cash held by the Organization at June 30, 2017 and 2016 were covered by insurance provided by the Federal Deposit Insurance Corporation.

Fixed Assets

The Organization records office furniture, fixtures and equipment at cost if purchased or at fair market value if donated. The Organization currently capitalizes all fixed asset acquisitions of \$ 500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Fair Value of Financial Instruments

The carrying amounts at June 30, 2017 and 2016 for cash and cash equivalents, certificates of deposit, and pledges receivable approximate their fair values because of the short maturity of these instruments.

Accrual for Unrecognized Tax Benefits

On a continuing basis, management analyzes the Organization's tax positions, and, when a tax position meets the measurement and recognition principles outlined in FASB Accounting Standards Codification (FASB ASC) 740, *Income Taxes*, the Company accrues a liability for unrecognized tax benefits. Any related interest and penalties associated with unrecognized tax benefits are included as a component of other non-interest expense.

Management has evaluated the tax positions taken, and expected to be taken, on the tax returns of the Organization and has determined that, at June 30, 2017 and 2016, the accrual for unrecognized tax benefits is \$0.

Open Tax Years

The Organization is subject to taxation in the United States. The Organization's federal information returns are subject to examination by the taxing authorities generally for three years after they are filed. Management has evaluated the tax positions taken, and has not identified any positions that are unlikely to be sustained upon examination.

Donated Property and Facilities

Donations of property are recorded as in-kind contributions at their estimated fair values at the date of donation.

Contributed Services

Contributions of services are recorded at their estimated fair value if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. A number of volunteers have donated significant time and effort to the United Way fundraising campaign and its grant allocation process. The dollar value of these contributed services is not reflected in the financial statements because the nature of the services does not meet the specified criteria for recording. During the years ended June 30, 2017 and 2016, the value of contributed goods and services meeting the requirements for recognition in the financial statements was \$67,947 and \$14,017, respectively.

Reclassifications

Certain prior year amounts have been reclassified in order to conform to current year's presentation.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Notes to Financial Statements (continued)

NOTE 2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30:

	<i>2017</i>	<i>2016</i>
Unconditional promises to give, 2015/2016 Campaign	\$ -	\$ 232,429
Unconditional promises to give, 2016/2017 Campaign	162,380	-
Total unconditional promises to give	162,380	232,429
Less: allowance for uncollectible promises to give	(27,000)	(23,000)
Unconditional promises to give, net	\$ 135,380	\$ 209,429

NOTE 3. CREATE ENDOWMENT

CREATE Foundation of Tupelo, Mississippi serves as the financial administrator for endowments established by a number of non-profit organizations in North Mississippi. Upon approval by the Board, an agreement to establish an endowment was made in 2005 between the Organization and CREATE Foundation. In December 2005, the Organization contributed \$20,000 to establish the endowment. As with other endowments managed by CREATE Foundation, a portion of the income from the Organization endowment fund may be distributed annually to the Organization while the endowment fund remains with CREATE Foundation. Additionally, CREATE Foundation agreed to provide a challenge grant whereby it would eventually transfer \$10,000 of its funds to the endowment in a two to one matching arrangement. This matching contribution was transferred to the Organization endowment fund in September 2006. The Board anticipates that any income distributed from the endowment funds will help offset administrative costs incurred in support of the Organization’s charitable purposes. The Organization has not received any distributions from this fund since it was established in 2005.

NOTE 4. FAIR VALUE MEASUREMENT

“Fair value” is defined by FASB ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs for the asset or liability that reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Notes to Financial Statements (continued)

NOTE 4. FAIR VALUE MEASUREMENT (continued)

Determination of fair value

The Organization uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

CREATE Endowment

CREATE Endowment funds are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices of the underlying investments allocated to the Organization's units within the larger endowment pool.

The following tables present the balances of assets measured at fair value on a recurring basis:

	<i>2017</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
CREATE Endowment	\$ 54,269	\$ -	\$ -	\$ 54,269

	<i>2016</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
CREATE Endowment	\$ 48,752	\$ -	\$ -	\$ 48,752

The Organization has no other assets or liabilities measured at fair value on either a recurring or nonrecurring basis.

NOTE 5. DISASTER RELIEF FUND PAYABLE

The Organization has received donations as agent for The Disaster Relief Council for contributions related to severe storm damage in a prior year. At June 30, 2017, the Organization held \$9,685 of cash funds for the benefit of The Disaster Relief Council, representing a liability to that entity and a restriction on spendable cash balances as of that date.

NOTE 6. COMMITMENTS AND CONTINGENCIES

United Way of Oxford-Lafayette County, Inc. traditionally distributes approved allocations (grants) to Board designated agencies on a quarterly basis. At the end of each annual campaign, the Board determines the amount of funds available for distribution and budgets the amounts to be distributed throughout the year. The Community Investment Committee then reviews the funding requests received from local agencies. With priorities established by the Committee, fund allocations are developed in accordance with the Organization's guidelines. The allocation recommendations of the Committee are submitted to the Board for approval, and upon approval, distribution schedules are established for the year.

In May 2017, the Organization made unconditional pledges to agency programs for allocations to be paid for the period July 1, 2017 through June 30, 2018. Accordingly, as of June 30, 2017, a liability of \$326,330 was recorded for the unconditional grants pledged, and not yet paid as of that date.

NOTE 7. FUNCTIONAL ALLOCATION OF EXPENSES

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

Notes to Financial Statements (continued)

NOTE 8. LEASES

United Way of Oxford-Lafayette County, Inc. leases office space under a verbal, twelve month lease agreement. Monthly rental payments of \$850 were required under the lease for the fiscal year.

NOTE 9. EMPLOYEE BENEFIT PLAN

The Organization participates in a Simplified Employee Pension Individual Retirement Arrangement (SEP IRA). The Organization contributes six percent of the employee's salary to the SEP IRA. For the year ended June 30, 2017 and 2016, plan expenses incurred by the Organization for the SEP IRA were \$3,954 and \$3,963, respectively.

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

The Organization serves as the Lead Support Partner and Fiscal Support Partner for the LOU Excel by 5 Coalition. Pursuant to the provisions of a Memorandum of Understanding executed between the Organization and the LOU Excel by 5 Coalition, funds approved for allocation to LOU Excel by 5 Coalition that are unspent at the end of the fiscal year are held over for use by LOU Excel by 5 in subsequent years. The Organization also has funds with donor imposed restrictions to be spent on LOU Reads expenditures. Similar to LOU Excel by 5 funds, any funds unspent from the donor contributions with the aforementioned restrictions are held over for use by LOU Reads in subsequent years. Temporarily restricted net assets at June 30, 2017 represent funds allocated to LOU Excel by 5 and LOU Reads in excess of amounts spent by LOU Excel by 5 and LOU Reads and are restricted for future use by those programs in subsequent fiscal years.