

UNITED WAY OF KENT COUNTY, INC.

FINANCIAL STATEMENTS

Years ended August 31, 2016 and 2015



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Kent County, Inc.

We have audited the accompanying financial statements of United Way of Kent County, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, functional activities 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 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 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 United Way of Kent County, Inc. as of August 31, 2016 and 2015, 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.

Radcliffe Corporate Services, Inc.

Radcliffe Corporate Services, Inc.
December 23, 2016

870 High Street, Suite 1
Chestertown, MD 21620
Phone 410-778-1099 Fax 410-778-7988

UNITED WAY OF KENT COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION

August 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 91,480	\$ 85,071
Pledges receivable	75	-
Certificates of deposit	9,061	21,144
Prepaid expenses	<u>4,928</u>	<u>9,445</u>
Total current assets	105,544	115,660
OTHER ASSETS		
Investments	75,753	69,286
Certificates of deposit	<u>47,573</u>	<u>35,241</u>
Total other assets	<u>123,326</u>	<u>104,527</u>
TOTAL ASSETS	<u><u>\$ 228,870</u></u>	<u><u>\$ 220,187</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	<u>\$ 7,140</u>	<u>\$ 14,755</u>
Total current liabilities	7,140	14,755
NET ASSETS		
Unrestricted		
Board appropriated	100,000	100,000
Unappropriated	<u>121,730</u>	<u>105,432</u>
Total unrestricted net assets	<u>221,730</u>	<u>205,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 228,870</u></u>	<u><u>\$ 220,187</u></u>

See independent auditor's report and notes which are an integral part of these financial statements.

UNITED WAY OF KENT COUNTY, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2016 and 2015

CHANGES IN UNRESTRICTED NET ASSETS	2016	2015
SUPPORT AND REVENUES		
Campaign income, net of amounts designated by donors for specific agencies of \$43,350 in 2016 and \$56,156 in 2015	\$ 152,159	\$ 144,004
Designations from other United Ways	8,716	8,827
Interest and dividends, net of fees	2,147	1,351
Net realized and unrealized gains (losses)	2,693	(3,313)
Special events	7,093	7,509
TOTAL UNRESTRICTED SUPPORT	172,808	158,378
EXPENSES		
Program services, net of amounts designated by donors for specific agencies of \$43,350 in 2016 and \$56,156 in 2015	103,334	88,400
Support services	30,233	30,425
Fundraising expenses	22,943	22,362
TOTAL EXPENSES	156,510	141,187
INCREASE IN UNRESTRICTED ASSETS	16,298	17,191
NET ASSETS AT BEGINNING OF YEAR	205,432	188,241
NET ASSETS AT END OF YEAR	\$ 221,730	\$ 205,432

See independent auditor's report and notes which are an integral part of these financial statements.

UNITED WAY OF KENT COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2016

	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising Expense</u>	<u>Total 2016</u>
Compensation:				
Wages	\$ 8,652	\$ 6,180	\$ 9,888	\$ 24,720
Payroll taxes	666	476	760	1,902
	<u>9,318</u>	<u>6,656</u>	<u>10,648</u>	<u>26,622</u>
Advertising	-	-	6,552	6,552
Allocations and designations	135,946	-	-	135,946
Less donor designated amounts	(43,350)	-	-	(43,350)
Annual meeting	1,420	-	-	1,420
Bank and merchant fees	-	-	528	528
Insurance	-	3,139	-	3,139
Office expense	-	2,905	-	2,905
Postage and delivery	-	-	3,012	3,012
Professional fees	-	5,225	-	5,225
Rent	-	7,100	-	7,100
Special events	-	-	2,203	2,203
Telephone	-	1,415	-	1,415
Unallocated payments to national organizations	-	1,839	-	1,839
Utilities	-	1,196	-	1,196
Website and computer	-	758	-	758
	<u>-</u>	<u>758</u>	<u>-</u>	<u>758</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 103,334</u>	<u>\$ 30,233</u>	<u>\$ 22,943</u>	<u>\$ 156,510</u>

UNITED WAY OF KENT COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2015

	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising Expense</u>	<u>Total 2015</u>
Compensation:				
Wages	\$ 8,526	\$ 6,090	\$ 9,744	\$ 24,360
Payroll taxes	670	479	765	1,914
	<u>9,196</u>	<u>6,569</u>	<u>10,509</u>	<u>26,274</u>
Advertising	-	-	6,367	6,367
Allocations and designations	134,320	-	-	134,320
Less donor designated amounts	(56,156)	-	-	(56,156)
Annual meeting	1,040	-	-	1,040
Bank and merchant fees	-	323	617	940
Insurance	-	3,062	-	3,062
Office expense	-	2,707	-	2,707
Postage and delivery	-	-	2,556	2,556
Professional fees	-	5,080	-	5,080
Rent	-	6,900	-	6,900
Special events	-	-	2,313	2,313
Telephone	-	1,178	-	1,178
Unallocated payments to national organizations	-	1,802	-	1,802
Utilities	-	2,519	-	2,519
Website and computer	-	285	-	285
	<u>-</u>	<u>-</u>	<u>-</u>	<u>285</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 88,400</u></u>	<u><u>\$ 30,425</u></u>	<u><u>\$ 22,362</u></u>	<u><u>\$ 141,187</u></u>

See independent auditor's report and notes which are an integral part of these financial statements.

UNITED WAY OF KENT COUNTY, INC.

STATEMENTS OF CASH FLOWS

Years Ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 16,298	\$ 17,191
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(2,826)	3,480
(Increase) decrease in operating assets:		
Pledges receivable	(75)	-
Prepaid expenses	4,517	(3,629)
Increase (decrease) in operating liabilities:		
Accrued expenses	(7,615)	9,737
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>10,299</u>	<u>26,779</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from certificates of deposit	23,741	71,740
Purchase of investments	(3,641)	(60,381)
Purchase of certificate of deposit	(23,990)	(12,528)
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,890)</u>	<u>(1,169)</u>
NET INCREASE IN CASH	6,409	25,610
CASH AT BEGINNING OF YEAR	<u>85,071</u>	<u>59,461</u>
CASH AT END OF YEAR	<u>\$ 91,480</u>	<u>\$ 85,071</u>

See independent auditor's report and notes which are an integral part of these financial statements.

UNITED WAY OF KENT COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended August 31, 2016 and 2015

NOTE 1 – NATURE OF ACTIVITIES

The United Way of Kent County, Inc. was incorporated in 1957 and qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Its single program is to raise and distribute funds to support charitable organizations in Kent County, Maryland. The United Way of Kent County, Inc. conducts an annual campaign fund drive that raises proceeds from individual donors and businesses. The main source of revenue is from contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) Basis of accounting – The Organization's policy is to prepare the financial statements on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.
- b) Basis of presentation – Financial statement presentation follows the recommendations of the Not-for Profit FASB *Accounting Standards Codification*. According to the FASB *Accounting Standards Codification*, the Organization is required to report information regarding its financial position, activities, and functional expenses according to the following three classes of net assets:
 - Unrestricted net assets – Net assets not subject to donor-imposed stipulations.
 - Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, by actions of the Organization, and/or the passage of time. When a restriction expires or the funds are expended, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of revenues and expenses as net assets released from restrictions. However, the Organization utilizes the convention that if restricted funds are certain to be expended in the same year as they are received they are classified as unrestricted upon receipt.
 - Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Amounts designated by donors for specific agencies are not to be treated as contributions and are excluded from revenue. The Organization recognizes a liability to the specific non-member agencies if remittance to this agency has not been made as of year-end.

- c) Cash and cash equivalents – The Organization considers all unrestricted liquid investments with an initial maturity of three months or less to be cash equivalents.

UNITED WAY OF KENT COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended August 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- d) Pledges receivable and allowance for doubtful accounts – Pledges receivable are stated at the amount the Organization expects to collect on the balances. An allowance for doubtful accounts has not been provided, as it is management's opinion that losses, if any, would not be material to the financial statements. Instead, specific receivable balances are charged to expense when they are determined to be uncollectible, which is after all attempts at collection have failed.
- e) Certificates of deposit – Certificates of deposit ("CDs") represent CDs with initial maturities of greater than three months but less than one year. The certificate of deposit is carried at fair value. Interest is accrued and recognized in income when earned.
- f) Investments – The Organization follows the Not-For-Profit Entities subtopic of the FASB *Accounting Standards Codification* with respect to investments. Under this subtopic, investments in marketable securities with readily determinable fair values are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

There were no changes in valuation techniques in the year ended August 31, 2016. The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended August 31, 2016.

- g) Fair value of financial instruments – The carrying amounts of financial instruments, including cash and cash equivalents, certificates of deposit, investments, and accrued expenses approximate fair value due to the short maturity of these instruments.
- h) Property and equipment – Furniture and equipment are carried at cost, or if donated, at their fair market value at the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The Organization's policy is to capitalize qualifying purchases over \$1,000.
- i) Revenue recognition – Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- j) Contributed services – No amounts have been reflected in the financial statements for donated services. The Organization pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks. These services do not meet the criteria for recognition as contributed services.
- k) Donated assets – When the Organization receives a donated asset, it is recorded at the fair market value at the date of the gift and revenue is recorded in the same period.

See independent auditor's report.

UNITED WAY OF KENT COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended August 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- l) Functional expense – The cost of providing various program and supporting services and fundraising has been summarized on a functional basis in the statement of functional expense. Accordingly, compensation costs have been allocated among the activities benefitted.
- m) Income taxes – The United Way of Kent County, Inc. qualifies as a tax-exempt Organization under Internal Revenue Code Section 501(c)(3) and, therefore, has no provision for income tax. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after they were filed.
- n) Advertising – The Organization's policy is to expense advertising costs as the costs are incurred. Advertising cost for August 31, 2016 and 2015 were \$6,552 and \$6,367, respectively.
- o) 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.
- p) Reclassification – Certain 2015 items have been reclassified in order to conform with 2016 financial statement presentation.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk. Currently no amounts exceed FDIC limitations.

The Organization received approximately one third of its total contributions from eight sources. In addition, substantially all of the contributors and patrons of the Organization's programs are located in the same geographic location and are therefore subject to local economic fluctuations.

UNITED WAY OF KENT COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended August 31, 2016 and 2015

NOTE 4 – CERTIFICATES OF DEPOSIT

The Organization holds the following certificates of deposit:

	2016	2015
Current		
Sun Trust – 0.5% interest, matures June 18, 2016	\$ -	\$ 12,101
PNC – 0.2% interest, matures January 28, 2017	9,061	9,043
	<u>\$ 9,061</u>	<u>\$ 21,144</u>
Long Term		
Sun Trust – 1% interest, matures June 18, 2017	\$ -	\$ 11,640
Centreville National Bank - 1.24% interest, matures October 11, 2017	23,896	23,601
Chesapeake Bank & Trust – 1% interest, matures March 23, 2018	23,677	-
	<u>\$ 47,573</u>	<u>\$ 35,241</u>

NOTE 5 – INVESTMENTS

In March of 2015, the Board voted to transfer \$50,000 from a certificate of deposit to Chesapeake Investment Advisors. This investment is recorded at fair value.

In August of 2012, the Board voted to invest \$10,000 in Mid-Shore Community Foundation, a 501(c)(3) public charity that helps individuals, families, businesses, private foundations and others accomplish their charitable giving objectives. It has been recorded as an asset due to the fact that it is considered refundable with Mid-Shore Community Foundation approval. Earnings are available to be distributed back to the organization if requested after the first year. This investment is recorded at fair value.

In August of 2014, the Board voted to invest an additional \$10,000 in Mid-Shore Community Foundation. This amount was paid in November 2014.

Investment fees related to both of these investments totaled \$833 and \$503 for the years ended August 31, 2016 and 2015, respectively.

See independent auditor's report.

UNITED WAY OF KENT COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended August 31, 2016 and 2015

NOTE 6 – FAIR VALUE MEASUREMENTS

The Organization measures its financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States. Fair value is defined 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. GAAP provides a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3) measurements). These tiers include:

Level 1 Fair Value Measurements

Quoted prices in active markets for identical assets or liabilities.

Level 2 Fair Value Measurements

Inputs other than Level 1 that are observable, either directly or indirectly, 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 for substantially the full term of the assets or liabilities.

Level 3 Fair Value Measurements

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

UNITED WAY OF KENT COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended August 31, 2016 and 2015

NOTE 6 – FAIR VALUE MEASUREMENTS – *continued*

The following tables set forth, by level within the fair value hierarchy, the Organization's investments at fair value as of August 31, 2016 and 2015:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>Fair value measurements at August 31, 2016</u>		
Certificates of deposit with maturities over three months	\$ 47,573	\$ 47,573
Marketable securities	51,753	51,753
Investment in Mid-Shore Community Foundation	24,000	24,000
Total investments at fair value	<u>\$ 123,326</u>	<u>\$ 123,326</u>

Fair value measurements at August 31, 2015

Certificates of deposit with maturities over three months	\$ 35,241	\$ 35,241
Marketable securities	47,873	47,873
Investment in Mid-Shore Community Foundation	21,413	21,413
Total investments at fair value	<u>\$ 104,527</u>	<u>\$ 104,527</u>

NOTE 7 – OPERATING LEASE

The Organization entered into a lease agreement for office space during the current year. In prior years it was on a month to month basis. The lease expires December 31, 2018 and monthly payments are \$600. Rent expense totaled \$7,100 and \$6,900 for the years ended August 31, 2016 and 2015. The annual minimum lease requirements are as follows:

For the year ended August 31,

2017	\$ 7,200
2018	3,000

See independent auditor's report.

UNITED WAY OF KENT COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended August 31, 2016 and 2015

NOTE 8 – BOARD APPROPRIATED NET ASSETS

The Board of Directors has reserved \$100,000 to be used to fulfill promised donations to Member Agencies should revenues fall significantly below budgeted amounts.

NOTE 9 – DONOR DESIGNATIONS

The organization receives contributions that are specifically designated to other organizations. In accordance with accounting standards, these specified designations are not considered to be part of the allocations to agencies and are deducted from the current campaign results as well as the current program service expense. During the year ended August 31, 2016, donors designated contributions of \$43,350. During the year ended August 31, 2015, donors designated contributions of \$56,129 to Member Agencies of the United Way of Kent County, Inc. and \$27 to Non-Member Agencies

NOTE 10 – SUBSEQUENT EVENTS

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the notes to the financial statements. All events and transactions have been evaluated through December 23, 2016 which is the date the financial statements were available to be issued.