

**UNITED WAY OF LEE COUNTY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

**UNITED WAY OF LEE COUNTY, INC.
OPELIKA, ALABAMA**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of Lee County, Inc.
Opelika, Alabama

We have audited the accompanying financial statements of United Way of Lee County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Lee County, Inc. as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2015 were audited by Himmelwright, Huguley & Boles, LLC, who merged with Barfield, Murphy, Shank & Smith, LLC as of January 1, 2017, and whose report, dated July 28, 2016, expressed an unmodified opinion on those financial statements.

Barfield, Murphy, Shank & Smith, LLC

Opelika, Alabama
August 10, 2017

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UNITED WAY OF LEE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 484,903	\$ 429,672
Certificates of deposit	-	87,892
Designated cash	54,519	57,340
Prepaid insurance	2,374	6,416
Other current assets	253	253
Unconditional promises to give (less allowance of \$114,948 and \$123,324, respectively)	573,652	613,692
Total current assets	1,115,701	1,195,265
Fixed Assets		
Buildings	231,338	216,838
Equipment	41,615	41,615
Land	35,000	35,000
Furniture and fixtures	39,877	39,877
	347,830	333,330
Less accumulated depreciation	(192,197)	(185,360)
Net fixed assets	155,633	147,970
Other Assets		
Certificates of deposit maturing in more than one year	264,914	174,771
Investments	303,775	282,978
Total other assets	568,689	457,749
Total assets	\$ 1,840,023	\$ 1,800,984

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ -	\$ 2,503
Accrued and other liabilities	4,136	3,215
Total current liabilities	4,136	5,718
Total liabilities	4,136	5,718
Net Assets		
Unrestricted	1,474,549	1,416,923
Temporarily restricted	361,338	378,343
Total net assets	1,835,887	1,795,266
Total liabilities and net assets	\$ 1,840,023	\$ 1,800,984

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

UNITED WAY OF LEE COUNTY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
Revenues, Gains, and Other Support				
Campaign applicable to current period				
Contributions received in current period	\$ 73,522	\$ -	\$ 73,522	\$ 77,715
Contributions received in prior periods (released from restrictions)	839,913	(839,913)	-	-
Less bad debt for uncollectible pledges	(42,515)	-	(42,515)	(51,721)
Unrealized gain (loss) on marketable securities	21,579	-	21,579	(5,667)
	892,499	(839,913)	52,586	20,327
Campaign revenue received for next allocation period	-	826,736	826,736	839,913
Less bad debt for uncollectible pledges	-	(3,828)	(3,828)	(44,292)
Total campaign for next allocation period	-	822,908	822,908	795,621
Total campaign	892,499	(17,005)	875,494	815,948
Interest income	2,352	-	2,352	1,813
Rental income	7,435	-	7,435	7,652
Miscellaneous income	21,468	-	21,468	4,224
Realized gain (loss) on marketable securities	2,756	-	2,756	(98)
	926,510	(17,005)	909,505	829,539
Allocations to Agencies, Programs, and Others				
Agency allocations	604,352	-	604,352	617,196
Special allocations to agencies and others	1,295	-	1,295	1,632
	605,647	-	605,647	618,828
Total allocations to agencies, programs, and others	605,647	-	605,647	618,828
Functional Expenses	263,237	-	263,237	265,457
Total allocations and expenses	868,884	-	868,884	884,285
Change in net assets	57,626	(17,005)	40,621	(54,746)
Net assets, beginning of year	1,416,923	378,343	1,795,266	1,850,012
Net assets, end of year	\$ 1,474,549	\$ 361,338	\$ 1,835,887	\$ 1,795,266

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

UNITED WAY OF LEE COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Community Service	Fund Raising	Management and General	Total	
				2016	2015
Salaries and wages	\$ 93,560	\$ 50,883	\$ 19,697	\$ 164,140	\$ 172,448
Employee benefits	12,311	6,696	2,592	21,599	20,847
Total personnel costs	105,871	57,579	22,289	185,739	193,295
Supplies	4,695	13,283	3,140	21,118	18,648
Membership dues	-	-	11,581	11,581	10,773
Telephone and utilities	5,438	-	4,633	10,071	10,614
Professional fees	6,783	-	5,117	11,900	10,450
Insurance	1,724	-	1,300	3,024	2,921
Repairs and maintenance	228	-	1,578	1,806	1,913
Direct service	1,550	-	-	1,550	1,370
Miscellaneous	-	-	4,148	4,148	4,147
Postage and shipping	2,027	-	-	2,027	2,859
Education and conferences	-	-	3,436	3,436	1,625
Total expenses before depreciation	128,316	70,862	57,222	256,400	258,615
Depreciation	3,692	-	3,145	6,837	6,842
Total expenses	\$ 132,008	\$ 70,862	\$ 60,367	\$ 263,237	\$ 265,457

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

UNITED WAY OF LEE COUNTY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 40,621	\$ (54,746)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,837	6,842
Bad debt for uncollectible pledges	46,343	96,013
Net unrealized (gain) loss on marketable securities	(21,579)	5,667
Realized loss (gain) on marketable securities	2,756	(98)
Changes in operating assets and liabilities:		
Unconditional promises to give	(6,303)	(56,043)
Prepaid insurance	4,042	(6,416)
Accounts payable	(2,503)	1,799
Accrued and other liabilities	921	(621)
	<u>71,135</u>	<u>(7,603)</u>
Net cash provided by (used in) operating activities		
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(14,500)	(3,463)
Changes in certificates of deposit	(2,251)	(1,592)
Changes in designated cash	2,821	323
Changes in marketable securities	(1,974)	3,824
	<u>(15,904)</u>	<u>(908)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	55,231	(8,511)
Cash and cash equivalents, beginning of year	<u>429,672</u>	<u>438,183</u>
Cash and cash equivalents, end of year	<u>\$ 484,903</u>	<u>\$ 429,672</u>

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

**UNITED WAY OF LEE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

The United Way of Lee County, Inc. (the “Organization”) is a non-profit, voluntary health agency.

The Board of Directors and management employees of the Organization acknowledge that, to the best of their ability, all assets received have been used for the purpose for which they were contributed, or have been accumulated to allow management to conduct the operations of the Organization as effectively and efficiently as possible.

In 1988, the Auburn United Fund and the Community Chest of Opelika, Inc. merged to form the Organization. The purpose of this merger was to enable the Organization to serve the community in a more efficient manner and to combine the talents of both organizations.

Basis of Accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting policies generally accepted in the United States of America.

Financial Statement Presentation

The Organization maintains its net assets under the following three classes:

Unrestricted – This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Organization’s operations over which the Board of Directors has discretionary control.

Temporarily Restricted – This represents net assets subject to donor-imposed stipulations that will be met by Organization actions or by passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently Restricted – This represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for unrestricted or donor-specified purposes. At December 31, 2016 and 2015, the Organization did not have any permanently restricted net assets.

Donated Inventory and Services

Donated inventory, services and gifts in kind have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such inventory and services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization’s program services and in its fund-raising campaigns.

UNITED WAY OF LEE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents consist of money market securities stated at fair value which approximates cost. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The Organization has never experienced any losses related to these balances.

Fixed Assets

Fixed assets are recorded at cost and include buildings, equipment, land and furniture and fixtures. Buildings, equipment, and furniture and fixtures are depreciated using the straight-line method over the assets' estimated lives. The Organization capitalizes all assets with estimated useful lives exceeding one year. Estimated lives are generally as follows:

Buildings	- 40 years
Equipment	- 5 to 7 years
Furniture and fixtures	- 5 to 7 years

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limits prescribed by the code. The Organization recognizes all tax positions that it does not believe will be sustained upon examination by the tax authorities. As of December 31, 2016 and 2015, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter for all open tax years.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of unconditional promises to give, substantially all of which are from individuals, businesses, or non-profit foundations in the Lee County area. Concentrations of credit risk are material since the Organization has a small number of very large donors. As of December 31, 2016 and 2015, the Organization received approximately 16.4% and 17.0%, respectively, of its annual revenues from a single donor.

The Organization also has credit risk in cash because at various times during the year, the Organization had funds on deposit with financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limit. The FDIC insures each depositor up to a maximum of \$250,000 per account ownership category.

Estimates

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Consequently, actual results could differ from those estimates.

UNITED WAY OF LEE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received. Conditional contribution receivables are recognized when the conditions on which they depend are substantially met. The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donor-Imposed Restrictions

All current campaign contributions (2017 Campaign) are considered temporarily restricted because they are subject to a time restriction. The Organization does not release current campaign contributions until the first quarter of the following year. Campaign contributions, other than time-restricted contributions, are considered to be available for unrestricted use unless specifically restricted by the donor for a specific program or time period. Amounts received that are designated for future periods or are restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted, as appropriate. Donor-restricted contributions whose restrictions are met in the current reporting period are recorded as unrestricted support. When a donor restriction or time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities as net assets released from restrictions.

Functional Expenses

The costs of providing the program and related supporting services have been summarized on the functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated to the appropriate functions.

Investments

Investments are carried at fair value. Net appreciation/(depreciation) in the fair value of investments, which includes realized gains and losses and unrealized gains and losses on those investments, is reported in the Statements of Activities. Investment income is presented net of investment advisory and custodial fees. Expenses relating to investment income, including investment advisory and custodial fees, totaled \$3,538 and \$3,628 during the years ended December 31, 2016 and 2015, respectively. Cost basis is determined on the date of purchase. Securities received as gifts are recorded at fair value at the date of the gift. Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is at least possible that changes in risks in the near term could materially affect investment balances.

Investments also consist of certificates of deposit which have original maturities ranging from thirty-six to sixty months and are carried at cost plus accrued interest which approximates fair value.

Subsequent Events

Management has evaluated events subsequent to the date of the Statements of Financial Position through August 10, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to the Statements of Financial Position date through August 10, 2017 that would require adjustment or disclosure in the financial statements.

**UNITED WAY OF LEE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the Company would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. 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).

The three levels of the fair value hierarchy are described as follows:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2- Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar assets or liabilities in inactive markets.

Inputs other than quoted prices that are observable for the asset or liability.

Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 – TAX DEFERRED PENSION

In 1989, the Organization enrolled in a tax deferred annuity plan with Mutual of America for its employees. As the annuity assets belong to the plan, the balances are not shown on the Organization's Statements of Financial Position.

**UNITED WAY OF LEE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 – CASH

Cash and cash equivalents consisted of the following at December 31, 2016:

	<u>2016</u>	<u>2015</u>
Regions bank	\$ 14,982	\$ 14,082
Transfer and savings	127,242	122,876
Money market	128,673	128,609
Active campaign account	178	178
Old campaign account	8,772	163,927
New active campaign account	205,056	-
Total cash and cash equivalents	<u>\$ 484,903</u>	<u>\$ 429,672</u>

As of December 31, 2016, the Organization is in compliance with United Way National’s recommendation that two quarters’ of agency payments be kept in reserve in case of disaster. Included in the Organization’s reserve are cash and cash equivalents (listed above) and the certificates of deposit listed in Note 8 totaling \$264,914 and \$262,663 at December 31, 2016 and 2015, respectively. In January of 2017 and 2016, the Organization’s Board budgeted to allocate approximately \$656,100 and \$662,000 to its various agencies during the years ended December 31, 2017 and 2016, respectively.

NOTE 4 – DESIGNATED CASH

The Board has designated specific accounts to hold unrestricted funds that act as reserve accounts for use toward special needs, venture grants, and the William Mason Emergency fund. As of December 31, 2016 and 2015, the Organization had \$54,519 and \$57,340 in designated cash, respectively.

NOTE 5 – CONTRIBUTIONS

Contributions for the calendar year 2016 consisted of the following:

	<u>2016</u>	<u>2015</u>
From 2015 Campaign	\$ -	\$ 77,715
From 2016 Campaign	73,522	839,913
From 2017 Campaign	826,736	-
Less bad debt for uncollectible pledges	(46,343)	(96,013)
Total contributions	<u>\$ 853,915</u>	<u>\$ 821,615</u>

**UNITED WAY OF LEE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 – RESTRICTIONS RELEASED & TEMPORARY RESTRICTIONS

Contributions with time restrictions are to be classified as temporarily restricted contributions. Accordingly, the Organization’s contributions for the current campaign (the 2017 Campaign) are not distributed until the end of the first quarter of the following year. Therefore, current campaign contributions are temporarily restricted. Also, temporary restrictions from the prior year contributions must be reclassified to unrestricted contributions. At December 31, 2016 and 2015, temporarily restricted contributions totaled \$826,736 and \$839,913, respectively. During the years ended December 31, 2016 and 2015, the Organization released \$839,913 and \$847,538 from temporarily restricted net assets to unrestricted net assets, respectively.

NOTE 7 – INVESTMENTS

Below is a summary of the Organization’s investments and donated property as of December 31, 2016 and 2015, respectively, at fair market value:

	2016	2015
Cash investments	\$ 6,009	\$ 7,086
Equity securities	179,060	203,400
Donated land	3,004	3,004
Debt securities	115,702	69,488
Total fair value	303,775	282,978
Less: accumulated unrealized gain	(43,942)	(22,363)
Total cost/donated value	\$ 259,833	\$ 260,615

NOTE 8 – CERTIFICATES OF DEPOSIT

Below is a summary of the Organization’s certificates of deposit as of December 31, 2016 and 2015, respectively:

	2016	2015
BBVA Compass Bank	\$ 87,301	\$ 87,301
National Bank of Commerce	177,613	175,362
Total	\$ 264,914	\$ 262,663

**UNITED WAY OF LEE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 9 – FAIR VALUE

The following is a description of the valuation methodology used for assets measured at fair value. There were no changes in the methodologies used during the years ended December 31, 2016 and 2015.

- Cash Investments: Valued at amortized cost which approximates fair value.
- Debt and Equity Securities: Valued based on quoted market prices, when available, or market prices provided by recognized broker dealers. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Government-sponsored enterprises and commercial paper are stated at cost plus accrued interest, which approximates fair value.
- Donated Land: Valued based upon an estimated value where limited market comparisons are available.
- Money Market Funds: Valued at amortized cost which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level with the fair value hierarchy, the Organization’s investment assets at fair value, as of December 31, 2016 and 2015:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Money markets	\$ 128,673	\$ 128,673	\$ -	\$ -
Cash investments	6,009	6,009	-	-
Debt securities	115,702	115,702	-	-
Equity securities	179,060	179,060	-	-
Donated land	3,004	-	-	3,004
	<u>\$ 432,448</u>	<u>\$ 429,444</u>	<u>\$ -</u>	<u>\$ 3,004</u>
December 31, 2015				
Money markets	\$ 128,609	\$ 128,609	\$ -	\$ -
Cash investments	7,086	7,086	-	-
Debt securities	69,488	69,488	-	-
Equity securities	203,400	203,400	-	-
Donated land	3,004	-	-	3,004
	<u>\$ 411,587</u>	<u>\$ 408,583</u>	<u>\$ -</u>	<u>\$ 3,004</u>

**UNITED WAY OF LEE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 10 – LEASES

The Organization has a lease agreement on its copy machine. In August of 2016, the Organization entered into a lease for a copier with a payment of \$137 per month for 36 months. At December 31, 2016, future amounts due under the noncancelable operating lease agreement for the next three years are as follows:

2017	\$ 1,644
2018	1,644
2019	<u>959</u>
	<u>\$ 4,247</u>