

**UNITED WAY OF HENRY COUNTY
AND MARTINSVILLE, INC.**

FINANCIAL REPORT

DECEMBER 31, 2016

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UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

EXECUTIVE COMMITTEE

President	Tommy Hudgins
1 st Vice-President/Campaign Chair	Monica Hatchett
2 nd Vice-President/Co-Campaign Chair	Dru Ingram
Secretary/Treasurer	Rob Gehman
Agency & Volunteer Relations Chair	Michael Scales
Community Investment Chair	Carolyn Shough
Human Resources Chair	Glen Wood
Finance Chair	Gary Collins
Immediate Past President	Dale Wagoner

BOARD OF DIRECTORS

Term Expires in 2016

Kerry Smith	Dr. Zeb Talley
Ronnie Fultz	Jennifer Gravely
Scott Prillaman	Tommy Hudgins
Rob Gehman	

Term Expires in 2017

Pat Caldarera	Brian Henderson
Monica Hatchett	Pam Foley
Glenn Wood	Mary Nester

Term Expires in 2018

Robin Campbell	Jackie Hughes
Michael Scales	Dru Ingram
Carolyn Shough	Jonathon Munn
Gary Collins	Kathy Draper
Dale Wagoner	Sebrena Smith

EXECUTIVE DIRECTOR

Kim Adkins



INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Henry County
and Martinsville, Inc.
Martinsville, Virginia

We have audited the accompanying financial statements of United Way of Henry County and Martinsville, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows, and functional expenses 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 audit. We conducted our audit 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 evaluation of 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Henry County and Martinsville, Inc. as of December 31, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Harris Harvey Neal & Co. LLP

Martinsville, Virginia
June 13, 2017

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,036,056	\$ 140,045	\$ 1,176,101
Accounts receivable	3,000	-	3,000
Unconditional promises to give (net)			
2017 campaign	-	271,759	271,759
2016 campaign	39,683	-	39,683
Total current assets	<u>1,078,739</u>	<u>411,804</u>	<u>1,490,543</u>
PROPERTY AND EQUIPMENT			
Property and equipment	86,963	-	86,963
Less accumulated depreciation	<u>(80,265)</u>	<u>-</u>	<u>(80,265)</u>
Property and equipment, net	<u>6,698</u>	<u>-</u>	<u>6,698</u>
	<u>\$ 1,085,437</u>	<u>\$ 411,804</u>	<u>\$ 1,497,241</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Donor designations (net)	\$ 135,951	\$ -	\$ 135,951
Deferred revenue - Smart Beginnings	21,003	-	21,003
Accounts payable	4,541	-	4,541
Payroll withholding payable	1,380	-	1,380
Total current liabilities	<u>162,875</u>	<u>-</u>	<u>162,875</u>
NET ASSETS			
Designated for Vision Council	474	-	474
Designated for Community Impact	445,809	-	445,809
Designated - Dietel	35,000	-	35,000
Operating	441,279	-	441,279
Temporarily restricted	-	411,804	411,804
Total net assets	<u>922,562</u>	<u>411,804</u>	<u>1,334,366</u>
	<u>\$ 1,085,437</u>	<u>\$ 411,804</u>	<u>\$ 1,497,241</u>

The accompanying notes are an integral part of this statement.

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

STATEMENT OF ACTIVITIES
Year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Campaign applicable to current period			
Contributions collected from prior campaigns	\$ 93,954	\$ -	\$ 93,954
Contributions received in prior periods (released from restrictions)	1,018,271	(1,018,271)	-
Less donor designations (2015-2016)	(122,888)	122,888	-
Total contributions for current period	<u>989,337</u>	<u>(895,383)</u>	<u>93,954</u>
Total amount raised in campaign for next allocation period			
Less donor designations	-	624,934	624,934
Less allowance for uncollectible	-	(135,951)	(135,951)
	<u>-</u>	<u>(12,599)</u>	<u>(12,599)</u>
Total contributions for next allocation period	<u>-</u>	<u>476,384</u>	<u>476,384</u>
Total campaign	<u>989,337</u>	<u>(418,999)</u>	<u>570,338</u>
Other revenue			
Smart Beginnings	53,100	202,107	255,207
Investment income	6,374	-	6,374
Special events	-	4,799	4,799
Nonprofit Leaders Network	-	7,934	7,934
Administrative fees retained on amounts designated by donors for specific organizations	8,011	-	8,011
Help Engage Youth	59,027	-	59,027
Financial Stability	-	70,353	70,353
Operating income	29,000	-	29,000
Total other revenue	<u>155,512</u>	<u>285,193</u>	<u>440,705</u>
Total support and revenue	<u>1,144,849</u>	<u>(133,806)</u>	<u>1,011,043</u>

The accompanying notes are an integral part of this statement.

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

STATEMENT OF ACTIVITIES
Year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
EXPENSES			
Program services			
Community services	812,235	-	812,235
Total program services	<u>812,235</u>	<u>-</u>	<u>812,235</u>
Supporting services			
Management and general	47,396	-	47,396
Fundraising	70,638	-	70,638
Total supporting services (10.25% of total amounts raised and other revenue (Note 6))	<u>118,034</u>	<u>-</u>	<u>118,034</u>
Total expenses	<u>930,269</u>	<u>-</u>	<u>930,269</u>
Change in net assets	214,580	(133,806)	80,774
Net assets, beginning	<u>707,982</u>	<u>545,610</u>	<u>1,253,592</u>
Net assets, ending	<u>\$ 922,562</u>	<u>\$ 411,804</u>	<u>\$ 1,334,366</u>

The accompanying notes are an integral part of this statement.

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

STATEMENT OF CASH FLOWS
Year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 80,774
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,928
Change in operating assets and liabilities:	
Accounts receivable	(3,000)
Unconditional promises to give (net)	26,129
Deferred revenue	(119,826)
Donor designations	13,063
Accounts payable	2,595
Payroll withholdings payable	<u>(3,457)</u>
Net cash provided by operating activities	<u>206</u>
Net increase in cash and cash equivalents	206
Cash and cash equivalents at beginning of year	<u>1,175,895</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,176,101</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH AND CASH FLOW INFORMATION	
Interest	<u><u>\$ -</u></u>
Income taxes	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	Program Services	Supporting Services		Total
	Community Services	Management and General	Fundraising	
Salaries - executive director	\$ 24,611	\$ 10,938	\$ 19,142	\$ 54,691
Salaries - staff	32,749	10,956	15,652	59,357
Employee health and retirement benefits	19,691	7,516	11,945	39,152
Payroll taxes	5,085	1,941	3,085	10,111
Total salaries and related expenses	82,136	31,351	49,824	163,311
Office expense	2,057	343	343	2,743
Telephone	988	165	165	1,318
Dues and subscriptions	180	30	30	240
Postage and shipping	622	104	104	830
Office equipment maintenance	1,533	255	255	2,043
Campaign expenses	-	-	17,134	17,134
Local transportation and meetings	39	7	7	53
Travel and conferences	949	158	158	1,265
Professional fees	-	7,950	-	7,950
Insurance	-	2,794	-	2,794
Occupancy	5,757	960	960	7,677
Website	521	87	87	695
HEY Collaborative	59,026	-	-	59,026
Community Impact grants	81,910	-	-	81,910
Participating agency payments - allocations	285,247	-	-	285,247
Smart Beginnings	192,103	-	-	192,103
United Way of America dues	7,233	-	-	7,233
Financial Stability Initiative	84,619	-	-	84,619
Nonprofit Leaders Network	5,744	-	-	5,744
Miscellaneous	-	2,406	-	2,406
Total expenses before depreciation	728,528	15,259	19,243	763,030
Depreciation	1,571	786	1,571	3,928
Total functional expenses	\$ 812,235	\$ 47,396	\$ 70,638	\$ 930,269

The accompanying notes are an integral part of this statement.

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Activities:

The United Way of Henry County and Martinsville, Inc. is a nonprofit organization which solicits funds for community health, welfare, recreational agencies, and national service organizations in a unified appeal plan.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending upon existence or nature of any donor restrictions.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the United Way considers all highly liquid debt instruments including certificates of deposit to be cash equivalents.

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the United Way 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 restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment:

Property and equipment is carried at cost. Depreciation is computed over the estimated useful lives of the respective assets using the straight-line method. Depreciation expense for 2016 amounted to \$3,928.

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Expense Allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to 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 revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Income Tax Status:

The United Way has been classified as an exempt organization under the Internal Revenue Code Section 501c(3) and, therefore; is not subject to income tax.

Note 2. Cash and Cash Equivalents

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

BB&T - checking & savings	\$	143,289
SunTrust Bank - checking		308,097
SunTrust Bank - money market account		127,808
Carter Bank & Trust - money market account		101,188
Certificates of deposit:		
Carter Bank & Trust		140,352
Fidelity Bank		39,635
Blue Ridge Bank		105,260
Martinsville First Savings Bank		102,921
American National Bank		<u>107,551</u>
Total cash and cash equivalents	\$	<u>1,176,101</u>

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents (Continued)

The Organization maintains cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016 the Organization's uninsured cash balance totaled \$192,686.

Note 3. Pension Plan

The United Way of Henry County and Martinsville, Inc. is a participating member in the Mutual of America Pension Plan. Total contributions for the years ended December 31, 2016 were \$13,129.

Note 4. Promises to Give

Unconditional promises to give at December 31, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
2017 Campaign	\$ -	\$ 283,643
2016 Campaign	<u>40,397</u>	<u>-</u>
Total gross unconditional promises to give	<u>40,397</u>	<u>283,643</u>
Less allowance for uncollectible promises to give:		
2017 Campaign	-	(11,884)
2016 Campaign	<u>(714)</u>	<u>-</u>
Net unconditional promises to give at December 31, 2016	<u>\$ 39,683</u>	<u>\$ 271,759</u>
Amounts due in:		
Less than one year	\$ 39,683	\$ 271,759
One to five years	<u>-</u>	<u>-</u>
	<u>\$ 39,683</u>	<u>\$ 271,759</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6% for the 2017 and 2016 campaigns. Known uncollectibles for the 2016 campaign of \$12,302 have been written off.

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Restrictions on Net Assets

Temporarily restricted net assets are restricted as follows at December 31, 2016:

Smart Beginnings	\$ 229,399
Financial Stability	37,889
Nonprofit Leaders Network	8,565
Donor designations - net	<u>135,951</u>
	<u>\$ 411,804</u>

Note 6. Overhead Ratio

The overhead ratio is equal to fund-raising, management, and general expenses divided by total campaign support and all other revenue sources. The ratio is calculated below using the Gross Method recommended in "Functional Expense and Overhead Reporting Standards for United Ways," United Way Worldwide, 2011.

Numerator:	Supporting services and general	\$ 118,034
Denominator:	Total support and other revenue	1,011,043
	Add: amounts designated for specific agencies (not included in support and revenue)	148,413
	Less: the portion of designations retained as fee revenue	<u>(8,011)</u>
	Amounts raised and other revenue	\$ 1,151,445
	Numerator/Denominator expressed as a percent	10.25%

Note 7. Lease Agreement

The Organization entered into an agreement in January 2014 to lease office space. The agreement expires in December 2017.

The following is a schedule of future minimum lease payments:

December 31, 2017	<u>\$ 18,000</u>
Total minimum lease payments required	<u>\$ 18,000</u>

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Evaluation of Subsequent Events

The United Way has evaluated subsequent events through June 13, 2017, the date the financial statements were available to be issued.

The Organization received \$75,758 in campaign pledges after December 31, 2016 bringing the campaign total to \$700,689.

SUPPLEMENTARY INFORMATION

Board of Directors
United Way of Henry County
and Martinsville, Inc.
Martinsville, Virginia

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

We have audited the financial statement of United Way of Henry County and Martinsville, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated June 8, 2017, 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 payments to participating 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.

Harris Harvey Neal & Co. LLP

Martinsville, Virginia
June 13, 2017

UNITED WAY OF HENRY COUNTY AND MARTINSVILLE, INC.

SCHEDULE OF PAYMENTS TO PARTICIPATING AGENCIES

Year ended December 31, 2016

PAYMENTS TO PARTICIPATING AGENCIES

Adult Day Care Center	\$ 10,047
American Red Cross	16,928
Axton Life Saving Crew	3,003
Bassett Rescue Squad	4,804
Boy Scouts of America	15,940
Boys & Girls Clubs	52,606
Citizens Against Family Violence	29,167
Family YMCA	66,486
Fieldale-Collinsville Rescue Squad	4,031
FOCUS	25,000
Girl Scouts of America	5,967
Grace Network	44,513
Horsepasture Rescue Squad	2,630
MARC Workshop	32,000
Patrick Henry Community College	38,207
Piedmont Community Services	27,750
Ridgeway Rescue Squad	2,368
Salvation Army	21,250
Step, Inc.	317
Stepping Stones	8,000
Virginia Legal Aid Society	20,799
West Piedmont Workforce Investment Board	<u>7,500</u>
Total payments to participating agencies	<u>\$ 439,313</u>

The accompanying notes are an integral part of this statement.