

**RAPPAHANNOCK UNITED WAY, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Rappahannock United Way, Inc.  
Fredericksburg, Virginia

We have audited the accompanying statements of financial position of Rappahannock United Way, Inc. (the Organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*PBGH LLP*

Fredericksburg, Virginia  
November 5, 2010

**RAPPAHANNOCK UNITED WAY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 590,596	\$ 654,831
Certificates of deposit	769,886	755,091
Pledges receivable, net	1,709,192	1,598,007
Other receivables	43,177	25,125
Prepaid expenses	8,423	5,979
<b>Total current assets</b>	<b>3,121,274</b>	<b>3,039,033</b>
Property and Equipment		
Land	82,161	82,161
Building and improvements	1,156,309	123,868
Equipment	129,916	72,350
Construction in process	-	753,166
	1,368,386	1,031,545
Less accumulated depreciation	121,778	98,375
	<b>1,246,608</b>	<b>933,170</b>
Other Assets		
Debt issuance costs, net of accumulated amortization of 2010 \$640; 2009 \$-0-	18,567	19,207
	<b>\$ 4,386,449</b>	<b>\$ 3,991,410</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Current maturities of long-term debt	\$ 16,438	\$ 4,994
Accounts payable and accrued expenses	76,505	74,416
Allocation and grants payable	2,164,910	2,011,186
<b>Total current liabilities</b>	<b>2,257,853</b>	<b>2,090,596</b>
Long-term debt, less current maturities	<b>726,096</b>	<b>633,660</b>
Net Assets		
Unrestricted	1,222,983	1,195,580
Temporarily restricted	179,517	71,574
	<b>1,402,500</b>	<b>1,267,154</b>
	<b>\$ 4,386,449</b>	<b>\$ 3,991,410</b>

See Notes to Financial Statements.

**RAPPAHANNOCK UNITED WAY, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenue</b>			
Gross campaign results - 2009/2010	\$ 3,851,505	\$ -	\$ 3,851,505
Less: donor designations	(1,982,445)	-	(1,982,445)
Less: provision for uncollectible pledges	(286,386)	-	(286,386)
<b>Net campaign revenue - 2009/2010</b>	<b>1,582,674</b>	<b>-</b>	<b>1,582,674</b>
Gross campaign results - 2010/2011	-	24,990	24,990
Less: donor designations	-	-	-
Less: provision for uncollectible pledges	-	-	-
<b>Net campaign revenue - 2010/2011</b>	<b>-</b>	<b>24,990</b>	<b>24,990</b>
Special events	22,236	122,688	144,924
Less direct costs	(24,249)	-	(24,249)
Service fees	119,558	-	119,558
Grants and contracts	116,386	98,387	214,773
Investment income	12,024	-	12,024
Miscellaneous income	19,244	-	19,244
Net assets released from restrictions	138,122	(138,122)	-
	<b>403,321</b>	<b>82,953</b>	<b>486,274</b>
<b>Total revenue</b>	<b>1,985,995</b>	<b>107,943</b>	<b>2,093,938</b>
<b>Expenses</b>			
Program services:			
Gross funds awarded/distributed	2,717,050	-	2,717,050
Less: donor designations	(1,982,445)	-	(1,982,445)
<b>Net funds awarded/distributed</b>	<b>734,605</b>	<b>-</b>	<b>734,605</b>
Other program services	613,283	-	613,283
<b>Total program services</b>	<b>1,347,888</b>	<b>-</b>	<b>1,347,888</b>
Supporting services:			
Organizational administration	233,878	-	233,878
Fundraising	376,826	-	376,826
<b>Total supporting services</b>	<b>610,704</b>	<b>-</b>	<b>610,704</b>
<b>Total expenses</b>	<b>1,958,592</b>	<b>-</b>	<b>1,958,592</b>
<b>Increase in net assets</b>	<b>27,403</b>	<b>107,943</b>	<b>135,346</b>
Net Assets, beginning of period	1,195,580	71,574	1,267,154
Net Assets, end of period	<b>\$ 1,222,983</b>	<b>\$ 179,517</b>	<b>\$ 1,402,500</b>

**RAPPAHANNOCK UNITED WAY, INC.**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2009**

	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenue</b>			
Gross campaign results - 2008/2009	\$ 3,580,701	\$ -	\$ 3,580,701
Less: donor designations	(1,697,140)	-	(1,697,140)
Less: provision for uncollectible pledges	(234,774)	-	(234,774)
<b>Net campaign revenue - 2008/2009</b>	<b>1,648,787</b>	<b>-</b>	<b>1,648,787</b>
Gross campaign results - 2009/2010	-	5,458	5,458
Less: donor designations	-	-	-
Less: provision for uncollectible pledges	-	-	-
<b>Net campaign revenue - 2009/2010</b>	<b>-</b>	<b>5,458</b>	<b>5,458</b>
Special events	32,590	-	32,590
Less direct costs	(18,037)	-	(18,037)
Service fees	67,576	-	67,576
Grants and contracts	70,023	40,000	110,023
Investment income	34,922	-	34,922
Miscellaneous income	7,840	-	7,840
Net assets released from restrictions	45,758	(45,758)	-
	<u>240,672</u>	<u>(5,758)</u>	<u>234,914</u>
<b>Total revenue</b>	<b>1,889,459</b>	<b>(300)</b>	<b>1,889,159</b>
<b>Expenses</b>			
Program services:			
Gross funds awarded/distributed	2,546,298	-	2,546,298
Less: donor designations	(1,697,140)	-	(1,697,140)
<b>Net funds awarded/distributed</b>	<b>849,158</b>	<b>-</b>	<b>849,158</b>
Other program services	372,249	-	372,249
<b>Total program services</b>	<b>1,221,407</b>	<b>-</b>	<b>1,221,407</b>
Supporting services:			
Organizational administration	239,545	-	239,545
Fundraising	331,055	-	331,055
<b>Total supporting services</b>	<b>570,600</b>	<b>-</b>	<b>570,600</b>
<b>Total expenses</b>	<b>1,792,007</b>	<b>-</b>	<b>1,792,007</b>
<b>Increase in net assets</b>	<b>97,452</b>	<b>(300)</b>	<b>97,152</b>
Net Assets, beginning of period	1,098,128	71,874	1,170,002
Net Assets, end of period	<u>\$ 1,195,580</u>	<u>\$ 71,574</u>	<u>\$ 1,267,154</u>

**RAPPAHANNOCK UNITED WAY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2010**

	Program Services			Support Services			Total All Services
	Allocation Services	All Other Programs	Total	Management & General	Fundraising	Total	
Allocations/awards	\$ 2,717,050	\$ -	\$ 2,717,050	\$ -	\$ -	\$ -	\$ 2,717,050
Less: Donor designations	(1,982,445)	-	(1,982,445)	-	-	-	(1,982,445)
	<u>734,605</u>	<u>-</u>	<u>734,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>734,605</u>
Salaries	-	256,663	256,663	149,005	205,339	354,344	611,007
Payroll taxes	-	17,968	17,968	11,715	14,027	25,742	43,710
Employee benefits	-	9,456	9,456	2,480	12,509	14,989	24,445
	<u>-</u>	<u>284,087</u>	<u>284,087</u>	<u>163,200</u>	<u>231,875</u>	<u>395,075</u>	<u>679,162</u>
Contract services	-	119,558	119,558	-	-	-	119,558
Supplies	-	53,379	53,379	4,373	54,725	59,098	112,477
Telephone	-	1,660	1,660	1,281	3,091	4,372	6,032
Postage and shipping	-	811	811	624	3,847	4,471	5,282
Occupancy	-	6,700	6,700	35,438	9,713	45,151	51,851
Equipment rental	-	620	620	479	899	1,378	1,998
Printing	-	29,252	29,252	-	-	-	29,252
Travel	-	14,232	14,232	971	6,870	7,841	22,073
Conferences, conventions and meetings	-	1,539	1,539	135	2,499	2,634	4,173
Insurance	-	905	905	698	1,312	2,010	2,915
Training	-	9,862	9,862	1,035	4,547	5,582	15,444
Dues and subscriptions	-	8,426	8,426	5,856	12,702	18,558	26,984
Advertising	-	1,937	1,937	-	2,210	2,210	4,147
Repairs and maintenance	-	4,109	4,109	2,724	7,854	10,578	14,687
Awards	-	5,095	5,095	594	2,012	2,606	7,701
Professional fees	-	33,409	33,409	8,733	11,015	19,748	53,157
Miscellaneous	-	5,143	5,143	2,565	8,443	11,008	16,151
Depreciation	-	32,559	32,559	5,172	13,212	18,384	50,943
	<u>-</u>	<u>329,196</u>	<u>329,196</u>	<u>70,678</u>	<u>144,951</u>	<u>215,629</u>	<u>544,825</u>
<b>Total functional expenses</b>	<b>\$ 734,605</b>	<b>\$ 613,283</b>	<b>\$ 1,347,888</b>	<b>\$ 233,878</b>	<b>\$ 376,826</b>	<b>\$ 610,704</b>	<b>\$ 1,958,592</b>

See Notes to Financial Statements.

**RAPPAHANNOCK UNITED WAY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2009**

	Program Services			Support Services			Total All Services
	Grant Making Services	All Other Programs	Total	Management & General	Fundraising	Total	
Allocations/Awards	\$ 2,546,298	\$ -	\$ 2,546,298	\$ -	\$ -	\$ -	\$ 2,546,298
Less: Donor designations	(1,697,140)	-	(1,697,140)	-	-	-	(1,697,140)
	849,158	-	849,158	-	-	-	849,158
Salaries	-	176,861	176,861	180,496	189,668	370,164	547,025
Payroll taxes	-	12,311	12,311	13,540	12,459	25,999	38,310
Employee benefits	-	9,186	9,186	2,316	10,711	13,027	22,213
	-	198,358	198,358	196,352	212,838	409,190	607,548
Contract services	-	67,576	67,576	-	-	-	67,576
Supplies	-	20,958	20,958	2,313	42,366	44,679	65,637
Telephone	-	2,019	2,019	1,322	3,634	4,956	6,975
Postage and shipping	-	856	856	581	3,853	4,434	5,290
Occupancy	-	4,696	4,696	3,377	6,341	9,718	14,414
Equipment rental	-	835	835	603	1,133	1,736	2,571
Printing	-	-	-	-	761	761	761
Travel	-	9,443	9,443	2,355	8,836	11,191	20,634
Conferences, conventions and meetings	-	1,332	1,332	252	1,080	1,332	2,664
Insurance	-	697	697	494	928	1,422	2,119
Training	-	7,603	7,603	322	764	1,086	8,689
Dues and subscriptions	-	6,429	6,429	13,988	7,852	21,840	28,269
Advertising	-	5,205	5,205	-	11,813	11,813	17,018
Repairs and maintenance	-	3,287	3,287	1,819	7,015	8,834	12,121
Awards	-	4,302	4,302	105	2,759	2,864	7,166
Professional fees	-	23,737	23,737	4,691	10,290	14,981	38,718
Miscellaneous	-	11,756	11,756	8,722	4,569	13,291	25,047
Depreciation	-	3,160	3,160	2,249	4,223	6,472	9,632
	-	173,891	173,891	43,193	118,217	161,410	335,301
<b>Total functional expenses</b>	<b>\$ 849,158</b>	<b>\$ 372,249</b>	<b>\$ 1,221,407</b>	<b>\$ 239,545</b>	<b>\$ 331,055</b>	<b>\$ 570,600</b>	<b>\$ 1,792,007</b>

See Notes to Financial Statements.

**RAPPAHANNOCK UNITED WAY, INC.**

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2010 and 2009**

	2010	2009
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 135,346	\$ 97,152
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	50,943	9,632
Decrease (increase) in:		
Pledges receivable	(111,185)	(197,001)
Other receivables	(18,052)	(21,349)
Prepaid expenses	(2,444)	2,340
Increase in:		
Accounts payable and accrued expenses	2,089	19,654
Allocation and grants payable	153,724	56,269
<b>Net cash provided by (used in) operating activities</b>	<b>210,421</b>	<b>(33,303)</b>
<b>Cash Flows From Investing Activities</b>		
Construction and purchase of property and equipment	(363,741)	(705,679)
Redemption (purchase) of certificates of deposit, net	(14,795)	221,693
<b>Net cash used in investing activities</b>	<b>(378,536)</b>	<b>(483,986)</b>
<b>Cash Flows From Financing Activities</b>		
Debt issuance costs	-	(19,207)
Principal payments on long-term debt	(7,466)	-
Proceeds from line of credit	111,346	638,654
<b>Net cash provided by financing activities</b>	<b>103,880</b>	<b>619,447</b>
	<b>(64,235)</b>	102,158
	<b>654,831</b>	552,673
Cash and Cash Equivalents, beginning	<b>654,831</b>	552,673
Cash and Cash Equivalents, ending	<b>\$ 590,596</b>	<b>\$ 654,831</b>
<b>Supplemental Disclosures of Cash Flow information</b>		
Cash paid during the year for interest	\$ 30,277	\$ 4,755

## RAPPAHANNOCK UNITED WAY, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Nature of Organization and Summary of Significant Accounting Policies**

**Nature of organization:** Rappahannock United Way, Inc. (the Organization) is a not-for-profit organization working to advance the common good by focusing on education, income and health.

The Organization conducts an annual fundraising campaign which supports over 60 programs through 31 member agencies in addition to other community based non-profit organizations that provide health and human service programs. The Organization's campaign also supports Community Impact initiatives which work to solve complex social issues.

The Organization serves the City of Fredericksburg and the counties of Caroline, King George, Spotsylvania and Stafford.

A summary of the Organization's significant accounting policies follows:

**Financial statements presentation:** The financial statements include the accounts of the Organization and the activities of the Quantico Combined Federal Campaign, the Dahlgren/Fort A.P. Hill Combined Federal Campaign (the "CFC's"), and the Local Government Campaign (the LGC). On February 11, 2008, the Office of Personnel Management (OPM) approved the merger of the Quantico and Dahlgren/Fort A.P. Hill CFC's, forming the Potomac Combined Federal Campaign. The CFC's are unincorporated entities regulated by the OPM and designed solely to solicit charitable donations from military and federal employees in the Quantico and Dahlgren/Fort A.P. Hill CFC regions. The LGC is an unincorporated entity regulated by the City of Fredericksburg and counties of Stafford, Spotsylvania, King George and Caroline, in partnership to provide a framework for charitable solicitation of local government employees. The Organization has been designated as the principal combined fund Organization for the CFC's, and the Fiscal Agent/Campaign Consultant of the LGC and, as such, manages the charitable campaigns of the CFC's and the LGC.

**Revenue recognition:** Contributions, including pledges, are considered to be unrestricted unless specifically indicated as temporarily or permanently restricted by the donor.

When a donor-stipulated time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. Contributions for which restrictions are satisfied in the same year as received are recognized as restricted and released.

An allowance for uncollectible pledges is established for each campaign and reduces pledges receivable in the statement of financial position and is deducted from contributions in the statement of activities. Pledges outstanding one year after the close of the campaign are deemed uncollectible and the provision for uncollectible pledges is adjusted for the uncollected amounts. Any subsequent collection of previously charged off accounts is recorded through the provision for uncollectible pledges.

**Gifts in kind and contributed services:** Non-cash donations of equipment, materials, supplies, or other items that benefit the operations of the Organization are included as unrestricted support in the period in which the benefit applies, at estimated fair value. Donated services of a specialized nature which would otherwise be purchased by the Organization are recognized in the same manner.

## RAPPAHANNOCK UNITED WAY, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Thousands of hours, for which no value has been assigned or recognized, were volunteered throughout the year in specific assistance programs, campaign solicitations, and fund-raising activities.

**Cash and cash equivalents:** Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits.

**Property and equipment:** Purchased property and equipment are stated at cost. Donated equipment is recorded at estimated fair market value as of the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	5 - 40 years
Equipment	3 - 5 years

**Allocations and grants payable:** The Rappahannock United Way honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member. Allocations and grants payable include pass-through amounts held for others. These amounts are included in annual campaign revenues and are offset by the amount of support raised on behalf of others.

**Functional allocation of expenses:** Program and administrative costs have been summarized on a functional basis in the statement of activities. Indirect costs have been allocated to programs and supporting services on the basis of the activity benefited. Certain amounts in the 2009 functional allocation of expenses have been reclassified to conform to the current year presentation.

**Advertising:** Advertising costs are expensed as incurred and totaled \$4,147 and \$17,018 for the years ended June 30, 2010 and 2009, respectively.

**Income taxes:** The Internal Revenue Service has determined that the Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision has been made for income tax expense. Effective July 1, 2009, the Organization adopted the provisions of accounting for uncertainty in income tax positions as required by the Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification; however, management does not believe it is exposed to any such positions as they are defined in this guidance. The Organization files Form 990, Return of Organization Exempt from Income Tax, annually with the United States Department of the Treasury. Such returns for the tax years ended June 30, 2007 through 2010 remain open to potential examination by taxing authorities.

**Estimates and assumptions:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Actual results could differ from those estimates. Estimates include the allowance for uncollectible pledges calculated in each year's campaign.

## RAPPAHANNOCK UNITED WAY, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Subsequent events:** Subsequent events have been evaluated through November 5, 2010, which was the date the financial statements were available to be issued.

#### Note 2. Pledges Receivable

Pledges receivable consist of the following at June 30:

	2010	2009
Due in less than one year	\$ 2,003,792	\$ 1,858,507
Less allowance for uncollectible pledges	(294,600)	(260,500)
	<u>\$ 1,709,192</u>	<u>\$ 1,598,007</u>

#### Note 3. Note Payable

The Organization entered into a commercial line of credit agreement on February 12, 2009 to fund the construction of a new office building. The loan requires interest only payments for a 12 month period followed by payments of principal and interest over a six year term. The six year term began in February of 2010. The loan has a variable interest rate of prime plus .25% with a minimum rate of 4% and maximum rate of 18%. The interest incurred during construction phase of \$4,755 was capitalized and included in construction in progress at June 30, 2009. The agreement allows the Organization to fix the rate at 6.25% any time during the life of the loan, for a period of up to five years. The rate at June 30, 2010 was 4%. The loan is collateralized by a lien on the Organization's property and had an outstanding balance of \$742,534 and \$638,654 at June 30, 2010 and 2009, respectively.

Aggregate maturities required on long-term debt at June 30, 2010 are as follows:

Year	Amount
2011	\$ 16,438
2012	18,604
2013	19,453
2014	20,257
2015	21,094
Thereafter	<u>646,688</u>
	<u>\$ 742,534</u>

**RAPPAHANNOCK UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes as of June 30:

	2010	2009
Volunteer organization assistance	\$ 8,854	\$ 2,385
Future campaigns	24,990	5,458
Smart Beginnings, Rappahannock Area	30,212	40,000
Family needs	115,461	23,731
	<u>\$ 179,517</u>	<u>\$ 71,574</u>

Net assets were released through satisfaction of the following program restrictions during the years ended June 30, 2010 and 2009 as follows:

	2010	2009
Community needs	\$ -	\$ 15,453
Volunteer organization assistance	1,706	442
Future campaigns	5,458	9,863
Smart Beginnings, Rappahannock Area	90,000	20,000
Family needs	40,958	-
	<u>\$ 138,122</u>	<u>\$ 45,758</u>

**Note 5. Retirement Plan**

The Organization offers a retirement plan under IRC Section 403(b) to all of its full-time employees. This plan allows employees to make voluntary contributions to a tax deferred annuity contract. The employer does not make contributions to the plan.