

RAPPAHANNOCK UNITED WAY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3-4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-11



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INDEPENDENT AUDITOR'S 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, 2011 and 2010, 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 audits 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, 2011 and 2010, 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
October 28, 2011

RAPPAHANNOCK UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 651,114	\$ 680,449
Certificates of deposit	685,110	680,033
Pledges receivable, net	1,690,591	1,709,192
Other receivables	64,775	43,177
Prepaid expenses	8,471	8,423
Total current assets	3,100,061	3,121,274
Property and Equipment		
Land	82,161	82,161
Building and improvements	1,156,309	1,156,309
Equipment	146,052	129,916
	1,384,522	1,368,386
Less accumulated depreciation	180,412	121,778
	1,204,110	1,246,608
Other Assets		
Debt issuance costs, net of accumulated amortization of 2011 \$3,778; 2010 \$640	15,429	18,567
	\$ 4,319,600	\$ 4,386,449
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	\$ 22,284	\$ 16,438
Accounts payable and accrued expenses	38,114	76,505
Allocation and grants payable	2,217,929	2,164,910
Total current liabilities	2,278,327	2,257,853
Long-Term Debt, less current maturities	660,552	726,096
Net Assets		
Unrestricted	1,185,825	1,222,983
Temporarily restricted	194,896	179,517
	1,380,721	1,402,500
	\$ 4,319,600	\$ 4,386,449

RAPPAHANNOCK UNITED WAY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Gross campaign results - 2010/2011	\$ 3,921,950	\$ -	\$ 3,921,950
Less: donor designations	(1,869,622)	-	(1,869,622)
Less: provision for uncollectible pledges	(271,270)	-	(271,270)
Net campaign revenue - 2010/2011	<u>1,781,058</u>	-	<u>1,781,058</u>
Gross campaign results - 2011/2012	-	15,273	15,273
Net campaign revenue - 2011/2012	<u>-</u>	<u>15,273</u>	<u>15,273</u>
Special events	35,207	3,131	38,338
Less direct costs	(21,879)	-	(21,879)
Service fees	125,449	-	125,449
Grants and contracts	58,165	203,877	262,042
Investment income	6,310	-	6,310
Miscellaneous income	15,493	-	15,493
Net assets released from restrictions	206,902	(206,902)	-
	<u>425,647</u>	<u>106</u>	<u>425,753</u>
Total revenue	<u>2,206,705</u>	<u>15,379</u>	<u>2,222,084</u>
Expenses			
Program services:			
Gross funds awarded/distributed	2,806,626	-	2,806,626
Less: donor designations	(1,869,622)	-	(1,869,622)
Net funds awarded/distributed	<u>937,004</u>	-	<u>937,004</u>
Other program services	775,737	-	775,737
Total program services	<u>1,712,741</u>	-	<u>1,712,741</u>
Supporting services:			
Organizational administration	151,691	-	151,691
Fundraising	379,431	-	379,431
Total supporting services	<u>531,122</u>	-	<u>531,122</u>
Total expenses	<u>2,243,863</u>	-	<u>2,243,863</u>
Change in net assets	(37,158)	15,379	(21,779)
Net Assets, beginning of period	<u>1,222,983</u>	<u>179,517</u>	<u>1,402,500</u>
Net Assets, end of period	<u>\$ 1,185,825</u>	<u>\$ 194,896</u>	<u>\$ 1,380,721</u>

RAPPAHANNOCK UNITED WAY, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
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)
Net campaign revenue - 2009/2010	1,582,674	-	1,582,674
Gross campaign results - 2010/2011	-	24,990	24,990
Net campaign revenue - 2010/2011	-	24,990	24,990
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)	-
	403,321	82,953	486,274
Total revenue	1,985,995	107,943	2,093,938
Expenses			
Program services:			
Gross funds awarded/distributed	2,717,050	-	2,717,050
Less: donor designations	(1,982,445)	-	(1,982,445)
Net funds awarded/distributed	734,605	-	734,605
Other program services	613,283	-	613,283
Total program services	1,347,888	-	1,347,888
Supporting services:			
Organizational administration	233,878	-	233,878
Fundraising	376,826	-	376,826
Total supporting services	610,704	-	610,704
Total expenses	1,958,592	-	1,958,592
Change in net assets	27,403	107,943	135,346
Net Assets, beginning of period	1,195,580	71,574	1,267,154
Net Assets, end of period	\$ 1,222,983	\$ 179,517	\$ 1,402,500

RAPPAHANNOCK UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services		Support Services		Total
	Grant Making Services	All Other Programs	Management & General	Fundraising	
Allocations/Awards	\$ 2,806,626	\$ -	\$ -	\$ -	\$ 2,806,626
Less: donor designations	(1,869,622)	-	-	-	(1,869,622)
	937,004	-	-	-	937,004
Salaries	-	324,919	101,224	211,054	637,197
Payroll taxes	-	24,178	8,102	16,522	48,802
Employee benefits	-	13,015	6,879	14,284	34,178
	-	362,112	116,205	241,860	720,177
Contract services	-	125,449	-	-	125,449
Supplies	-	111,475	2,274	28,034	141,783
Telephone	-	2,769	879	2,253	5,901
Postage and shipping	-	506	278	3,002	3,786
Occupancy	-	23,620	7,494	18,118	49,232
Equipment rental	-	744	200	555	1,499
Printing	-	1,552	-	6,157	7,709
Travel	-	8,180	934	6,756	15,870
Conferences, conventions, and meetings	-	1,081	1,064	1,853	3,998
Insurance	-	1,916	554	1,485	3,955
Training	-	3,715	366	1,373	5,454
Dues and subscriptions	-	13,680	4,004	11,808	29,492
Advertising	-	6,985	50	7,770	14,805
Repairs and maintenance	-	7,784	3,525	7,130	18,439
Awards	-	8,114	156	1,981	10,251
Professional fees	-	59,081	2,463	10,699	72,243
Miscellaneous	-	10,195	711	4,138	15,044
Depreciation and amortization	-	26,779	10,534	24,459	61,772
	-	413,625	35,486	137,571	586,682
Total functional expenses	\$ 937,004	\$ 775,737	\$ 151,691	\$ 379,431	\$ 2,243,863

See Notes to Financial Statements.

RAPPAHANNOCK UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010

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

See Notes to Financial Statements.

RAPPAHANNOCK UNITED WAY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ (21,779)	\$ 135,346
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,772	50,943
Decrease (increase) in:		
Pledges receivable	18,601	(111,185)
Other receivables	(21,598)	(18,052)
Prepaid expenses	(48)	(2,444)
Increase (decrease) in:		
Accounts payable and accrued expenses	(38,391)	2,089
Allocation and grants payable	53,019	153,724
Net cash provided by operating activities	<u>51,576</u>	<u>210,421</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(16,136)	(363,741)
Purchase of certificates of deposit, net	(5,077)	(13,879)
Net cash used in investing activities	<u>(21,213)</u>	<u>(377,620)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(59,698)	(7,466)
Proceeds from line of credit	-	111,346
Net cash provided by (used in) financing activities	<u>(59,698)</u>	<u>103,880</u>
Decrease in cash and cash equivalents	(29,335)	(63,319)
Cash and Cash Equivalents, beginning	<u>680,449</u>	<u>743,768</u>
Cash and Cash Equivalents, ending	<u>\$ 651,114</u>	<u>\$ 680,449</u>
Supplemental Disclosures of Cash Flow information		
Cash paid during the year for interest	\$ 26,546	\$ 30,277

RAPPAHANNOCK UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

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 Potomac Combined Federal Campaign (CFC) and the Local Government Campaign (the LGC). The CFC is an unincorporated entity regulated by the Office of Personnel Management (OPM) and designed solely to solicit charitable donations from military and federal employees in the Potomac CFC region. 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, and the Fiscal Agent/Campaign Consultant of the LGC and, as such, manages the charitable campaigns of the CFC 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.

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.

RAPPAHANNOCK UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

Advertising: Advertising costs are expensed as incurred and totaled \$14,805 and \$4,147 for the years ended June 30, 2011 and 2010, 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. Management has evaluated the Organization's tax positions, as required by the Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, and has determined that there are no uncertain tax positions that require adjustment to or disclosure in the financial statements. 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, 2008 and beyond 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

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

Reclassifications: Certain balances on the 2010 financial statements have been reclassified to conform to the current year presentation with no effect on changes to or ending balances of net assets.

Subsequent events: Subsequent events have been evaluated through October 28, 2011, 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:

	2011	2010
Due in less than one year	\$ 1,983,591	\$ 2,003,792
Less allowance for uncollectible pledges	(293,000)	(294,600)
	<u>\$ 1,690,591</u>	<u>\$ 1,709,192</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 initially required 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 2010. The loan has a variable interest rate of prime plus .25% with a minimum rate of 4% and maximum rate of 18%. 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, 2011 was 4%. The loan is collateralized by a lien on the Organization's property and had an outstanding balance of \$682,836 and \$742,534 at June 30, 2011 and 2010, respectively.

Aggregate maturities required on long-term debt at June 30, 2011 are as follows:

Year	Amount
2012	\$ 22,284
2013	21,762
2014	22,649
2015	23,572
2016	592,569
	<u>\$ 682,836</u>

RAPPAHANNOCK UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Temporarily Restricted Net Assets

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

	2011	2010
Barbara C. Terry Emergency Assistance Fund	\$ 97,567	\$ 96,859
Smart Beginnings, Rappahannock Area	58,398	30,212
Lawrence Davies Fund	18,602	18,602
Future campaigns	15,273	24,990
Volunteer organization assistance	5,056	8,854
	<u>\$ 194,896</u>	<u>\$ 179,517</u>

Net assets were released through satisfaction of the following program restrictions during the years ended June 30, 2011 and 2010 as follows:

	2011	2010
Barbara C. Terry Emergency Assistance Fund	\$ 2,423	\$ 30,958
Smart Beginnings, Rappahannock Area	165,691	90,000
Lawrence Davies Fund	10,000	10,000
Future campaigns	24,990	5,458
Volunteer organization assistance	3,798	1,706
	<u>\$ 206,902</u>	<u>\$ 138,122</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.