

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Communication with Those Charged with Governance

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

We have audited the financial statements of Rappahannock United Way, Inc. for the year ended June 30, 2017 and have issued our report thereon dated September 22, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rappahannock United Way, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of property and equipment and the functional allocation of expenses is based on established guidelines and experience. We evaluated the key factors and assumptions used to develop the useful lives of property and equipment and the functional allocation of expenses in determining that the criteria used for those items are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Our procedures disclosed no misstatements that required correction by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Rappahannock United Way, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
September 22, 2017

RAPPAHANNOCK UNITED WAY, INC.

FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

RAPPAHANNOCK UNITED WAY, INC.
FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
RAPPAHANNOCK UNITED WAY, INC.
FREDERICKSBURG, VIRGINIA

We have audited the accompanying financial statements of Rappahannock United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statement of activities, functional expenses, 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.

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 Rappahannock United Way, Inc. as of June 30, 2017 and 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.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
September 22, 2017

- Financial Statements -

RAPPAHANNOCK UNITED WAY, INC.

Statements of Financial Position
At June 30, 2017 and 2016

| Assets | 2017 | 2016 |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,020,173 | \$ 1,217,171 |
| Certificates of deposit | 580,808 | 583,751 |
| Pledges receivable, net | 1,582,504 | 1,571,420 |
| Other receivables | 635 | 4,310 |
| Prepaid expenses | 11,131 | 21,863 |
| Total current assets | <u>\$ 3,195,251</u> | <u>\$ 3,398,515</u> |
| Property and equipment: | | |
| Land | \$ 82,161 | \$ 82,161 |
| Buildings and improvements | 1,173,908 | 1,164,888 |
| Furniture and equipment | 220,581 | 207,435 |
| Sub-total | <u>\$ 1,476,650</u> | <u>\$ 1,454,484</u> |
| Accumulated depreciation | (465,088) | (417,789) |
| Total property and equipment, net | <u>\$ 1,011,562</u> | <u>\$ 1,036,695</u> |
| Other assets: | | |
| Debt issuance costs, net of accumulated amortization of \$19,207 for 2017 and \$18,119 for 2016 | \$ - | \$ 1,088 |
| Total assets | <u>\$ 4,206,813</u> | <u>\$ 4,436,298</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 56,634 | \$ 59,263 |
| Allocation and grants payable, net | 2,244,727 | 2,436,753 |
| Long-term debt, current maturities | 40,292 | 38,955 |
| Total current liabilities | <u>\$ 2,341,653</u> | <u>\$ 2,534,971</u> |
| Noncurrent liabilities: | | |
| Long-term debt, net of current maturities | \$ 263,523 | \$ 303,676 |
| Total liabilities | <u>\$ 2,605,176</u> | <u>\$ 2,838,647</u> |
| Net assets: | | |
| Unrestricted | \$ 1,576,122 | \$ 1,580,911 |
| Temporarily restricted | 25,515 | 16,740 |
| Total net assets | <u>\$ 1,601,637</u> | <u>\$ 1,597,651</u> |
| Total liabilities and net assets | <u>\$ 4,206,813</u> | <u>\$ 4,436,298</u> |

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK UNITED WAY, INC.

Statement of Activities
For the Year Ended June 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| Public support and revenue: | | | |
| Gross campaign results - 2016/2017 | \$ 3,395,088 | \$ - | \$ 3,395,088 |
| Less: Donor designations | (1,761,477) | - | (1,761,477) |
| Less: Provision for uncollectible pledges | (36,619) | - | (36,619) |
| Net campaign revenue - 2016/2017 | <u>\$ 1,596,992</u> | <u>\$ -</u> | <u>\$ 1,596,992</u> |
| Gross campaign results - 2017/2018 | \$ - | \$ 500 | \$ 500 |
| Net campaign revenue - 2017/2018 | <u>\$ -</u> | <u>\$ 500</u> | <u>\$ 500</u> |
| Sponsorships and special events | \$ 43,426 | \$ - | \$ 43,426 |
| Less: Direct costs | (9,858) | - | (9,858) |
| Service fees | 118,920 | - | 118,920 |
| Grants and contracts | 103,437 | 18,623 | 122,060 |
| Investment income | 4,962 | - | 4,962 |
| In-kind program revenue | 31,975 | - | 31,975 |
| Miscellaneous income | 38,432 | - | 38,432 |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restrictions | 10,348 | (10,348) | - |
| Total public support and revenue | <u>\$ 1,938,634</u> | <u>\$ 8,775</u> | <u>\$ 1,947,409</u> |
| Expenses: | | | |
| Program services: | | | |
| Gross funds awarded/distributed | \$ 2,579,727 | \$ - | \$ 2,579,727 |
| Less: Donor designations | (1,761,477) | - | (1,761,477) |
| Net funds awards/distributed | <u>\$ 818,250</u> | <u>\$ -</u> | <u>\$ 818,250</u> |
| Other program services | 531,215 | - | 531,215 |
| Total program services | <u>\$ 1,349,465</u> | <u>\$ -</u> | <u>\$ 1,349,465</u> |
| Supporting services: | | | |
| Management and general | \$ 326,101 | \$ - | \$ 326,101 |
| Fundraising | 267,857 | - | 267,857 |
| Total supporting services | <u>\$ 593,958</u> | <u>\$ -</u> | <u>\$ 593,958</u> |
| Total expenses | <u>\$ 1,943,423</u> | <u>\$ -</u> | <u>\$ 1,943,423</u> |
| Change in net assets | \$ (4,789) | \$ 8,775 | \$ 3,986 |
| Net assets, beginning of year | <u>1,580,911</u> | <u>16,740</u> | <u>1,597,651</u> |
| Net assets, end of year | <u>\$ 1,576,122</u> | <u>\$ 25,515</u> | <u>\$ 1,601,637</u> |

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK UNITED WAY, INC.

Statement of Activities
For the Year Ended June 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| Public support and revenue: | | | |
| Gross campaign results - 2015/2016 | \$ 3,498,414 | \$ - | \$ 3,498,414 |
| Less: Donor designations | (1,546,470) | - | (1,546,470) |
| Less: Provision for uncollectible pledges | (131,691) | - | (131,691) |
| Net campaign revenue - 2015/2016 | <u>\$ 1,820,253</u> | <u>\$ -</u> | <u>\$ 1,820,253</u> |
| Gross campaign results - 2016/2017 | \$ - | \$ 10,348 | \$ 10,348 |
| Net campaign revenue - 2016/2017 | <u>\$ -</u> | <u>\$ 10,348</u> | <u>\$ 10,348</u> |
| Sponsorships and special events | \$ 48,728 | \$ - | \$ 48,728 |
| Less: Direct costs | (32,338) | - | (32,338) |
| Service fees | 81,958 | - | 81,958 |
| Grants and contracts | 85,942 | 28,156 | 114,098 |
| Investment income | 4,831 | 3 | 4,834 |
| In-kind program revenue | 59,070 | - | 59,070 |
| Miscellaneous income | 24,196 | - | 24,196 |
| Net assets released from restrictions: | | | |
| Satisfaction of purpose restrictions | <u>38,878</u> | <u>(38,878)</u> | <u>-</u> |
| Total public support and revenue | <u>\$ 2,131,518</u> | <u>\$ (371)</u> | <u>\$ 2,131,147</u> |
| Expenses: | | | |
| Program services: | | | |
| Gross funds awarded/distributed | \$ 2,647,598 | \$ - | \$ 2,647,598 |
| Less: Donor designations | (1,546,470) | - | (1,546,470) |
| Net funds awards/distributed | <u>\$ 1,101,128</u> | <u>\$ -</u> | <u>\$ 1,101,128</u> |
| Other program services | 588,373 | - | 588,373 |
| Total program services | <u>\$ 1,689,501</u> | <u>\$ -</u> | <u>\$ 1,689,501</u> |
| Supporting services: | | | |
| Management and general | \$ 315,014 | \$ - | \$ 315,014 |
| Fundraising | 266,353 | - | 266,353 |
| Total supporting services | <u>\$ 581,367</u> | <u>\$ -</u> | <u>\$ 581,367</u> |
| Total expenses | <u>\$ 2,270,868</u> | <u>\$ -</u> | <u>\$ 2,270,868</u> |
| Change in net assets | \$ (139,350) | \$ (371) | \$ (139,721) |
| Net assets, beginning of year | <u>1,720,261</u> | <u>17,111</u> | <u>1,737,372</u> |
| Net assets, end of year | <u>\$ 1,580,911</u> | <u>\$ 16,740</u> | <u>\$ 1,597,651</u> |

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK UNITED WAY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2017

| | Program Services | | |
|--|--------------------------|-----------------------|--------------|
| | Grant Making Services | All Other Programs | Total |
| Allocations/awards | \$ 2,579,727 | \$ - | \$ 2,579,727 |
| Less: Donor designations | (1,761,477) | - | (1,761,477) |
| Total allocations/awards | \$ 818,250 | \$ - | \$ 818,250 |
| Salaries | \$ - | \$ 295,310 | \$ 295,310 |
| Payroll taxes | - | 21,426 | 21,426 |
| Employee benefits | - | 18,781 | 18,781 |
| Total salaries, taxes, and benefits | \$ - | \$ 335,517 | \$ 335,517 |
| Supplies | \$ - | \$ 28,476 | \$ 28,476 |
| Telephone | - | 3,707 | 3,707 |
| Postage and shipping | - | 950 | 950 |
| Occupancy | - | 14,819 | 14,819 |
| Equipment rental | - | 4,841 | 4,841 |
| Printing | - | 2,702 | 2,702 |
| Travel | - | 6,693 | 6,693 |
| Conferences, conventions, and meetings | - | 3,492 | 3,492 |
| Insurance | - | 1,629 | 1,629 |
| Training | - | 4,569 | 4,569 |
| Dues and subscriptions | - | 13,150 | 13,150 |
| Advertising | - | 26,356 | 26,356 |
| Repairs and maintenance | - | 10,471 | 10,471 |
| Awards | - | 3,574 | 3,574 |
| Professional fees | - | 12,065 | 12,065 |
| Miscellaneous | - | 4,312 | 4,312 |
| In-kind program expense | - | 31,975 | 31,975 |
| Depreciation and amortization | - | 21,917 | 21,917 |
| Total expenses | \$ 818,250 | \$ 531,215 | \$ 1,349,465 |

The accompanying notes to financial statements are an integral part of this statement.

| Supporting Services | | | | |
|---------------------|---------------------------|-------------|---------|-------------|
| | Management and General | Fundraising | Total | Total |
| \$ | - | - | - | 2,579,727 |
| | - | - | - | (1,761,477) |
| \$ | - | - | - | 818,250 |
| \$ | 198,100 | 137,646 | 335,746 | 631,056 |
| | 15,545 | 10,165 | 25,710 | 47,136 |
| | 23,332 | 17,955 | 41,287 | 60,068 |
| \$ | 236,977 | 165,766 | 402,743 | 738,260 |
| \$ | 3,219 | 20,383 | 23,602 | 52,078 |
| | 3,023 | 1,640 | 4,663 | 8,370 |
| | 350 | 2,555 | 2,905 | 3,855 |
| | 18,097 | 7,161 | 25,258 | 40,077 |
| | 1,895 | 2,530 | 4,425 | 9,266 |
| | 304 | 458 | 762 | 3,464 |
| | 1,847 | 5,855 | 7,702 | 14,395 |
| | 843 | 366 | 1,209 | 4,701 |
| | 1,686 | 844 | 2,530 | 4,159 |
| | 3,479 | 3,606 | 7,085 | 11,654 |
| | 10,253 | 5,579 | 15,832 | 28,982 |
| | 829 | 9,880 | 10,709 | 37,065 |
| | 8,517 | 15,877 | 24,394 | 34,865 |
| | 1,285 | 1,632 | 2,917 | 6,491 |
| | 7,143 | 10,872 | 18,015 | 30,080 |
| | 11,105 | 1,567 | 12,672 | 16,984 |
| | - | - | - | 31,975 |
| | 15,249 | 11,286 | 26,535 | 48,452 |
| \$ | 326,101 | 267,857 | 593,958 | 1,943,423 |

RAPPAHANNOCK UNITED WAY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2016

| | Program Services | | |
|--|--------------------------|-----------------------|--------------|
| | Grant Making Services | All Other Programs | Total |
| Allocations/awards | \$ 2,647,598 | \$ - | \$ 2,647,598 |
| Less: Donor designations | (1,546,470) | - | (1,546,470) |
| Total allocations/awards | \$ 1,101,128 | \$ - | \$ 1,101,128 |
| Salaries | \$ - | \$ 306,533 | \$ 306,533 |
| Payroll taxes | - | 22,366 | 22,366 |
| Employee benefits | - | 16,897 | 16,897 |
| Total salaries, taxes, and benefits | \$ - | \$ 345,796 | \$ 345,796 |
| Supplies | \$ - | \$ 24,303 | \$ 24,303 |
| Telephone | - | 3,934 | 3,934 |
| Postage and shipping | - | 1,126 | 1,126 |
| Occupancy | - | 14,927 | 14,927 |
| Equipment rental | - | 4,879 | 4,879 |
| Printing | - | 9,604 | 9,604 |
| Travel | - | 6,165 | 6,165 |
| Conferences, conventions, and meetings | - | 2,514 | 2,514 |
| Insurance | - | 1,676 | 1,676 |
| Training | - | 323 | 323 |
| Dues and subscriptions | - | 13,524 | 13,524 |
| Advertising | - | 28,017 | 28,017 |
| Repairs and maintenance | - | 11,541 | 11,541 |
| Awards | - | 1,864 | 1,864 |
| Professional fees | - | 34,031 | 34,031 |
| Miscellaneous | - | 3,107 | 3,107 |
| In-kind program expense | - | 59,070 | 59,070 |
| Depreciation and amortization | - | 21,972 | 21,972 |
| Total expenses | \$ 1,101,128 | \$ 588,373 | \$ 1,689,501 |

The accompanying notes to financial statements are an integral part of this statement.

Supporting Services

| <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> | <u>Total</u> |
|-----------------------------------|--------------------|-------------------|---------------------|
| \$ - | \$ - | \$ - | \$ 2,647,598 |
| - | - | - | (1,546,470) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,101,128</u> |
| \$ 202,144 | \$ 139,054 | \$ 341,198 | \$ 647,731 |
| 14,113 | 10,351 | 24,464 | 46,830 |
| 21,720 | 13,893 | 35,613 | 52,510 |
| <u>\$ 237,977</u> | <u>\$ 163,298</u> | <u>\$ 401,275</u> | <u>\$ 747,071</u> |
| \$ 2,800 | \$ 27,103 | \$ 29,903 | \$ 54,206 |
| 2,683 | 1,749 | 4,432 | 8,366 |
| 489 | 3,143 | 3,632 | 4,758 |
| 17,718 | 7,553 | 25,271 | 40,198 |
| 1,776 | 3,597 | 5,373 | 10,252 |
| 1,343 | 896 | 2,239 | 11,843 |
| 3,932 | 5,742 | 9,674 | 15,839 |
| 275 | 468 | 743 | 3,257 |
| 1,708 | 927 | 2,635 | 4,311 |
| 1,498 | 1,682 | 3,180 | 3,503 |
| 10,416 | 10,765 | 21,181 | 34,705 |
| 1,457 | 5,888 | 7,345 | 35,362 |
| 6,481 | 8,752 | 15,233 | 26,774 |
| 490 | 1,404 | 1,894 | 3,758 |
| 5,218 | 8,620 | 13,838 | 47,869 |
| 3,993 | 1,570 | 5,563 | 8,670 |
| - | - | - | 59,070 |
| 14,760 | 13,196 | 27,956 | 49,928 |
| <u>\$ 315,014</u> | <u>\$ 266,353</u> | <u>\$ 581,367</u> | <u>\$ 2,270,868</u> |

RAPPAHANNOCK UNITED WAY, INC.

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 3,986 | \$ (139,721) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 48,452 | 49,928 |
| (Increase) decrease in: | | |
| Pledges receivable | (11,084) | 173,563 |
| Other receivables | 3,675 | - |
| Prepaid expenses | 10,732 | (2,265) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (2,629) | 3,199 |
| Allocation and grants payable | (192,026) | 39,260 |
| Net cash provided by (used for) operating activities | <u>\$ (138,894)</u> | <u>\$ 123,964</u> |
| Cash flows from investing activities: | | |
| Sale (purchase) of property and equipment | \$ (22,231) | \$ (15,868) |
| Redemption (purchase) of certificates of deposit | <u>2,943</u> | <u>(3,897)</u> |
| Net cash provided by (used for) investing activities | <u>\$ (19,288)</u> | <u>\$ (19,765)</u> |
| Cash flows from financing activities: | | |
| Principal payments on long-term debt | \$ (38,816) | \$ (37,476) |
| Net cash provided by (used for) financing activities | <u>\$ (38,816)</u> | <u>\$ (37,476)</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (196,998) | \$ 66,723 |
| Cash and cash equivalents, beginning of year | <u>1,217,171</u> | <u>1,150,448</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,020,173</u> | <u>\$ 1,217,171</u> |
| Supplemental disclosure of cash flows information: | | |
| Interest paid | <u>\$ 11,109</u> | <u>\$ 12,451</u> |

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements
At June 30, 2017 and 2016

Note 1 - 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 conducted an annual fundraising campaign which supported 27 programs and 31 member agencies in addition to other community based nonprofit organizations that provide health and human service programs. The Organization's campaign also supported 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.

Note 2 - Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized in the period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Financial Statement 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 LGC.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets:

Net assets not subject to donor-imposed restrictions. At June 30, 2017 and 2016, the Organization had unrestricted net assets of \$1,576,122 and \$1,580,911, respectively.

Temporarily Restricted Net Assets:

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. At June 30, 2017 and 2016, the Organization had temporarily restricted net assets of \$25,515 and \$16,740, respectively.

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements
At June 30, 2017 and 2016 (Continued)

Note 2 - Summary of Significant Accounting Policies: (Continued)

Financial Statement Presentation: (Continued)

Permanently Restricted Net Assets:

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At June 30, 2017 and 2016, the Organization did not have any permanently restricted net assets.

Contributions:

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

When the 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.

Allowance for Uncollectible Accounts:

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. Current year in-kind revenue and expenses are a calculated three-year average of allocated media airtime donated from United Way Worldwide to the Organization.

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:

The Organization considers highly liquid investments with original maturities of less than three months when purchased to be cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation insured limits of \$250,000.

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements
At June 30, 2017 and 2016 (Continued)

Note 2 - Summary of Significant Accounting Policies: (Continued)

Property and Equipment:

It is the Organization's policy to capitalize additions to property and equipment that exceed \$500. Property and equipment are stated at cost (if purchased) or at fair value at the date of donation (if donated). Depreciation is provided by the straight-line method based on the estimated useful lives of the assets as follows:

| | |
|----------------------------|------------|
| Buildings and improvements | 5-40 years |
| Furniture and equipment | 3-7 years |

Depreciation expense for the year ended June 30, 2017 and 2016 was \$47,364 and \$47,309, respectively.

Debt Issuance Costs:

Debt issuance costs are amortized over the term of 7 years. Amortization expense for the years ended June 30, 2017 and 2016 was \$1,088 and \$2,619, respectively.

Designations:

Rappahannock United Way honors designations made to each member organization and other 501(c)3 organizations by distributing a proportionate share of receipts based on donor designations to each organization. Designations 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 \$37,065 and \$35,362 for the years ended June 30, 2017 and 2016, 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.

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements
At June 30, 2017 and 2016 (Continued)

Note 2 - Summary of Significant Accounting Policies: (Continued)

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates 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 periods. Actual results could differ from those estimates. Estimates include the allowance for uncollectible pledges and allowance for designation provisions calculated in each year's campaign, useful lives of property and equipment and the functional allocation of expenses.

Note 3 - Pledges Receivable:

Pledges receivable consist of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Due in less than one year | \$ 1,783,504 | \$ 1,800,420 |
| Less allowance for uncollectible pledges | <u>(201,000)</u> | <u>(229,000)</u> |
| Total pledges receivable | <u>\$ 1,582,504</u> | <u>\$ 1,571,420</u> |

Note 4 - Note Payable:

Long-term debt at June 30, 2017 and 2016 consists of a note payable to Virginia Partners Bank. The loan was refinanced on April 18, 2014. The agreement allows the Organization to fix the rate at 3.375% for a period of 10 years. The loan is collateralized by a lien on the Organization's property and had an outstanding balance of \$303,815 and \$342,631 at June 30, 2017 and 2016, respectively.

Annual maturities required on long-term debt at June 30, 2017 are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|-------------------|------------------|
| 2018 | \$ 40,292 | \$ 9,634 |
| 2019 | 41,673 | 8,253 |
| 2020 | 43,101 | 6,825 |
| 2021 | 44,579 | 5,347 |
| 2022 | 46,107 | 3,819 |
| 2023-2024 | <u>88,063</u> | <u>2,859</u> |
| Total maturities of long-term debt | <u>\$ 303,815</u> | <u>\$ 36,737</u> |

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements
At June 30, 2017 and 2016 (Continued)

Note 5 - Board Designated Net Assets:

Included in unrestricted net assets are amounts designated by the Organization's Board of Directors for the following purposes as of June 30:

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------|-------------------|-------------------|
| Operating reserves | \$ 600,000 | \$ 600,000 |
| Community Impact | 86,653 | 98,595 |
| ALICE | 40,000 | - |
| Total board designated net assets | <u>\$ 726,653</u> | <u>\$ 698,595</u> |

Note 6 - Temporarily Restricted Net Assets:

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

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| Barbara C. Terry Emergency Assistance Fund | \$ 5,750 | \$ 5,336 |
| Lawrence Davies Fund | 10,000 | - |
| UWVA | 6,325 | - |
| Link2Feed Software | 2,940 | 1,056 |
| Future campaigns | 500 | 10,348 |
| Total | <u>\$ 25,515</u> | <u>\$ 16,740</u> |

Net assets were released through satisfaction of the following program restrictions during the years ended June 30, 2017 and 2016 as follows:

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| Barbara C. Terry Emergency Assistance Fund | \$ - | \$ 22,738 |
| Lawrence Davies Fund | - | 10,000 |
| Future campaigns | 10,348 | 6,140 |
| Total | <u>\$ 10,348</u> | <u>\$ 38,878</u> |

Note 7 - 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.

Note 8 - Subsequent Events:

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through September 22, 2017, the date the financial statements were available to be issued.