

## **An Open Letter to Accompany Rappahannock United Way's FY18 Financials:**

Dear Rappahannock United Way Supporters,

October 2018

We are pleased to post our audited financial statements for Fiscal Year 2018 (FY18) which ended on June 30, 2018. We hope you will take the time to read this memo in conjunction with your review of Rappahannock United Way's (RUW) FY18 Audit.

During FY18, we are happy to report that Rappahannock United Way received an "unqualified" opinion. The Statement of Activities reflects a strategically planned drawn down on reserves by the Rappahannock United Way Board of Directors to make a greater impact on the community. As a result we reported a Net Loss of (\$100,711). If we had not chosen to spend down the reserves, Rappahannock United Way would have shown a Net Profit of \$36,289 (See reconciliation below).

Net Loss on Audited Financial Statements	\$(100,711)
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**Reserve Spending:**

Capacity building grants, additional local program funding and ALICE funding	<u>137,000</u>
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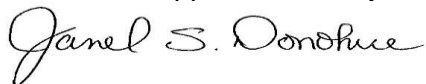
Net Income (Without Reserve Spending)	<u>\$ 36,289</u>
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Rappahannock United Way seized this opportunity to increase our role in supporting Education, Financial Stability and Healthy Living initiatives throughout our community in FY18.

- Invested \$800,000 in member agency programs during our Citizen Review process.
- Piloted new programs to increase impact in the community.
- Sponsored community events around Education, Financial Stability and Healthy Living.
- We collaborated and convened United Ways in Virginia around the ALICE Project which launched in FY17.

We could not have done all of this to move the needle on Education, Financial Stability, and Healthy Living in our community without you! We are committed to delivering the best results to you, our supporters, and to do so with the utmost transparency and integrity. We are excited about the future and are poised to make even bigger contributions to our community going forward.

With sincere appreciation for your support,



Janel S. Donohue, President

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RAPPAHANNOCK UNITED WAY, INC.

FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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RAPPAHANNOCK UNITED WAY, INC.  
FINANCIAL REPORT  
FOR THE YEARS ENDED JUNE 30, 2018 and 2017

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT

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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, 2018 and 2017, 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, 2018 and 2017, 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  
October 10, 2018

- Financial Statements -

RAPPAHANNOCK UNITED WAY, INC.

Statements of Financial Position  
At June 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 918,224	\$ 1,020,173
Certificates of deposit	584,704	580,808
Pledges receivable, net	1,087,249	1,582,504
Other receivables	635	635
Prepaid expenses	23,664	11,131
Total current assets	<u>\$ 2,614,476</u>	<u>\$ 3,195,251</u>
Property and equipment:		
Land	\$ 82,161	\$ 82,161
Buildings and improvements	1,186,308	1,173,908
Furniture and equipment	222,135	220,581
Sub-total	<u>\$ 1,490,604</u>	<u>\$ 1,476,650</u>
Accumulated depreciation	(511,796)	(465,088)
Total property and equipment, net	<u>\$ 978,808</u>	<u>\$ 1,011,562</u>
Total assets	<u>\$ 3,593,284</u>	<u>\$ 4,206,813</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 106,908	\$ 56,634
Allocation and grants payable, net	1,721,806	2,244,727
Long-term debt, current maturities	41,669	40,292
Total current liabilities	<u>\$ 1,870,383</u>	<u>\$ 2,341,653</u>
Noncurrent liabilities:		
Long-term debt, net of current maturities	\$ 221,975	\$ 263,523
Total liabilities	<u>\$ 2,092,358</u>	<u>\$ 2,605,176</u>
Net assets:		
Unrestricted	\$ 1,423,013	\$ 1,576,122
Temporarily restricted	77,913	25,515
Total net assets	<u>\$ 1,500,926</u>	<u>\$ 1,601,637</u>
Total liabilities and net assets	<u>\$ 3,593,284</u>	<u>\$ 4,206,813</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Gross campaign results - 2017/2018	\$ 2,701,709	\$ -	\$ 2,701,709
Less: Donor designations	(1,030,354)	-	(1,030,354)
Less: Provision for uncollectible pledges	(33,922)	-	(33,922)
Net campaign revenue - 2017/2018	<u>\$ 1,637,433</u>	<u>\$ -</u>	<u>\$ 1,637,433</u>
Gross campaign results - 2018/2019	\$ -	\$ 7,000	\$ 7,000
Net campaign revenue - 2018/2019	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 7,000</u>
Sponsorships and special events	\$ 106,420	\$ -	\$ 106,420
Less: Direct costs	(33,083)	-	(33,083)
Service fees	50,104	-	50,104
Grants and contracts	86,353	60,017	146,370
Investment income	5,154	-	5,154
In-kind program revenue	25,263	-	25,263
Miscellaneous income	18,478	-	18,478
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>14,619</u>	<u>(14,619)</u>	<u>-</u>
Total public support and revenue	<u>\$ 1,910,741</u>	<u>\$ 52,398</u>	<u>\$ 1,963,139</u>
Expenses:			
Program services:			
Grant making services	\$ 1,897,354	\$ -	\$ 1,897,354
Less: Donor designations	(1,030,354)	-	(1,030,354)
Net grant making services	<u>\$ 867,000</u>	<u>\$ -</u>	<u>\$ 867,000</u>
Other program services	561,008	-	561,008
Total program services	<u>\$ 1,428,008</u>	<u>\$ -</u>	<u>\$ 1,428,008</u>
Supporting services:			
Management and general	\$ 319,920	\$ -	\$ 319,920
Fundraising	315,922	-	315,922
Total supporting services	<u>\$ 635,842</u>	<u>\$ -</u>	<u>\$ 635,842</u>
Total expenses	<u>\$ 2,063,850</u>	<u>\$ -</u>	<u>\$ 2,063,850</u>
Change in net assets	\$ (153,109)	\$ 52,398	\$ (100,711)
Net assets, beginning of year	<u>1,576,122</u>	<u>25,515</u>	<u>1,601,637</u>
Net assets, end of year	<u>\$ 1,423,013</u>	<u>\$ 77,913</u>	<u>\$ 1,500,926</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:			
Grant making services	\$ 2,579,727	\$ -	\$ 2,579,727
Less: Donor designations	(1,761,477)	-	(1,761,477)
Net grant making services	<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 Functional Expenses  
For the Year Ended June 30, 2018

	Program Services		
	Grant Making Services	All Other Programs	Total
Allocations/awards	\$ 1,897,354	\$ -	\$ 1,897,354
Less: Donor designations	(1,030,354)	-	(1,030,354)
Total allocations/awards	<u>\$ 867,000</u>	<u>\$ -</u>	<u>\$ 867,000</u>
Salaries	\$ -	\$ 289,708	\$ 289,708
Payroll taxes	-	20,754	20,754
Employee benefits	-	34,748	34,748
Total salaries, taxes, and benefits	<u>\$ -</u>	<u>\$ 345,210</u>	<u>\$ 345,210</u>
Supplies	\$ -	\$ 33,692	\$ 33,692
Telephone	-	3,310	3,310
Postage and shipping	-	827	827
Occupancy	-	17,523	17,523
Equipment rental	-	4,218	4,218
Printing	-	5,725	5,725
Travel	-	7,559	7,559
Conferences, conventions, and meetings	-	1,338	1,338
Insurance	-	1,921	1,921
Training	-	689	689
Dues and subscriptions	-	8,155	8,155
Advertising	-	23,984	23,984
Repairs and maintenance	-	13,701	13,701
Awards	-	1,481	1,481
Professional fees	-	40,766	40,766
Miscellaneous	-	3,328	3,328
In-kind program expense	-	25,263	25,263
Depreciation and amortization	-	22,318	22,318
Total expenses	<u>\$ 867,000</u>	<u>\$ 561,008</u>	<u>\$ 1,428,008</u>

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

Supporting Services				
Management and General	Fundraising	Total	Total	
\$ -	\$ -	\$ -	\$ -	1,897,354
-	-	-	-	(1,030,354)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>867,000</u>
\$ 190,494	\$ 193,465	\$ 383,959	\$	673,667
13,379	13,888	27,267		48,021
22,625	18,260	40,885		75,633
<u>\$ 226,498</u>	<u>\$ 225,613</u>	<u>\$ 452,111</u>	<u>\$</u>	<u>797,321</u>
\$ 4,627	\$ 13,376	\$ 18,003	\$	51,695
1,700	1,429	3,129		6,439
270	2,213	2,483		3,310
17,177	7,559	24,736		42,259
2,235	2,767	5,002		9,220
379	1,646	2,025		7,750
593	2,365	2,958		10,517
150	174	324		1,662
1,539	829	2,368		4,289
428	924	1,352		2,041
8,063	12,777	20,840		28,995
1,190	4,865	6,055		30,039
11,343	12,602	23,945		37,646
1,069	754	1,823		3,304
5,017	9,885	14,902		55,668
22,885	6,511	29,396		32,724
-	-	-		25,263
14,757	9,633	24,390		46,708
<u>\$ 319,920</u>	<u>\$ 315,922</u>	<u>\$ 635,842</u>	<u>\$</u>	<u>2,063,850</u>

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.

Statements of Cash Flows  
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (100,711)	\$ 3,986
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	46,708	48,452
(Increase) decrease in:		
Pledges receivable	495,255	(11,084)
Other receivables	-	3,675
Prepaid expenses	(12,533)	10,732
Increase (decrease) in:		
Accounts payable and accrued expenses	50,274	(2,629)
Allocation and grants payable	(522,921)	(192,026)
Net cash provided by (used for) operating activities	<u>\$ (43,928)</u>	<u>\$ (138,894)</u>
Cash flows from investing activities:		
Sale (purchase) of property and equipment	\$ (13,954)	\$ (22,231)
Redemption (purchase) of certificates of deposit	<u>(3,896)</u>	<u>2,943</u>
Net cash provided by (used for) investing activities	<u>\$ (17,850)</u>	<u>\$ (19,288)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	\$ <u>(40,171)</u>	\$ <u>(38,816)</u>
Net cash provided by (used for) financing activities	<u>\$ (40,171)</u>	<u>\$ (38,816)</u>
Net increase (decrease) in cash and cash equivalents	\$ (101,949)	\$ (196,998)
Cash and cash equivalents, beginning of year	<u>1,020,173</u>	<u>1,217,171</u>
Cash and cash equivalents, end of year	<u>\$ 918,224</u>	<u>\$ 1,020,173</u>
Supplemental disclosure of cash flows information:		
Interest paid	<u>\$ 9,756</u>	<u>\$ 11,109</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, 2018 and 2017

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**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 25 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, 2018 and 2017, the Organization had unrestricted net assets of \$1,423,013 and \$1,576,122, 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, 2018 and 2017, the Organization had temporarily restricted net assets of \$77,913 and \$25,515, respectively.

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements  
At June 30, 2018 and 2017 (Continued)

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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, 2018 and 2017, 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, 2018 and 2017 (Continued)

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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, 2018 and 2017 was \$46,708 and \$47,364, respectively.

Debt Issuance Costs:

Debt issuance costs are amortized over the term of 7 years. Amortization expense for the year ended June 30, 2017 was \$1,088. There was no amortization expense for the year ended June 30, 2018.

Designations:

Rappahannock United Way (local federation) 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 member, per CFC regulations at § 950.301(e)(2)(i). 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 \$30,039 and \$37,065 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 (Continued)

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**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>2018</u>	<u>2017</u>
Due in less than one year	\$ 1,239,249	\$ 1,783,504
Less allowance for uncollectible pledges	<u>(152,000)</u>	<u>(201,000)</u>
Total pledges receivable	<u>\$ 1,087,249</u>	<u>\$ 1,582,504</u>

**Note 4 - Note Payable:**

Long-term debt at June 30, 2018 and 2017 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 \$263,644 and \$303,815 at June 30, 2018 and 2017, respectively.

Annual maturities required on long-term debt at June 30, 2018 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 41,669	\$ 8,257
2020	43,097	6,829
2021	44,574	5,352
2022	46,102	3,824
2023	47,682	2,244
2024	<u>40,520</u>	<u>613</u>
Total maturities of long-term debt	<u>\$ 263,644</u>	<u>\$ 27,119</u>

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements  
At June 30, 2018 and 2017 (Continued)

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**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>2018</u>	<u>2017</u>
Operating reserves	\$ 600,000	\$ 600,000
Community Impact	86,653	86,653
ALICE	-	40,000
Total board designated net assets	<u>\$ 686,653</u>	<u>\$ 726,653</u>

**Note 6 - Temporarily Restricted Net Assets:**

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

	<u>2018</u>	<u>2017</u>
Barbara C. Terry Emergency Assistance Fund	\$ 36,648	\$ 5,750
Lawrence Davies Fund	20,000	10,000
Rotary BCT Funds	5,000	-
UWVA	6,325	6,325
Link2Feed Software	2,940	2,940
Future campaigns	7,000	500
Total	<u>\$ 77,913</u>	<u>\$ 25,515</u>

Net assets were released through satisfaction of the following program restrictions during the years ended June 30, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Barbara C. Terry Emergency Assistance Fund	\$ 14,119	\$ -
Future campaigns	500	10,348
Total	<u>\$ 14,619</u>	<u>\$ 10,348</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 October 10, 2018, the date the financial statements were available to be issued.