

**UNITED WAY OF
WEST TENNESSEE, INC.**

FINANCIAL STATEMENTS

MARCH 31, 2014

**UNITED WAY OF WEST TENNESSEE, INC.
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227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
Fax 731.424.5701
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Independent Auditor's Report

To the Board of Directors
United Way of West Tennessee, Inc.

We have audited the accompanying financial statements of United Way of West Tennessee, Inc. (United Way) (a nonprofit organization), which comprises the statement of financial position as of March 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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 United Way as of March 31, 2014, 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.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
May 30, 2014

UNITED WAY OF WEST TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
March 31, 2014

Assets

Current assets:

Cash and cash equivalents	\$	217,499
Certificate of deposit		125,326
Pledges receivable, net of allowance for uncollectibles		1,262,651
Other receivables		2,937
Prepaid expenses		1,033
Total current assets		1,609,446

Property and equipment:

Furniture and equipment		103,332
Less: Accumulated depreciation		(53,809)
Total property and equipment		49,523

Other assets:

Cash and cash equivalents of investments		27,788
Investments		1,555,100
Total other assets		1,582,888

Total assets	\$	3,241,857
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Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	36,279
Accounts payable - agencies		334,682
Designations payable - agencies		686,054
Total liabilities		1,057,015

Net Assets:

Unrestricted		1,599,290
Temporarily restricted		173,094
Permanently restricted		412,458
Total net assets		2,184,842

Total liabilities and net assets	\$	3,241,857
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The accompanying notes are an integral part of the financial statements.

UNITED WAY OF WEST TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support, revenues, and reclassifications:				
Contributions	\$ 1,097,555	\$ 186,258	\$ -	\$ 1,283,813
Corporate sponsorship	-	94,004	-	94,004
Donated contributions	170,397	-	-	170,397
Grant income	12,000	-	-	12,000
Realized return on investments	71,854	29,523	-	101,377
Unrealized gain (loss) on investments	35,695	15,597	-	51,292
Special events, net of expenses	10,104	-	-	10,104
Miscellaneous Income	2,480	-	-	2,480
Net assets released from restrictions:				
Satisfaction of program requirements	<u>295,740</u>	<u>(295,740)</u>	<u>-</u>	<u>-</u>
 Total public support, revenues, and reclassifications	 <u>1,695,825</u>	 <u>29,642</u>	 <u>-</u>	 <u>1,725,467</u>
 Expenses and losses:				
Program services	1,447,634	-	-	1,447,634
Management and general	143,432	-	-	143,432
Fundraising	143,432	-	-	143,432
Unallocated payments to affiliated organizations	<u>19,328</u>	<u>-</u>	<u>-</u>	<u>19,328</u>
 Total expenses and losses	 <u>1,753,826</u>	 <u>-</u>	 <u>-</u>	 <u>1,753,826</u>
 Change in net assets	 (58,001)	 29,642	 -	 (28,359)
 Net assets, beginning of the year	 <u>1,657,291</u>	 <u>143,452</u>	 <u>412,458</u>	 <u>2,213,201</u>
 Net assets, end of the year	 <u>\$ 1,599,290</u>	 <u>\$ 173,094</u>	 <u>\$ 412,458</u>	 <u>\$ 2,184,842</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF WEST TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2014

	<u>Program</u> <u>Services</u>	<u>Support Services</u>		<u>Total</u>
		<u>General &</u> <u>Administrative</u>	<u>Fund</u> <u>Raising</u>	
Disbursements to agencies	\$ 911,768	\$ -	\$ -	\$ 911,768
Non-cash disbursements to agencies	123,700	-	-	123,700
Direct program service disbursements	186,772	-	-	186,772
Salaries	116,929	74,409	74,409	265,747
Payroll taxes	9,266	5,896	5,896	21,058
Employee benefits	36,776	23,403	23,403	83,582
Retirement benefits	5,787	3,683	3,683	13,153
Occupancy	8,075	5,139	5,139	18,353
Office supplies	1,364	868	868	3,100
Computer maintenance	3,887	2,473	2,473	8,833
Copier lease	894	569	569	2,032
Repairs and maintenance - equipment	1,296	825	825	2,946
Postage	1,701	1,082	1,082	3,865
Insurance	1,817	1,156	1,156	4,129
Telephone	2,740	1,744	1,744	6,228
Miscellaneous	4,028	2,563	2,563	9,154
Travel	7,531	4,793	4,793	17,117
Campaign operations and supplies	11,930	7,592	7,592	27,114
Dues - local associations	1,938	1,233	1,233	4,404
Training	253	161	161	575
Professional fees	5,537	3,524	3,524	12,585
Investment expenses	3,321	2,113	2,113	7,547
Other expenses	131	83	83	297
Depreciation	193	123	123	439
Total expenses	<u>1,447,634</u>	<u>143,432</u>	<u>143,432</u>	<u>1,734,498</u>
Unallocated payments to affiliated organizations	-	-	-	19,328
Total expenses	<u>\$ 1,447,634</u>	<u>\$ 143,432</u>	<u>\$ 143,432</u>	<u>\$ 1,753,826</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF WEST TENNESSEE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ (28,359)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	439
Unrealized (gain) loss on investments	(51,292)
Donated property and equipment	(46,400)
(Increase) decrease in pledges receivable	(50,026)
(Increase) decrease in other receivables	(2,937)
(Increase) decrease in prepaid expense	2,580
Increase (decrease) in accounts payable	(7,374)
Increase (decrease) in designations payable	<u>181,474</u>
Net cash provided (used) by operating activities	<u>(1,895)</u>
Cash flows from investing activities:	
Acquisition of property and equipment	(3,562)
Purchase of certificates of deposit	(125,326)
Proceeds from sale of certificates of deposit	200,104
Purchase of investments securities	(402,921)
Proceeds from redemption of investments	<u>353,055</u>
Net cash provided (used) by investing activities	<u>21,350</u>
Net increase (decrease) in cash	19,455
Cash at beginning of year	<u>225,832</u>
Cash at end of year	<u>\$ 245,287</u>
Non-Cash Supplementary Information:	
Non-cash contributions of property and equipment	<u>\$ 170,397</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The United Way of West Tennessee, Inc. (United Way) strives to promote cooperation between the citizens of West Tennessee included within its fourteen county service area and the various non-profit agencies serving the citizens. This is accomplished, by providing leadership and guidance during a united campaign to solicit funds that can be disbursed to the various agencies in accordance with the directions and intention of the donors.

The main source of revenue for United Way is public contributions.

B. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of United Way and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations, that they be maintained permanently by United Way. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

C. Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

D. Property and Equipment

Land, buildings and equipment are recorded at cost if purchased or at estimated fair value at the date of gift if donated. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. United Way follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the three to seven years of the estimated useful life of the assets.

E. Advertising

Advertising expenses are expensed as incurred.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

F. Functional Allocation of Expenses

The costs of providing the United Way's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

G. Income Tax Status

The United Way qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity under section 509(a)(1) of the Code. Therefore, it has no provision for federal income taxes.

The United Way's Forms 990, Return of Organization Exempt from Income Tax, for the years 2011, 2012, and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, United Way considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Date of Management Review

The subsequent events of the United Way have been evaluated through May 30, 2014, which is the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

United Way maintains cash balances in financial institutions, including banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC). United Way also has entered into a repurchase agreement whereby the bank sells certain securities to them subject to the bank's agreement to repurchase identical securities from them at a specific future date or upon demand by either party, at a stated price plus interest. These funds are insured by U.S. Government securities that the bank's custodian maintains on the bank's behalf. As of March 31, 2014, all United Way funds were covered by FDIC or by securities of the U.S. Government.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

The following is a summary of cash and cash equivalents at March 31, 2014:

Unrestricted:	
Cash on hand	\$ 100
Demand deposits	217,399
Total unrestricted cash and cash equivalents	\$ 217,499
Restricted:	
Government obligations (I)	\$ 7,790
Government obligations (P)	19,998
Total restricted cash and cash equivalents	\$ 27,788

NOTE 3 - PLEDGES RECEIVABLE

Pledges are made in the fall of each year during the annual campaign. These pledges are paid in the next year or by March 31, of the following year. Uncollected pledges not received by March 31 of the following year are written off using the allowance method at that time. For the total pledges made in the fall of 2013 in the amount of \$1,465,979, there is an uncollectible balance of \$203,328. This uncollectible balance was estimated based on prior years' experience.

NOTE 4 - COMMITMENTS

United Way receives pledges from individuals and corporations for their fiscal year (April 1 through March 31). However, United Way makes commitments to fund its agencies on a different yearly basis (July 1 through June 30). Therefore, on April 1 of each year, United Way has commitments for three months longer than the pledges it received to cover the commitments.

NOTE 5 – DEFINED CONTRIBUTION PLAN

United Way has a simplified employee pension (SEP) plan covering all employees with more than one year of service. United Way contributes 5% of each participant's compensation to this defined contribution plan. The total expense for the year March 31, 2014, was \$13,153.

NOTE 6 - PROPERTY AND EQUIPMENT

Depreciation of furniture and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. As of March 31, 2014, property and equipment of United Way had an asset value of \$103,332 and an accumulated depreciation value of \$53,809. The depreciation expense for the year ended March 31, 2014 was \$439.

NOTE 7 - OPERATING LEASE

In 2011, United Way entered into a 36 month lease agreement with St. John's Masonic Lodge #332 for the rental of office space for \$1,150 per month. This lease is cancelable with a four month notice. During 2013, United Way entered into a 63 month lease agreement with Great American Leasing for the rental of a copier for \$154 a month. The future minimum lease payments are as follows:

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

Year Ending March 31,		
2015	\$	12,193
2016		1,843
2017		1,843
2018		1,843
2019		1,843
2020		153
Future Minimum Lease Payments	<u>\$</u>	<u>19,718</u>

For the year ended March 31, 2014, the United Way paid \$2,032 for the copier lease and \$13,800 for the lease of office space.

NOTE 8 - LONG-TERM INVESTMENTS

United Way has the following long-term investments:

	Cost	Estimated Fair Value	Unrealized Gain (Loss)
Certificates of deposit:			
12 month CD	\$ 25,326	\$ 25,326	\$ -
12 month CD	100,000	100,000	-
Mutual funds:	1,446,374	1,555,100	108,726
Total	\$ 1,571,700	\$ 1,680,426	\$ 108,726

Investments are stated at fair value.

The following schedule summarizes investment return and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 52,063	\$ 21,747	\$ 73,810
Net realized gains (losses)	19,791	7,776	27,567
Total realized return on investments	71,854	29,523	101,377
Net unrealized gains (losses)	35,695	15,597	51,292
Total investment return	\$ 107,549	\$ 45,120	\$ 152,669

NOTE 9 - ENDOWMENT FUNDS

The endowment funds consist of several contributions, with different types of restrictions. The Robertson Brothers principal was originally restricted in perpetuity and the interest earned was originally restricted for the benefit of the underprivileged children of Jackson, Tennessee (the City). However, this restriction has been legally released and is now considered unrestricted. The Sawyer principal is restricted in perpetuity and the interest earned on the principal is restricted for payment of administrative expenses. The Hallock endowment principal is restricted in perpetuity and the interest earned on the principal is restricted to annually purchase a plaque honoring a volunteer.

NOTE 10 - NET ASSETS

The net assets of United Way as of March 31, 2014, consist of the following:

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

	Endowments	Restricted Non- Endowments	Other Unrestricted	Total
Permanently restricted funds:				
Sawyer	\$ 411,458	\$ -	\$ -	\$ 411,458
Hallock	1,000	-	-	1,000
Total permanently restricted funds	<u>412,458</u>	<u>-</u>	<u>-</u>	<u>412,458</u>
Temporarily restricted funds:				
Sawyer	\$ 60,618	\$ -	\$ -	\$ 60,618
Corporate sponsorship	-	94,004	-	94,004
Christmas partners revenue	-	120	-	120
Disaster recovery services	-	18,352	-	18,352
Total temporarily restricted funds	<u>60,618</u>	<u>112,476</u>	<u>-</u>	<u>173,094</u>
Unrestricted funds:				
Investments	\$ 1,109,812	\$ -	\$ -	\$ 1,109,812
Other	-	-	489,478	489,478
Total unrestricted funds	<u>1,109,812</u>	<u>-</u>	<u>489,478</u>	<u>1,599,290</u>
Total funds	<u>\$ 1,582,888</u>	<u>\$ 112,476</u>	<u>\$ 489,478</u>	<u>\$ 2,184,842</u>

NOTE 11 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the United Way's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 245,287	\$ 245,287
Certificates of deposit	125,326	125,326
Pledges receivable, net	1,262,651	1,262,651
Long-term investments	1,446,374	1,555,100

The following methods and assumptions were used by the United Way in estimating fair value disclosures for financial instruments:

Cash, cash equivalents, and pledges receivable: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

Long-term investments: The fair values of investment securities are based on quoted market prices for those investments.

NOTE 12 – FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis at March 31, 2014, were \$1,555,100 and are determined by reference to quoted market prices and other relevant information generated by market transactions. At present, United Way has no items carried or that will be carried at fair value

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

on a non-recurring basis. The United Way does not currently have nor expects to have any non-financial assets or liabilities which could be carried at fair value.

United Way follows a policy that defines fair value, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements. This standard clarifies the principle that fair value should be based on assumptions market participants would use when pricing the asset or liability and establishes a hierarchy that prioritizes information used to develop these assumptions. The hierarchy is as follows:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs may include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted market prices that are observable for the assets and liabilities such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 Inputs: Unobservable inputs for determining fair values of assets and liabilities that reflect an entity's own assumptions about the assumptions that market participants would use pricing the assets and liabilities.

Investments are the only balance sheet components reported at fair value. They are all valued using Level 2 inputs. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and terms and conditions of bonds, and other factors. The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2014:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Investments	\$ -	\$ 1,555,100	\$ -	\$ 1,555,100

NOTE 13 – JEA ROUND UP

The United Way has partnered with Jackson Energy Authority (JEA), Area Relief Ministries (ARM), and the West Tennessee Healthcare Foundation (WTHF) to implement the JEA Round-Up program. JEA customers' monthly utility bills are rounded up to the next highest dollar. Funds are collected by JEA and then distributed to WTHF and United Way, (without charging any fee) then in turn distribute the funds to ARM. The money raised through the round-up program is used to assist those in need to pay their utility bills, through a program administered by ARM. ARM's distribution to needy local residents is overseen by United Way. In the year ended March 31, 2014, this program provided \$182,082 to the assisted families.

UNITED WAY OF WEST TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 14 – DESIGNATIONS

The United Way allows those who participate in its annual workplace fundraising campaign to designate where the pledge is to be directed. Contributions with donor-imposed restrictions are not reported as revenue. The revenue listed has been reduced by the amount of restricted contributions, in the amount of \$686,054, and reported as a liability, payable per donor instruction.