

**United Way of Escambia County, Inc.
(A Nonprofit Organization)**

Financial Statements

June 30, 2015

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(A Nonprofit Organization)**

Financial Statements

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Independent Auditor's Report

To The Board of Directors
United Way of Escambia County, Inc.
Pensacola, Florida

We have audited the accompanying financial statements of United Way of Escambia County, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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.

*To The Board of Directors
United Way of Escambia County, Inc.
Pensacola, Florida*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Escambia County, Inc., (a nonprofit organization), as of June 30, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Escambia County, Inc., (a nonprofit organization) 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Scott E. ... & Company, P.A.
Pensacola, Florida
October 28, 2015

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Statement of Financial Position
June 30, 2015
(with comparative totals for 2014)

	2015	2014
Assets:		
Cash and equivalents	\$ 259,369	\$ 599,922
Pledges receivable—net	902,661	894,558
Accounts receivable	241,554	211,844
Prepaid expenses and other	42,392	51,557
Investments	1,285,614	978,140
Property and equipment—net	743,171	673,066
Total Assets	\$ 3,474,761	\$ 3,409,087
 Liabilities:		
Due to designated agencies	\$ 147,503	\$ 143,554
Allocations payable	852,875	822,000
Custodial funds payable	154,393	116,666
Accounts payable	28,357	7,227
Accrued expenses	67,276	67,162
Capital lease obligation	23,863	7,026
Note payable	-	121,535
Total Liabilities	1,274,267	1,285,170
 Net Assets:		
Unrestricted	1,604,451	1,213,776
Temporarily restricted	329,117	643,215
Permanently restricted	266,926	266,926
Total Net Assets	2,200,494	2,123,917
Total Liabilities and Net Assets	\$ 3,474,761	\$ 3,409,087

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

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Statement of Activities
For the Year Ended June 30, 2015
(with comparative totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Public Support and Revenues:					
Gross campaign results	\$ 2,078,448	\$ 73,822	\$ -	\$ 2,152,270	\$ 2,160,127
Less donor designations	(394,778)	-	-	(394,778)	(381,052)
Less provision for uncollectibles	(141,061)	-	-	(141,061)	(151,773)
Net campaign results	1,542,609	73,822	-	1,616,431	1,627,302
In-kind contributions	158,281	-	-	158,281	111,441
Contributions from outside service area	3,975	-	-	3,975	9,411
Investment return	43,048	-	-	43,048	117,496
Grants, contracts and program revenues	664,673	140,907	-	805,580	986,885
Other income	56,996	1,500	-	58,496	74,745
	2,469,582	216,229	-	2,685,811	2,927,280
Net assets released from restrictions					
Satisfaction of time and purpose	157,463	(157,463)	-	-	-
Melba Myers fund	372,864	(372,864)	-	-	-
Total Public Support and Revenues	2,999,909	(314,098)	-	2,685,811	2,927,280
Expenses:					
Program services					
Gross funds awarded/distributed	1,492,694	-	-	1,492,694	1,681,303
Less donor designations	(394,778)	-	-	(394,778)	(381,052)
Net funds awarded/distributed	1,097,916	-	-	1,097,916	1,300,251
Allocation expenses	65,926	-	-	65,926	75,397
Information and referral	337,967	-	-	337,967	337,588
Impact initiatives	444,178	-	-	444,178	353,498
Total program services	1,945,987	-	-	1,945,987	2,066,734
Supporting services					
Fundraising	225,282	-	-	225,282	217,761
Organizational administration	437,965	-	-	437,965	396,591
Total supporting services	663,247	-	-	663,247	614,352
Total Expenses	2,609,234	-	-	2,609,234	2,681,086
Change in Net Assets	390,675	(314,098)	-	76,577	246,194
Net Assets—Beginning of Year	1,213,776	643,215	266,926	2,123,917	1,877,723
Net Assets—End of Year	<u>\$ 1,604,451</u>	<u>\$ 329,117</u>	<u>\$ 266,926</u>	<u>\$ 2,200,494</u>	<u>\$ 2,123,917</u>

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

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended June 30, 2015
(with comparative totals for 2014)

	Program Services					Supporting Services			2015		2014	
	Gross Funds Awarded/ Distributed	Allocation Services	Information and Referral	Impact Initiatives	Program Services	Fundraising	Organizational Administration	Total Supporting Services	Total Expenses	Total Expenses		
Expenses												
Gross funds awarded/distributed	\$ 1,492,694	\$ -	\$ -	\$ -	\$ 1,492,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,492,694	\$ 1,681,303
Less donor designations	(394,778)	-	-	-	(394,778)	-	-	-	-	-	(394,778)	(381,052)
Net Funds awarded/distributed	1,097,916	-	-	-	1,097,916	-	-	-	-	-	1,097,916	1,300,251
Salaries	-	40,062	163,114	249,534	452,710	110,035	231,166	341,201	793,911	759,304	793,911	759,304
Benefits and payroll costs	-	5,439	36,082	44,473	85,994	25,699	38,262	63,961	149,955	156,932	149,955	156,932
Professional services	-	1,602	14,094	3,493	19,189	4,512	26,454	30,966	50,155	54,832	50,155	54,832
Dues and subscriptions	-	1,359	9,809	7,880	19,048	4,597	8,006	12,603	31,651	34,054	31,651	34,054
Insurance	-	1,191	7,837	7,347	16,375	3,774	7,025	10,799	27,174	24,807	27,174	24,807
Interest	-	219	1,557	1,442	3,218	702	1,256	1,958	5,176	6,785	5,176	6,785
Printing and promotion	-	2,670	9,680	56,211	68,561	36,953	74,165	111,118	179,679	106,206	179,679	106,206
Occupancy	-	1,647	11,802	11,019	24,468	5,286	8,780	14,066	38,534	31,972	38,534	31,972
Equipment	-	3,909	2,713	5,452	12,074	318	8,643	8,961	21,035	19,142	21,035	19,142
Postage	-	435	240	1,004	1,679	1,134	3,812	4,946	6,625	5,632	6,625	5,632
Supplies	-	252	981	4,407	5,640	910	2,588	3,498	9,138	7,844	9,138	7,844
Telephone	-	390	31,205	4,143	35,738	1,716	3,463	5,179	40,917	24,621	40,917	24,621
Staff Development	-	-	1,928	1,124	3,052	-	869	869	3,921	5,131	3,921	5,131
Travel	-	102	14,620	7,990	22,712	2,154	3,245	5,399	28,111	24,850	28,111	24,850
Miscellaneous	-	3,543	371	13,226	17,140	17,791	6,708	24,499	41,639	41,853	41,639	41,853
Volunteer support	-	394	-	9,851	10,245	755	-	755	11,000	11,075	11,000	11,075
Depreciation	-	2,644	31,477	14,849	48,970	8,381	12,993	21,374	70,344	63,600	70,344	63,600
Licenses and fees	-	68	457	733	1,258	565	530	1,095	2,353	2,195	2,353	2,195
Total Expenses	\$ 1,097,916	\$ 65,926	\$ 337,967	\$ 444,178	\$ 1,945,987	\$ 225,282	\$ 437,965	\$ 663,247	\$ 2,609,234	\$ 2,681,086	\$ 2,609,234	\$ 2,681,086

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

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Statement of Cash Flows
For the Year Ended June 30, 2015
(with comparative totals for 2014)

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	\$ 76,577	\$ 246,194
Adjustments to reconcile change in net assets to net cash provided by operating activities—		
Depreciation	70,344	63,600
Gains on disposal of property and equipment	(755)	-
Gains on sale of securities	(59,660)	(20,379)
Unrealized loss (gain) on investments	21,955	(71,431)
Donated securities	(7,159)	-
Changes in assets and liabilities		
Decrease (increase) in:		
Pledges receivable—net	(8,103)	356,156
Accounts receivable	(29,710)	(93,005)
Prepaid expenses	9,165	(3,138)
Increase (decrease) in:		
Due to designated agencies	3,949	(644,174)
Allocations payable	30,875	(20,000)
Custodial funds payable	37,727	5,575
Accounts payable	21,130	(3,545)
Accrued expenses	114	10,801
Net Cash (Used) Provided by Operating Activities	166,449	(173,346)
Cash Flows from Investing Activities:		
Purchases of investments	(371,214)	(211,254)
Proceeds from sale of investments	108,604	184,769
Purchases of property and equipment	(144,542)	(51,619)
Net Cash Used by Investing Activities	(407,152)	(78,104)
Cash Flows from Financing Activities:		
Proceeds from capital lease	24,201	-
Principal payments on mortgage note payable	(121,535)	(13,788)
Payments on capital lease	(2,516)	(2,521)
Net Cash Used by Financing Activities	(99,850)	(16,309)
Decrease in Cash	(340,553)	(267,759)
Cash and Equivalents—Beginning of Year	599,922	867,681
Cash and Equivalents—End of Year	\$ 259,369	\$ 599,922

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

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 1—Summary of Significant Accounting Policies

Organization and Program Activities

United Way of Escambia County, Inc., (United Way) is an organization which receives annual campaign contributions within Escambia County, Florida, for distribution to participating nonprofit agencies. Annual campaigns are conducted to raise support for distribution to participating agencies in the subsequent fiscal year.

Financial Statements

United Way was the single member owner of The United Way of Escambia County Foundation, LLC (the Foundation). The Foundation was dissolved on December 17, 2014. The Foundation's results are included with those of the United Way in these financial statements.

Financial Statement Presentation

United Way reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are classified based on externally imposed restrictions, if any, that may or may not be met by actions of management or by the passage of time.

Contributions

United Way records contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted net assets.

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 1—Summary of Significant Accounting Policies (continued)

Cash and Equivalents

For purposes of the statements of cash flows, United Way considers investments in highly liquid debt instruments with original maturities of three months or less to be cash equivalents. United Way does not include cash held within its separate investment accounts (see note 3) as cash and equivalents.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met. There were no conditional promises made to the United Way during the year ended June 30, 2015.

Provision for Uncollectible Pledges

The provision for uncollectible pledges is based on management's estimate using past collection experience and current economic conditions.

Investments

Investments are stated at fair value. Donated investments are recorded at fair value at the date of the gift.

Property and Equipment

Property and equipment are carried at cost or, if donated, at fair market value on date of gift. United Way capitalizes asset acquisitions over \$500. Depreciation is provided for on the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	15–30 years
Furniture and fixtures	5–10 years
Equipment	5–7 years

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 1—Summary of Significant Accounting Policies (continued)

Due to Designated Agencies

Donors contributing to United Way may choose to designate that all or part of their contributions be distributed to specific agencies. These transactions are reported in the statement of activities as part of the United Way campaign results and are then deducted to arrive at the net campaign revenue. Amounts deducted are carried as liabilities, net of an estimated allowance for uncollectible amounts, until paid to the designated agencies.

Donated Services

Donated services are recorded if the services received create or enhance long-lived assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2015, approximately 31,177 hours were volunteered by employees of the local companies, participating in the loaned associates and loaned executives program, the funds distribution process, and the Community Day of Caring. No value has been recognized for these volunteer hours in the financial statements, because the criteria for recognition of such volunteer efforts have not been satisfied.

Method of Allocating Indirect Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been estimated and allocated among the programs and supporting services benefited based on management's best judgment.

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.

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 1—Summary of Significant Accounting Policies (continued)

Income Taxes

United Way is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recognized. United Way annually files federal information returns (Form 990), which are subject to possible examination by the taxing authorities until the expiration of the related statute of limitations, which is generally three years.

Management believes it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no returns are currently under examination.

Financial Instruments

United Way's financial instruments include cash, pledges and accounts receivable, certain investments, designated/allocations payable, accounts payable, accrued expenses, and capital lease obligations. The carrying values of cash, pledges and accounts receivable, designated/allocations payable, accounts payable and accrued expenses approximate their fair values due to their short-term nature. The carrying value of capital lease obligations approximates fair value due to their bearing interest at rates that approximate current market rates for notes with similar maturities and credit quality.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Events Occurring After the Reporting Date

United Way has evaluated events and transactions that occurred between June 30, 2015, and October 28, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 2—Pledges Receivable

Pledges receivable and changes in the allowance for uncollectible amounts during the year ended June 30, 2015, are summarized as follows:

Pledges receivable	<u>\$ 1,052,366</u>
Allowance for uncollectible pledges:	
Balance—Beginning of Year	150,985
Add provision for uncollectible pledges	137,368
Deduct write-off of net uncollectible pledges and amounts received from prior campaigns	<u>(138,648)</u>
Balance—End of Year	<u>149,705</u>
Pledges receivable—Net	<u><u>\$ 902,661</u></u>

Note 3—Investments

Effective July 1, 2008, United Way adopted Fair Value Measurements (FASB ASC 820-10), which provides a framework for measuring fair value under generally accepted accounting principles. Fair Value Measurements establishes a fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets and has the highest priority, Level 2 consists of observable inputs other than quoted prices for identical assets, and Level 3 consists of significant unobservable inputs and has the lowest priority. United Way measures fair value using Level 1 inputs.

Fair value of assets measured on a recurring basis at June 30, 2015, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds—Equity	\$ 708,009	\$ 708,009
Mutual funds—Fixed income	<u>233,527</u>	<u>233,527</u>
	<u><u>\$ 941,536</u></u>	<u><u>\$ 941,536</u></u>

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 3—Investments (continued)

Cost, fair value and unrealized gains from acquisition until June 30, 2015, for assets held as investments are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Loss)</u>
Cash	\$ 344,078	\$ 344,078	\$ -
Mutual funds—Equity	602,093	708,009	105,916
Mutual funds—Fixed income	<u>236,979</u>	<u>233,527</u>	<u>(3,452)</u>
	<u>\$ 1,183,150</u>	<u>\$ 1,285,614</u>	<u>\$ 102,464</u>

Investment return for the year ended June 30, 2015, is summarized as follows:

Dividends and interest	\$ 12,875
Realized gains on sales of securities	59,660
Unrealized losses on investments	<u>(21,955)</u>
	50,580
Less investment expense	<u>(7,532)</u>
Investment return	<u>\$ 43,048</u>

Investments at June 30, 2015, were included in the following net assets accounts:

Unrestricted	\$ 1,018,688
Permanently restricted	<u>266,926</u>
	<u>\$ 1,285,614</u>

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 4—Property and Equipment

Property and equipment consists of the following at June 30, 2015:

Land	\$ 92,350
Buildings	262,723
Building improvements	895,954
Furniture and equipment	<u>399,060</u>
	1,650,087
Less accumulated depreciation	<u>906,916</u>
Property and equipment—Net	<u>\$ 743,171</u>

Note 5—Designations and Allocations Payable

Due to designated agencies, allocations payable and custodial funds payable at June 30, 2015, represent either designations by donors or allocations payable as determined by United Way. These amounts are all due and payable within one year.

Note 6—Capital Lease Obligation

United Way terminated their existing capital lease and entered into a new capital lease for office equipment. Obligations under capital leases have been recorded in the accompanying financial statements at the present value of future minimum lease payments. The capitalized cost and accumulated depreciation of this equipment at June 30, 2015, was \$24,201 and \$403, respectively.

Future minimum lease payments under this capital lease are as follows:

Years ending June 30:	
2016	\$ 5,244
2017	5,244
2018	5,244
2019	5,244
2020	5,244
Thereafter	<u>874</u>
Total future payments	27,094
Less amount representing interest	<u>(3,231)</u>
Present Value of Future Payments	<u>\$ 23,863</u>

Interest paid and expensed under these leases for the year ended June 30, 2015, was \$153.

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 7—Note Payable

United Way had a note payable to a bank with an interest rate of 4.95% dated April 20, 2012. The note was paid off during the year ended June 30, 2015. Interest paid and expensed for the year ended June 30, 2015, was \$4,851.

Note 8—Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for manner of use or time as follows:

Grants, fiscal agent funds, and other initiatives	\$ 233,295
Annual meeting, campaign kickoff, victory celebration and Day of Caring	22,000
Time	<u>73,822</u>
	<u>\$ 329,117</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified as follows:

Care of children, indigent Native Americans and neglected animals	\$ 372,864
Grants, fiscal agent funds, and other initiatives	128,933
Annual meeting, campaign kickoff, victory celebration and Day of Caring	21,000
Time	<u>7,530</u>
	<u>\$ 530,327</u>

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 9—Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment fund assets established to support United Way. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held in perpetuity with the income therefrom available as a contribution to the campaign each year. Income includes market value changes (unrealized and realized) and interest and dividends. The income therefrom is considered as an increase in unrestricted net assets since the Organization deems the restriction as met in the same reporting period. Any market declines below the original contribution amount of \$266,926 are shown as a reduction in unrestricted net assets.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide campaign contributions for the United Way of Escambia County. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk.

The composition and changes in endowment net assets for the year ended June 30, 2015, are as follows:

	<u>Permanently Restricted</u>
Endowment Net Assets—Beginning of Year	\$ 266,926
Investment income	3,547
Net unrealized and realized gains	18,578
Investment expenses	(2,497)
Amounts appropriated	<u>(19,628)</u>
Endowment Net Assets—End of Year	<u>\$ 266,926</u>

Note 10—Employee Benefit Plan

United Way sponsors a 401K retirement plan through their employee leasing company. The plan covers substantially all of United Way's employees who have met certain service requirements. Employees' vesting is based on a five-year schedule. Employer contributions are 50% of employee contributions with a 3% cap on the employer match and amounted to \$6,503 during the year ended June 30, 2015.

United Way of Escambia County, Inc.
(A Nonprofit Organization)
Notes to Financial Statements
June 30, 2015

Note 11—Related Parties

Due to designated agencies—Due to designated agencies represents the amount of contributions pledged and designated to United Way member agencies.

National affiliation—United Way is required to make payments for membership privileges to the related national organization. For the year ended June 30, 2015, payments to national were \$23,188.

Note 12—Concentration of Risk

The standard FDIC coverage is \$250,000 at each financial institution. As of June 30, 2015, United Way maintained cash balances of \$8,969 in excess of FDIC coverage.

Note 13—Risks and Uncertainties

United Way invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of net assets.

Each year United Way records a provision for uncollectible pledges which is estimated based on past collection experience and current economic conditions. It is at least reasonably possible that changes in this estimate in the near term could be material to the financial statements.