

UNITED WAY OF EAST MISSISSIPPI, INC.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of East Mississippi, Inc.
Meridian, Mississippi

We have audited the accompanying financial statements of United Way of East Mississippi, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 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.

Auditors' 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 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 procedure 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.

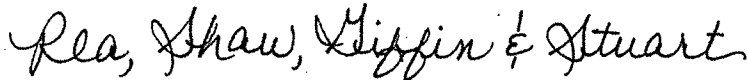
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of East Mississippi, Inc. as of December 31, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the United Way of East Mississippi, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



REA, SHAW, GIFFIN & STUART, LLP

UNITED WAY OF EAST MISSISSIPPI, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash	\$ 229,895	\$ 184,581
Unconditional promises to give, net allowance for uncollectibles	297,324	343,238
Endowment receivable	-	41,845
Grant receivable, current portion	12,200	38,723
Prepaid expenses	<u>4,026</u>	<u>2,608</u>
Total current assets	\$ 543,445	\$ 610,995
Property, Plant and Equipment		
Building held for sale	\$ 79,900	\$ -
Land	-	14,012
Building	-	126,114
Building improvements	-	38,596
Furniture, fixtures and equipment	55,247	101,431
Less accumulated depreciation	<u>(37,522)</u>	<u>(151,543)</u>
Total property, plant and equipment, net	\$ 97,625	\$ 128,610
Other Assets		
Grant receivable, long-term portion	<u>\$ -</u>	<u>\$ 12,200</u>
Total other assets	\$ -	\$ 12,200
Total assets	\$ 641,070	\$ 751,805

	2015	2014
LIABILITIES AND NET ASSETS		
Current Liabilities		
Agency allocations payable	\$ 42,515	\$ 52,833
Accounts payable	5,804	-
Tornado disaster fund payable	12,545	24,545
Accrued liabilities	3,848	6,031
Capital lease payable, current portion	<u>1,344</u>	<u>1,253</u>
Total current liabilities	<u>\$ 66,056</u>	<u>\$ 84,662</u>
Long-term Liabilities		
Capital lease payable, long-term portion	<u>\$ 2,072</u>	<u>\$ 3,416</u>
Total long-term liabilities	<u>\$ 2,072</u>	<u>\$ 3,416</u>
Net Assets		
Unrestricted net assets	\$ 217,956	\$ 201,507
Temporarily restricted net assets	<u>354,986</u>	<u>462,220</u>
Total net assets	<u>\$ 572,942</u>	<u>\$ 663,727</u>
 Total liabilities and net assets	 <u><u>\$ 641,070</u></u>	 <u><u>\$ 751,805</u></u>

The Notes to Financial Statements are an integral part of these statements.

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
REVENUE AND SUPPORT				
Contributions	\$ 333,120	\$ 354,986	\$ 688,106	\$ 691,001
In-kind contributions	48,380	-	48,380	18,333
Grant income	104,312	-	104,312	85,950
Impairment loss	(32,445)	-	(32,445)	-
Administrative fee income	753	-	753	698
Endowment income	-	-	-	41,845
Other income	2,916	-	2,916	4,691
Interest income	98	-	98	156
Net assets released from restrictions	<u>462,220</u>	<u>(462,220)</u>	<u>-</u>	<u>-</u>
 Total revenue and other support	 <u>\$ 919,354</u>	 <u>\$ (107,234)</u>	 <u>\$ 812,120</u>	 <u>\$ 842,674</u>
EXPENSES				
Program services	\$ 605,280	\$ -	\$ 605,280	\$ 607,533
Supporting services				
Management and general	220,025	-	220,025	230,966
Fundraising	<u>77,600</u>	<u>-</u>	<u>77,600</u>	<u>71,880</u>
 Total expenses	 <u>\$ 902,905</u>	 <u>\$ -</u>	 <u>\$ 902,905</u>	 <u>\$ 910,379</u>
 Change in net assets	 \$ 16,449	 \$ (107,234)	 \$ (90,785)	 \$ (67,705)
Net assets, beginning of year	<u>201,507</u>	<u>462,220</u>	<u>663,727</u>	<u>731,432</u>
Net assets, end of year	<u>\$ 217,956</u>	<u>\$ 354,986</u>	<u>\$ 572,942</u>	<u>\$ 663,727</u>

The Notes to Financial Statements are an integral part of these statements.

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2015 and 2014

	Program Services	Support Services		2015 Total	2014 Total
		Management and General	Fundraising		
Bad debts expense	\$ -	\$ 66,780	\$ -	\$ 66,780	\$ 104,753
Conferences and meetings	659	358	205	1,222	6,011
Depreciation	1,826	4,260	-	6,086	9,803
Employee benefits	3,281	4,694	5,894	13,869	13,869
Grants and allocations	327,761	-	-	327,761	368,305
In-kind contributions	40,380	-	-	40,380	18,333
Insurance	1,474	4,578	-	6,052	4,376
Interest	287	-	-	287	372
Miscellaneous	11,825	33,111	2,365	47,301	25,861
Occupancy	3,098	5,348	-	8,446	8,144
Payroll tax expense	11,197	4,805	5,477	21,479	19,874
Postage	699	1,279	-	1,978	1,708
Printing and publications	-	-	-	-	267
Professional fees	-	6,403	-	6,403	5,629
Repairs and maintenance	2,132	18,784	-	20,916	12,511
Retirement	4,426	4,047	4,794	13,267	14,587
Salaries	153,801	56,700	44,022	254,523	234,084
Special events	19,197	198	396	19,791	24,209
Supplies and campaign expense	8,143	3,131	11,852	23,126	19,704
Telephone	3,672	2,595	2,595	8,862	8,037
Travel	11,422	2,954	-	14,376	9,942
Total expenses	\$ 605,280	\$ 220,025	\$ 77,600	\$ 902,905	\$ 910,379

The Notes to Financial Statements are an integral part of these statements.

UNITED WAY OF EAST MISSISSIPPI, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (90,785)	\$ (67,705)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,086	9,803
Loss on disposal of property and equipment	3,618	-
Impairment loss	32,445	-
(Increase) decrease in:		
Unconditional promises to give, net of allowance	45,914	88,449
Endowment receivable	41,845	(41,845)
Grant receivable	38,723	31,277
Prepaid expenses	(1,418)	(409)
Increase (decrease) in:		
Agency allocations payable	(10,318)	(5,000)
Accounts payable	5,804	(6,793)
Tornado disaster fund payable	(12,000)	(10,000)
Accrued liabilities	<u>(2,183)</u>	<u>(1,815)</u>
Net cash provided by (used in) operating activities	<u>\$ 57,731</u>	<u>\$ (4,038)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>\$ (11,164)</u>	<u>\$ (1,506)</u>
Net cash used in investing activities	<u>\$ (11,164)</u>	<u>\$ (1,506)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	<u>\$ (1,253)</u>	<u>\$ (1,169)</u>
Net cash used in financing activities	<u>\$ (1,253)</u>	<u>\$ (1,169)</u>
Increase (decrease) in cash and cash equivalents	\$ 45,314	\$ (6,713)
Cash and cash equivalents at beginning of year	<u>184,581</u>	<u>191,294</u>
Cash and cash equivalents at end of year	<u>\$ 229,895</u>	<u>\$ 184,581</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Furniture, fixtures, and equipment received through in-kind donations	<u>\$ 8,000</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

UNITED WAY OF EAST MISSISSIPPI, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Principles

Nature of activities

United Way of East Mississippi, Inc. is a Mississippi non-profit corporation serving the needs of the residents of Meridian, Lauderdale County, and the surrounding areas in East Mississippi. Programs and services offered by the Organization include community welfare and social services.

Financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Endowment funds that are not available for use by the Organization are not recorded in these financial statements.

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 and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Significant estimates that are particularly susceptible to change in the near-term are allowance for uncollectible promises to give.

Income taxes

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes. The Organization's status as a 501(c)(3) not-for-profit has been determined to be valid and the adoption of FASB ASC 740-10 did not result in a change to net assets. The Organization files Federal Form 990 and is generally no longer subject to examination by the Internal Revenue Service for years prior to 2012.

Note 1. Summary of Significant Accounting Principles (continued)

Cash and cash equivalents

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

Property and equipment

Acquisitions of property, plant and equipment are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment are depreciated using the straight line method over the estimated life of the asset. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Promises to give and revenue recognition

An annual fundraising campaign is conducted to raise support for allocations to other organizations and agencies. Contributions received that are intended to be used in a subsequent year are time-restricted and/or purpose restricted contributions and are recorded as temporarily restricted net assets until the time expires or the purpose is fulfilled.

Contributions are recognized when the donor makes a promise to give to the Organization; that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-kind contributions

In-kind contributions are recorded in the accompanying financial statements. A corresponding in-kind expense is recorded for in-kind contributions that are not capitalized.

Functional expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Note 1. Summary of Significant Accounting Principles (continued)

Subsequent events

Management has evaluated subsequent events through July 18, 2016, the date on which the financial statements were available to be issued.

Note 2. Concentration of Credit Risk

The Organization maintains deposits in a financial institution that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization believes that there is no significant risk with respect to these deposits.

The Organization's contributions consist primarily of donations from East Central Mississippi.

Note 3. Promises to Give

Unconditional promises to give at December 31, 2015 and 2014 are as follows:

	2015	2014
Unconditional promises to give	\$ 363,905	\$ 449,524
Allowance for uncollectible promises to give	<u>(66,581)</u>	<u>(106,286)</u>
Unconditional promises to give, net of allowance	<u>\$ 297,324</u>	<u>\$ 343,238</u>

Note 4. Grant Receivable

During 2014, the Organization received a grant from The Corporation of National and Community Service in the amount of \$46,700. The grant is based on a monthly cost reimbursement and ends October 31, 2015. Included in grants receivable is \$3,723 as of December 31, 2014.

During 2012, the Organization received a grant from the Phil Hardin Foundation in the amount of \$61,000. The grant is receivable in equal payments over a five year period. Included in grants receivable is \$12,200 and \$24,400 as of December 31, 2015 and 2014, respectively.

During 2011, the Organization received a grant from the Phil Hardin Foundation in the amount of \$114,000. Included in grants receivable is \$0 and \$22,800 as of December 31, 2015 and 2014, respectively.

Note 5. Property Held for Sale

The Organization moved into donated rental space during May 2015. See Note 12 for further information regarding donated space. The former building is currently listed with a realtor, and the Organization anticipates selling the property within one-year. Therefore, the net book value of the following property was reclassified to property held for sale and is reported at fair value less cost to sell in the statement of financial position at December 31, 2015. The Organization recognized impairment loss of \$32,445 in the statement of activities as of December 31, 2015.

Land	\$ 14,013
Building and building improvements	98,332
Less impairment loss	<u>(32,445)</u>
	<u>\$ 79,900</u>

Note 6. Tornado Disaster Fund Payable

During 2011, the Organization received funds from contributors for the purpose of supporting unmet needs of survivors in Federal Emergency Management Agency (FEMA) disaster declared communities in Kemper County and Clarke County, Mississippi. During 2011 and 2012, the Organization coordinated with FEMA to identify individuals in need within the communities and provided financial assistance while FEMA handled the case work. During 2013, FEMA stopped providing case work. The Board of Directors approved allocating the remaining funds to Habitat for Humanity who is able to identify needs and provide case work. The Organization acts as an agent on behalf of Habitat for Humanity by providing money or goods to benefit specified third parties. Therefore, management accounts for these transactions as agency transactions by recording cash receipts to a liability account. The funds available for this purpose at December 31, 2015 and 2014, are reported as Tornado Disaster Fund Payable in the accompanying statements of financial position at \$12,545 and \$24,545, respectively.

Note 7. Capital Lease Payable

The Organization leases equipment under a capital lease. Capital lease equipment included in the property and equipment section of the accompanying statements of financial position is summarized below:

	2015	2014
Equipment	\$ 6,522	\$ 6,522
Less accumulated depreciation	<u>3,369</u>	<u>2,065</u>
	<u>\$ 3,153</u>	<u>\$ 4,457</u>

Note 7. Capital Lease Payable (continued)

Future minimum lease payments under the capital lease using the present value of net minimum lease payments are as follows:

2016	\$	1,540
2017		1,540
2018		643
2019		-
2020		-
		<hr/>
Total minimum lease payments	\$	3,723
Less amount representing interest		307
		<hr/>
Present value of net minimum lease payments	\$	3,416
Less current maturities		1,344
		<hr/>
	\$	<u>2,072</u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for funding various donor stipulated organizations and projects during the next calendar year. Temporarily restricted net assets for 2015 and 2014 are as follows:

	2015	2014
Annual Fundraising Campaign	\$ 351,529	\$ 440,957
Imagination Library	-	17,806
Delco Remy Fund	<u>3,457</u>	<u>3,457</u>
Temporarily restricted net assets	<u>\$ 354,986</u>	<u>\$ 462,220</u>

Note 9. Payments to Affiliates

The Organization pays quarterly dues to the national organization, the United Way of America. Dues for 2015 and 2014 were \$7,453 and \$7,897, respectively.

Note 10. Intra-Organization Transactions

Retired Senior Volunteer Program (RSVP) is a program of the Organization. The Organization allocates grant funds to RSVP. Therefore, the Organization's financial statements include the revenues and expenses attributable to RSVP. Any grant or allocation by the Organization to RSVP is, for financial statement purposes, a grant to United Way of East Mississippi, Inc. All intra-organization activity has been eliminated.

Note 11. Donated Services

The Organization received donated services from a variety of unpaid volunteers assisting in meeting the Organization's goals. No amount has been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

Note 12. Donated Space

In February 2015, the Organization entered into a contract of sale with Midwest Properties to purchase a building. In March 2015, the Organization entered into a memorandum of understanding and joint use agreement with the Community Foundation of East Mississippi, Inc. (CFEM) in which CFEM agreed to purchase the building from Midwest Properties using funds of \$400,000 from the George Hampton True Friends Endowment Fund held by CFEM. See Note 13 for further information regarding the endowment fund held by CFEM. The Organization and CFEM occupy the building jointly. Either party may terminate the joint use agreement on giving a six-month notice to the other party. In addition to the purchase of the building, \$48,813 was also disbursed from the endowment fund for roof repairs making the total disbursement from the endowment fund for the building \$448,813. In March 2015, CFEM formed UW, LLC to hold the property. Therefore, the building is owned by UW, LLC. CFEM estimated the fair market rental value to United Way of East Mississippi, Inc. at \$5,000 per month. Therefore, \$40,000 of donated rent is included in the statement of activities as of December 31, 2015.

Note 13. Endowment Fund

The State of Mississippi approved the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in July 2012. The Organization interprets UPMIFA as requiring preservation of the fair value of the original gift, as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

During 2006, the Organization entered into an agreement with the Community Foundation of East Mississippi (the Foundation) to establish the George Hampton True Friends Endowment Fund. The Endowment Fund is held by the Foundation and future earnings from the Endowment Fund will be used exclusively to provide support to the administrative, operating, and programmatic needs of the Organization. The Foundation holds the Endowment Fund in perpetuity, the investment of which is determined by the Foundation rather than the Organization. Contributions to the Endowment can be made directly to the Foundation or allocated through the Organization. Endowment receivable of \$41,845 represents a 2014 distribution from the Foundation that was received by the Organization in 2015. The Endowment Fund fair market value as of December 31, 2015 and 2014 was \$513,602 and \$1,032,728, respectively.

Note 13. Endowment Fund (continued)

Changes in the Endowment Fund held at the Community Foundation of East Mississippi as of December 31, 2015 are as follows:

Endowment, beginning of year	\$ 1,032,728
Distributions	(488,922)
Investment income	19,356
Unrealized gain	(21,676)
Administrative fees	<u>(27,883)</u>
Endowment, ending of year	<u>\$ 513,602</u>

Changes in the Endowment Fund held at the Community Foundation of East Mississippi as of December 31, 2014 are as follows:

Endowment, beginning of year	\$ 1,021,597
Distributions	(41,845)
Investment income	30,347
Unrealized gain	50,429
Administrative fees	<u>(27,800)</u>
Endowment, ending of year	<u>\$ 1,032,728</u>