



CANNON & COMPANY

**United Way of the Mid-South**

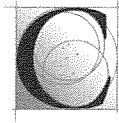
**Financial Statements**

**Years Ended  
June 30, 2017 and 2016**



**CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| <b>FINANCIAL STATEMENTS</b>                        |             |
| Independent Auditors' Report                       | 1           |
| Statements of Financial Position                   | 2           |
| Statements of Activities and Changes in Net Assets | 3-6         |
| Statements of Functional Expenses                  | 7-8         |
| Statements of Cash Flows                           | 9           |
| Notes to Financial Statements                      | 10-21       |



# CANNON & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
United Way of the Mid-South

We have audited the accompanying financial statements of *United Way of the Mid-South* (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, 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 United Way of the Mid-South as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Memphis, Tennessee  
October 26, 2017

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

**ASSETS**

|  | <b>2017</b>   | <b>2016</b>   |
|--|---------------|---------------|
| <b>ASSETS</b>  |               |               |
| Cash and Cash Equivalents  | \$ 125,717    | \$ 536,195    |
| Pledges Receivable, Net  | 5,208,472     | 6,356,791     |
| Grants Receivable  | -             | 3,783         |
| Assets Held by Others  | 7,855,161     | 7,114,445     |
| Beneficial Interests in Trusts   | 714,062       | 685,076       |
| Equipment, Net of Accumulated Depreciation of \$519,314<br>and \$449,124, respectively | 1,890,001     | 140,870       |
| Other Assets   | 16,299        | 18,788        |
| Total Assets   | \$ 15,809,712 | \$ 14,855,948 |

**LIABILITIES AND NET ASSETS**

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| <b>LIABILITIES</b>                    |               |               |
| Accounts Payable and Accrued Expenses | \$ 504,576    | \$ 570,087    |
| Agency Liability                      | 126,584       | 34,097        |
| Checks in Excess of Deposits          | 67,198        | -             |
| Distributions Payable                 | 189,611       | 1,078,758     |
| Line of Credit                        | 1,688,775     | 800,000       |
| Total Liabilities                     | 2,576,744     | 2,482,942     |
| <b>NET ASSETS</b>                     |               |               |
| Unrestricted                          | 2,294,992     | 781,718       |
| Temporarily Restricted                | 5,794,911     | 6,451,451     |
| Permanently Restricted                | 5,143,065     | 5,139,837     |
| Total Net Assets                      | 13,232,968    | 12,373,006    |
| Total Liabilities and Net Assets      | \$ 15,809,712 | \$ 14,855,948 |

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2017**

|  | <u>2017</u>          |                                   |                                   | <u>Total</u>         |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
|  | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> |                      |
| <b>REVENUES</b>                            |                      |                                   |                                   |                      |
| Annual Campaign                            |                      |                                   |                                   |                      |
| Contributions Received                     | \$ 219,615           | \$ 18,331,419                     | \$ -                              | \$ 18,551,034        |
| Less Donor Designations                    | -                    | (4,926,063)                       | -                                 | (4,926,063)          |
| Less Provision for Uncollectible Pledges   | <u>-</u>             | <u>(792,145)</u>                  | <u>-</u>                          | <u>(792,145)</u>     |
|  | 219,615              | 12,613,211                        | -                                 | 12,832,826           |
| Investment Income                          | 787,708              | -                                 | -                                 | 787,708              |
| Special Events                             | 2,800                | -                                 | -                                 | 2,800                |
| Change in Trust                            | -                    | 25,759                            | 3,228                             | 28,987               |
| Other Contributions                        | 2,272,653            | -                                 | -                                 | 2,272,653            |
| Grants and Contracts                       | 327,840              | -                                 | -                                 | 327,840              |
| Miscellaneous Income                       | <u>2,055</u>         | <u>-</u>                          | <u>-</u>                          | <u>2,055</u>         |
| Total Revenues                             | <u>3,612,671</u>     | <u>12,638,970</u>                 | <u>3,228</u>                      | <u>16,254,869</u>    |
| Net Assets Released From Restrictions:     |                      |                                   |                                   |                      |
| Contributions Received for Current Period  |                      |                                   |                                   |                      |
| Support                                    | 18,520,731           | (18,520,731)                      | -                                 | -                    |
| Less Donor Designations                    | (4,360,149)          | 4,360,149                         | -                                 | -                    |
| Less Provision for Uncollectible Pledges   | <u>(865,072)</u>     | <u>865,072</u>                    | <u>-</u>                          | <u>-</u>             |
| Total Assets Released From<br>Restrictions | <u>13,295,510</u>    | <u>(13,295,510)</u>               | <u>-</u>                          | <u>-</u>             |
| Total Revenue and Other Support            | <u>\$ 16,908,181</u> | <u>\$ (656,540)</u>               | <u>\$ 3,228</u>                   | <u>\$ 16,254,869</u> |

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED**  
**YEAR ENDED JUNE 30, 2017**

|  | <u>2017</u>         |                                   |                                   | <u>Total</u>         |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> |                      |
| <b>EXPENSES</b>                          |                     |                                   |                                   |                      |
| Program Services:                        |                     |                                   |                                   |                      |
| Allocations to Agencies                  | \$ 14,482,047       | \$ -                              | \$ -                              | \$ 14,482,047        |
| Less Donor Designations                  | <u>(4,926,063)</u>  | <u>-</u>                          | <u>-</u>                          | <u>(4,926,063)</u>   |
| Net Funds Distributed                    | 9,555,984           | -                                 | -                                 | 9,555,984            |
| Community Service                        | 1,943,154           | -                                 | -                                 | 1,943,154            |
| Grant Expenses                           | <u>397,799</u>      | <u>-</u>                          | <u>-</u>                          | <u>397,799</u>       |
| Total Program Services                   | <u>11,896,937</u>   | <u>-</u>                          | <u>-</u>                          | <u>11,896,937</u>    |
| Supporting Services:                     |                     |                                   |                                   |                      |
| Fund Raising                             | 1,225,387           | -                                 | -                                 | 1,225,387            |
| Management and General                   | <u>2,272,583</u>    | <u>-</u>                          | <u>-</u>                          | <u>2,272,583</u>     |
| Total Supporting Services                | <u>3,497,970</u>    | <u>-</u>                          | <u>-</u>                          | <u>3,497,970</u>     |
| Total Expenses                           | <u>15,394,907</u>   | <u>-</u>                          | <u>-</u>                          | <u>15,394,907</u>    |
| <b>INCREASE/(DECREASE) IN NET ASSETS</b> | 1,513,274           | (656,540)                         | 3,228                             | 859,962              |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>   | <u>781,718</u>      | <u>6,451,451</u>                  | <u>5,139,837</u>                  | <u>12,373,006</u>    |
| <b>NET ASSETS AT END OF YEAR</b>         | <u>\$ 2,294,992</u> | <u>\$ 5,794,911</u>               | <u>\$ 5,143,065</u>               | <u>\$ 13,232,968</u> |

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED**  
**YEAR ENDED JUNE 30, 2016**

|   | <u>2016</u>          |                               |                               | <u>Total</u>         |
|---|----------------------|-------------------------------|-------------------------------|----------------------|
|   | <u>Unrestricted</u>  | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |                      |
| <b>REVENUES</b>                           |                      |                               |                               |                      |
| Annual Campaign                           |                      |                               |                               |                      |
| Contributions Received                    | \$ 260,786           | \$ 19,780,078                 | \$ -                          | \$ 20,040,864        |
| Less Donor Designations                   | -                    | (4,360,149)                   | -                             | (4,360,149)          |
| Less Provision for Uncollectible Pledges  | -                    | (865,072)                     | -                             | (865,072)            |
|   | <u>260,786</u>       | <u>14,554,857</u>             | <u>-</u>                      | <u>14,815,643</u>    |
| Investment (Loss)                         | (257,139)            | -                             | -                             | (257,139)            |
| Special Events                            | 21,705               | -                             | -                             | 21,705               |
| Change in Trust                           | -                    | (44,561)                      | (3,891)                       | (48,452)             |
| Other Contributions                       | 478,293              | -                             | -                             | 478,293              |
| Grants and Contracts                      | 290,829              | -                             | -                             | 290,829              |
| Miscellaneous Income                      | 17,732               | -                             | -                             | 17,732               |
|   | <u>812,206</u>       | <u>14,510,296</u>             | <u>(3,891)</u>                | <u>15,318,611</u>    |
| Net Assets Released From Restrictions:    |                      |                               |                               |                      |
| Contributions Received for Current Period |                      |                               |                               |                      |
| Support                                   | 20,456,704           | (20,456,704)                  | -                             | -                    |
| Less Donor Designations                   | (4,435,686)          | 4,435,686                     | -                             | -                    |
| Less Provision for Uncollectible Pledges  | (1,448,364)          | 1,448,364                     | -                             | -                    |
|   | <u>14,572,654</u>    | <u>(14,572,654)</u>           | <u>-</u>                      | <u>-</u>             |
| Total Revenue and Other Support           | \$ <u>15,384,860</u> | \$ <u>(62,358)</u>            | \$ <u>(3,891)</u>             | \$ <u>15,318,611</u> |

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED**  
**YEAR ENDED JUNE 30, 2016**

|  | <u>2016</u>         |                                   |                                   | <u>Total</u>         |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> |                      |
| <b>EXPENSES</b>                        |                     |                                   |                                   |                      |
| Program Services:                      |                     |                                   |                                   |                      |
| Allocations to Agencies                | \$ 15,030,532       | \$ -                              | \$ -                              | \$ 15,030,532        |
| Less Donor Designations                | <u>(4,360,149)</u>  | <u>-</u>                          | <u>-</u>                          | <u>(4,360,149)</u>   |
| Net Funds Distributed                  | 10,670,383          | -                                 | -                                 | 10,670,383           |
| Community Service                      | 1,955,847           | -                                 | -                                 | 1,955,847            |
| Grant Expenses                         | <u>489,986</u>      | <u>-</u>                          | <u>-</u>                          | <u>489,986</u>       |
| Total Program Services                 | <u>13,116,216</u>   | <u>-</u>                          | <u>-</u>                          | <u>13,116,216</u>    |
| Supporting Services:                   |                     |                                   |                                   |                      |
| Fund Raising                           | 1,183,189           | -                                 | -                                 | 1,183,189            |
| Management and General                 | <u>2,274,408</u>    | <u>-</u>                          | <u>-</u>                          | <u>2,274,408</u>     |
| Total Supporting Services              | <u>3,457,597</u>    | <u>-</u>                          | <u>-</u>                          | <u>3,457,597</u>     |
| Total Expenses                         | <u>16,573,813</u>   | <u>-</u>                          | <u>-</u>                          | <u>16,573,813</u>    |
| <b>DECREASE IN NET ASSETS</b>          | (1,188,953)         | (62,358)                          | (3,891)                           | (1,255,202)          |
| <b>NET ASSETS AT BEGINNING OF YEAR</b> | <u>1,970,671</u>    | <u>6,513,809</u>                  | <u>5,143,728</u>                  | <u>13,628,208</u>    |
| <b>NET ASSETS AT END OF YEAR</b>       | <u>\$ 781,718</u>   | <u>\$ 6,451,451</u>               | <u>\$ 5,139,837</u>               | <u>\$ 12,373,006</u> |

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



**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

|  | <u>PROGRAM SERVICES</u>        |                          |                      | <u>SUPPORT SERVICES</u> |                               | <u>Total</u>         |
|--|--------------------------------|--------------------------|----------------------|-------------------------|-------------------------------|----------------------|
|  | <u>Allocations To Agencies</u> | <u>Community Service</u> | <u>Grant Expense</u> | <u>Fund Raising</u>     | <u>Management and General</u> |                      |
| Allocations to Agencies                | \$ 14,482,047                  | \$ -                     | \$ -                 | \$ -                    | \$ -                          | \$ 14,482,047        |
| Less Donor Designations                | <u>(4,926,063)</u>             | -                        | -                    | -                       | -                             | <u>(4,926,063)</u>   |
| Sub Total                              | 9,555,984                      | -                        | -                    | -                       | -                             | 9,555,984            |
| Grant Expense                          | -                              | -                        | 105,717              | -                       | -                             | 105,717              |
| Salaries                               | -                              | 1,006,571                | 223,561              | 634,538                 | 1,163,122                     | 3,027,792            |
| Employee Benefits                      | -                              | 278,537                  | 51,419               | 175,589                 | 321,859                       | 827,404              |
| Payroll Taxes                          | -                              | <u>68,443</u>            | <u>17,102</u>        | <u>43,146</u>           | <u>79,087</u>                 | <u>207,778</u>       |
| Sub Total                              | -                              | <u>1,353,551</u>         | <u>292,082</u>       | <u>853,273</u>          | <u>1,564,068</u>              | <u>4,062,974</u>     |
| Professional Fees                      | -                              | 41,431                   | -                    | 26,118                  | 47,875                        | 115,424              |
| Supplies                               | -                              | 33,457                   | -                    | 21,092                  | 38,660                        | 93,209               |
| Telephone                              | -                              | 13,617                   | -                    | 8,584                   | 15,734                        | 37,935               |
| Postage                                | -                              | 8,049                    | -                    | 5,074                   | 9,300                         | 22,423               |
| Occupancy                              | -                              | 124,160                  | -                    | 78,270                  | 143,470                       | 345,900              |
| Equipment Rental and Repairs           | -                              | 13,421                   | -                    | 8,459                   | 15,508                        | 37,388               |
| Software                               | -                              | -                        | -                    | -                       | -                             | -                    |
| Support/Maintenance                    | -                              | 25,361                   | -                    | 15,988                  | 29,306                        | 70,655               |
| Printing and Publications              | -                              | 29,409                   | -                    | 18,540                  | 33,983                        | 81,932               |
| Local Travel                           | -                              | 24,923                   | -                    | 15,711                  | 28,799                        | 69,433               |
| Conferences, Conventions, and Meetings | -                              | 14,323                   | -                    | 9,029                   | 16,550                        | 39,902               |
| Special Events                         | -                              | 18,452                   | -                    | 12,082                  | 21,322                        | 51,856               |
| Insurance                              | -                              | -                        | -                    | -                       | -                             | -                    |
| Membership Dues                        | -                              | 6,792                    | -                    | 4,282                   | 7,848                         | 18,922               |
| Endowment Fund                         | -                              | -                        | -                    | -                       | -                             | -                    |
| Management Fees                        | -                              | 16,862                   | -                    | 10,630                  | 19,484                        | 46,976               |
| Bank Service Fees                      | -                              | 15,361                   | -                    | 9,683                   | 17,749                        | 42,793               |
| Miscellaneous                          | -                              | 922                      | -                    | 581                     | 1,066                         | 2,569                |
| Interest                               | -                              | 10,242                   | -                    | 6,456                   | 11,834                        | 28,532               |
| Depreciation                           | -                              | 50,996                   | -                    | 32,148                  | 58,927                        | 142,071              |
| Gifts In-Kind                          | -                              | <u>69,507</u>            | -                    | <u>43,797</u>           | <u>80,338</u>                 | <u>193,642</u>       |
| Sub Total                              | -                              | <u>517,285</u>           | -                    | <u>326,524</u>          | <u>597,753</u>                | <u>1,441,562</u>     |
| United Way Dues                        | -                              | <u>72,318</u>            | -                    | <u>45,590</u>           | <u>110,762</u>                | <u>228,670</u>       |
| Total Functional Expenses              | \$ <u>9,555,984</u>            | \$ <u>1,943,154</u>      | \$ <u>397,799</u>    | \$ <u>1,225,387</u>     | \$ <u>2,272,583</u>           | \$ <u>15,394,907</u> |

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED**  
**YEAR ENDED JUNE 30, 2016**

|   | PROGRAM SERVICES           |                      |                  | SUPPORT SERVICES |                           | Total         |
|---|----------------------------|----------------------|------------------|------------------|---------------------------|---------------|
|   | Allocations<br>To Agencies | Community<br>Service | Grant<br>Expense | Fund<br>Raising  | Management<br>and General |               |
| Allocations to Agencies                   | \$ 15,030,532              | \$ -                 | \$ -             | \$ -             | \$ -                      | \$ 15,030,532 |
| Less Donor Designations                   | (4,360,149)                | -                    | -                | -                | -                         | (4,360,149)   |
| Sub Total                                 | 10,670,383                 | -                    | -                | -                | -                         | 10,670,383    |
| Grant Expense                             | -                          | -                    | 87,829           | -                | -                         | 87,829        |
| Salaries                                  | -                          | 1,129,349            | 243,682          | 588,821          | 1,244,189                 | 3,206,041     |
| Employee Benefits                         | -                          | 258,824              | 56,048           | 134,945          | 285,143                   | 734,960       |
| Payroll Taxes                             | -                          | 75,483               | 18,642           | 39,356           | 83,159                    | 216,640       |
| Sub Total                                 | -                          | 1,463,656            | 318,372          | 763,122          | 1,612,491                 | 4,157,641     |
| Professional Fees                         | -                          | 42,739               | -                | 22,283           | 47,085                    | 112,107       |
| Supplies                                  | -                          | 34,076               | -                | 17,767           | 37,541                    | 89,384        |
| Telephone                                 | -                          | 9,411                | -                | 4,906            | 10,368                    | 24,685        |
| Postage                                   | -                          | 9,703                | -                | 5,059            | 10,690                    | 25,452        |
| Occupancy                                 | -                          | 101,182              | -                | 52,756           | 111,471                   | 265,409       |
| Equipment Rental and<br>Repairs           | -                          | 7,040                | -                | 3,670            | 7,756                     | 18,466        |
| Software                                  | -                          | -                    | -                | -                | -                         | -             |
| Support/Maintenance                       | -                          | 24,876               | -                | 12,969           | 27,405                    | 65,250        |
| Printing and Publications                 | -                          | 21,165               | 31,034           | 27,215           | 57,507                    | 136,921       |
| Local Travel                              | -                          | 25,173               | 3,855            | 15,134           | 31,979                    | 76,141        |
| Conferences, Conventions,<br>and Meetings | -                          | 24,250               | -                | 12,643           | 26,715                    | 63,608        |
| Special Events                            | -                          | 8,757                | -                | 50,931           | 9,647                     | 69,335        |
| Insurance                                 | -                          | 16,857               | -                | 8,788            | 18,572                    | 44,217        |
| Membership Dues                           | -                          | 18,680               | 3,842            | 11,743           | 24,813                    | 59,078        |
| Endowment Fund                            | -                          | -                    | -                | -                | -                         | -             |
| Management Fees                           | -                          | 14,818               | -                | 7,726            | 16,325                    | 38,869        |
| Bank Service Fees                         | -                          | 13,604               | -                | 7,092            | 14,986                    | 35,682        |
| CFC Expenses                              | -                          | -                    | -                | 73,390           | -                         | 73,390        |
| Miscellaneous                             | -                          | -                    | 1,230            | 653              | 1,381                     | 3,264         |
| Interest                                  | -                          | 3,499                | -                | 1,824            | 3,854                     | 9,177         |
| Depreciation                              | -                          | 3,822                | -                | 1,993            | 4,211                     | 10,026        |
| Gifts In-Kind                             | -                          | 30,543               | 43,824           | 38,774           | 81,929                    | 195,070       |
| Sub Total                                 | -                          | 410,195              | 83,785           | 377,316          | 544,235                   | 1,415,531     |
| United Way Dues                           | -                          | 81,996               | -                | 42,751           | 117,682                   | 242,429       |
| Total Functional Expenses                 | \$ 10,670,383              | \$ 1,955,847         | \$ 489,986       | \$ 1,183,189     | \$ 2,274,408              | \$ 16,573,813 |

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   | <b>2017</b>         | <b>2016</b>       |
|---|---------------------|-------------------|
| Increase (Decrease) in Net Assets   | \$ <b>859,962</b>   | \$ (1,255,202)    |
| <b>Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities</b> |                     |                   |
| Depreciation  | <b>142,071</b>      | 10,026            |
| Change in Allowance for Doubtful Accounts   | <b>(325,000)</b>    | (122,000)         |
| Donation of Land and Building   | <b>(1,831,750)</b>  | -                 |
| Increase in Fair Value of Assets Held by Others   | <b>(740,716)</b>    | 296,196           |
| Decrease in Fair Value of Beneficial Interests in Trusts                                      | <b>(28,986)</b>     | 48,452            |
| <b>Changes in Assets and Liabilities</b>  |                     |                   |
| Gross Pledges Receivable  | <b>1,473,319</b>    | 329,651           |
| Grant Receivable  | <b>3,783</b>        | 74,217            |
| Other Assets  | <b>2,489</b>        | 4,372             |
| Accounts Payable and Accrued Expenses   | <b>(65,511)</b>     | (208,879)         |
| Agency Liability  | <b>92,487</b>       | (7,903)           |
| Distributions Payable   | <b>(889,147)</b>    | (69,973)          |
| Net Cash Used in Operating Activities   | <b>(1,306,999)</b>  | (901,043)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                   |
| Purchase of Property and Equipment  | <b>(59,452)</b>     | (118,811)         |
| Reduction of Assets Held by Others  | <b>-</b>            | 810,997           |
| Net Cash Provided by (Used In) Investing Activities   | <b>(59,452)</b>     | 692,186           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                   |
| Line of Credit Draws  | <b>10,049,258</b>   | 7,220,000         |
| Principal Payments on Line of Credit  | <b>(9,160,483)</b>  | (7,020,000)       |
| Checks in Excess of Deposits  | <b>67,198</b>       | -                 |
| Net Cash Provided by Financing Activities   | <b>955,972</b>      | 200,000           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>(410,478)</b>    | (8,857)           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>   | <b>536,195</b>      | 545,052           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <b>\$ 125,717</b>   | <b>\$ 536,195</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                       |                     |                   |
| Cash Paid for Interest  | \$ <b>25,615</b>    | \$ 7,240          |
| <b>NONCASH INVESTING ACTIVITIES</b>   |                     |                   |
| Donation of Land and Building   | \$ <b>1,831,750</b> | \$ -              |

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

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

United Way of the Mid-South (United Way or Organization) is a not-for-profit corporation originally founded in 1923. United Way strives to stimulate voluntary participation as part of its annual united appeal for funds and other resources, to support the financial needs of programs and funded agency partners positively impacting local poverty by improving local education, financial stability, and health.

United Way serves the Tennessee counties of Fayette, Lauderdale, Shelby, and Tipton; the Mississippi counties of DeSoto, Tate, and Tunica; and Crittenden County in Arkansas. The Organization's published mission is "improving the lives of Mid-Southerners by mobilizing and aligning community resources to address priority issues."

The Organization acts as custodian or agent for certain entities and acts as an agent for donors specifying that their contributions be granted to a specific agency. These contributions are included in contributions received in the accompanying statement of activities. United Way acts as the Principal Combined Fund Organization for the Combined Federal Campaign (CFC), the Memphis fund-raising committee for all federal employees. In this capacity, the Organization is required to hold cash in separate accounts. United Way is reimbursed for administration of the CFC campaign and is a recipient of CFC allocations. All CFC activity is included in the accompanying financial statements.

The following is a description of the program services categories:

**Allocations to Agencies:** This category includes funding programs that positively impact poverty by improving education, financial stability, and health in our region. Such programs include efforts to ensure more children enter school ready to learn and succeed, more youth are engaged in a range of safe and productive after-school activities in schools and in the community, more individuals and families are empowered to be more financially self-sufficient with their basic needs met, more individuals and families are freed from violence and abuse, and more seniors are able to implement their own life choices later in life.

**Community Service:** This category includes programs that benefit members of the community through engagement in volunteerism (such as our Day of Caring events) and the administration of various community-related projects.

**Grant Expense:** This category includes programs that manage and allocate federal and/or other funds (such as our United Way Free Tax Prep program which works to help low-income families and individuals have greater access to free income tax preparation and filing services), and other programs.

**Income Taxes**

The Internal Revenue Service has determined that United Way is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

The Organization files exempt organization returns in the U.S. federal jurisdiction and various states. The Organization's returns are subject to examination by the Internal Revenue Service (IRS) as well as state authorities. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2014.

**Governance**

All corporate powers and the affairs of the Organization are exercised and managed under and by the authority of the Board of Directors (Board). The Board is comprised of thirty-five (35) voluntary Directors.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation**

The accompanying financial statements were prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America. This also conforms to the industry audit guide, *Not-for-Profit Organizations*, of the American Institute of Certified Public Accountants and *Accounting and Financial Reporting*, published by United Way Worldwide.

Certain amounts in prior years' financial statements have been reclassified to conform to current financial statement presentation.

**Advertising Costs**

The Organization had advertising costs of approximately \$35,648 and \$51,405 during the years ended June 30, 2017 and 2016, respectively. Advertising costs are expensed when they are incurred. Advertising valued at \$147,689 and \$157,429 was donated during the years ended June 30, 2017 and 2016, respectively and is included in the Statements of Functional Expenses. Corresponding revenue is included in the "Other Contributions" line of the Statement of Activities.

**Functional Allocation of Expenses**

The cost of providing the various program services has been summarized on the functional basis in the statement of activities. Accordingly, certain costs have been allocated based upon management's estimates, principally on an indirect basis, among the program and supporting services. Indirect costs are allocated primarily on the number of staff in each functional area.

**Fair Value of Financial Instruments**

The Organization, as required by GAAP, adopted *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of input that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2—Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates and (d) inputs derived principally from other corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed securities and highly structured or long-term derivative contracts.

Level 3—Unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interest in securitizations, asset-backed securities and highly structured or long term derivative contracts.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Fair Value of Financial Instruments – Continued**

During the years ended June 30, 2017 and 2016, the Organization had no investments in derivatives. Management has not elected the fair value option for certain financial assets and financial liabilities, as required by GAAP, since those assets were not affected by changes in management's risk management and investment strategy.

The carrying value of cash and cash equivalents, receivables, payables, accrued liabilities and due to sub recipients approximates fair value because of the short maturity of those instruments. Investments are carried at fair value based upon quoted market value.

**Unrestricted Net Assets**

Unrestricted net assets include support raised from an annual campaign held in the prior year to fund allocations to participating agencies and for general operating purposes of the current year.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets include support restricted for use by donor stipulations that limit the use of the donated funds. When the time restriction stipulation ends or when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of support from trusts, gifts and bequests accepted with the donor stipulation that the principal be maintained intact in perpetuity.

**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 the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant assumptions are made in recording the allowance for uncollectible pledges receivable based upon management's experience with historical collectability and other factors known to management. Actual results could differ from estimates.

**Contributions**

Campaigns are conducted in the fall of each year to raise support for allocations to participating agencies in the subsequent calendar year and beyond. Pledges are recorded as temporarily restricted receivables with an allowance provided for uncollectible accounts. Campaign support pledged for use in the future year's operations is included as temporarily restricted revenue in the statement of activities and changes in net assets.

**Beneficial Interests in Trusts**

The Organization received a gift of a beneficial interest in a trust that is held by others. Under the terms of the trust, the Organization has the irrevocable right to receive a percentage of the income earned on the trust assets until April 15, 2042 at which time all assets will be liquidated and transferred to the organizations in the same percentages as they are currently receiving income. The beneficial interest is reported at fair value, with the change in fair value reported as an increase or decrease in temporarily restricted net assets. Annual distributions from the trust are reported as unrestricted income based upon donor designations.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Beneficial Interests in Trusts – Continued**

The Organization is also named as a beneficiary under a trust administered by others. Under the terms of the trust, the Organization shall annually receive a percentage of the net income from the remaining assets of the trust in perpetuity. The beneficial interest is reported at fair value, with the change in fair value reported as an increase or decrease in permanently restricted net assets. Annual distributions from the trust are reported as unrestricted income based upon donor designations.

**Grant Programs**

United Way is the recipient of several federally funded grants. Grants received in excess of expenditures are included in the statement of financial position as liabilities. Reimbursable expenditures in excess of cash receipts are included in the statements of financial position as grants receivable.

**Cash Equivalents**

United Way considers short-term investments with an original maturity of three months or less to be cash equivalents. Money markets related to the investment accounts is not included in cash and cash equivalents.

**Property and Equipment**

Property and equipment purchased is recorded at cost and donated equipment is recorded at its fair value at the date of receipt. The Organization uses a capitalization policy of \$5,000. Depreciation is provided over the estimated useful lives of the assets, generally three to ten years for equipment, using the straight-line method.

Balances of major classes of depreciable assets at June 30, 2017 and 2016 are as follows:

|                               | <u>2017</u>         | <u>2016</u>       |
|-------------------------------|---------------------|-------------------|
| Land                          | \$ 281,489          | \$ -              |
| Building                      | 1,048,511           | -                 |
| Equipment                     | 395,060             | 502,704           |
| Software                      | 57,189              | 57,189            |
| Furniture and Fixtures        | 506,909             | 5,159             |
| Leasehold Improvements        | <u>120,157</u>      | <u>24,942</u>     |
|                               | 2,409,315           | 589,994           |
| Less Accumulated Depreciation | <u>(519,314)</u>    | <u>(449,124)</u>  |
|                               | <u>\$ 1,890,001</u> | <u>\$ 140,870</u> |

Depreciation expense totaled \$142,071 and \$10,026 for the years ended June 30, 2017 and 2016, respectively.

**Donated Services**

Unpaid volunteers contribute significant amounts of time to fund-raising campaigns and other program activities of United Way. No amounts have been reflected in the accompanying financial statements for these donated services, as there is no objective basis for measurement.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Subsequent Events**

Subsequent events have been evaluated through October 26, 2017, which is the date the financial statements were available to be issued.

**NOTE 2 – PLEDGES RECEIVABLE**

A summary of pledges receivable, all of which are due within one year, and the related allowance for estimated uncollectible pledges at June 30, 2017 is as follows:

|  | <b>United Way</b>   | <b>CFC</b>  | <b>Total</b>        |
|--|---------------------|-------------|---------------------|
| 2016 Campaign                            | \$ 6,208,472        | -           | \$ 6,208,472        |
| Less Allowance for Uncollectible Pledges | (1,000,000)         | -           | (1,000,000)         |
|  | <u>\$ 5,208,472</u> | <u>\$ -</u> | <u>\$ 5,208,472</u> |

The following summarizes the changes in the allowance for estimated uncollectible pledges for the year ended June 30, 2017:

|                              | <b>United Way</b>   | <b>CFC</b>  | <b>Total</b>        |
|------------------------------|---------------------|-------------|---------------------|
| Balance at Beginning of Year | \$ 1,100,000        | \$ 225,000  | \$ 1,325,000        |
| Provision                    | 877,321             | (85,176)    | 792,145             |
| Write-offs, Net              | (977,321)           | (139,824)   | (1,117,145)         |
| Balance at End of Year       | <u>\$ 1,000,000</u> | <u>\$ -</u> | <u>\$ 1,000,000</u> |

**NOTE 3 – ASSETS HELD AT FOUNDATION**

United Way's endowment funds are held by the Community Foundation of Greater Memphis, Inc. (Foundation). The Foundation has title to the investments and the right to invest these funds without material restriction or conditions imposed by the donor. This endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are reported based on the existence or absence of donor imposed restrictions.

United Way has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purpose of the Organization and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation or deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Organization; and
- 7) The investment policies of the Organization.



**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 – ASSETS HELD AT FOUNDATION – CONTINUED**

Annually, all earnings on the donor designated endowment funds in excess of the permanently restricted amounts are appropriated to the board designated endowment fund. They are released from restrictions and available for distribution in accordance with board policy.

In 2011, The Board of Directors established a committee to explore ways to utilize the unrestricted portion of the Endowment Fund to further the organization's mission. The committee's charter was established to:

- 1) Leverage funding from federal, state, local and private sources;
- 2) Increase scale and replication of successful community initiatives;
- 3) Support strategically aligned public and private investments; and
- 4) Focus on long term impact areas in the community.

The Board had previously established a policy, in 2006, that limits the amounts distributed from the Endowment Fund to 5% of the average fair market value of the Fund over the preceding three years, except that any amount distributed cannot result in the fair market value of the Fund being less than \$5,000,000, after consideration of any such distribution. The amount available for distribution for fiscal years ended June 30, 2017 and 2016 were \$391,790 and \$794,270, respectively.

The endowment fund balance is invested in the Community Foundation of Greater Memphis' Balanced Pool comprised of the following asset classes as of June 30, 2017: Fixed Income 25%, Multi-Strategy Hedge 10%, Equities 57%, and Real Estate 8%. The Foundation manages the funds under its investment policies for the Balanced Pool, which is expected to yield results consistent with a 60/40 weighted average of S&P 500 and Barclays aggregate bond index. Actual returns can vary from this objective in any given year. The Organization seeks to provide a predictable income stream and to maintain purchasing power of the endowment assets and has transferred the assets to the Foundation as part of its strategy to achieve its long term performance objectives. The Organization monitors the performance of the funds held at the Foundation regularly. At the request of the Organization, funds will be distributed up to 100% of income in quarterly installments, and, upon 60 day written request, principal can be distributed; however, due to the permanent restrictions on the funds, no distributions will be made unless the fair value of the funds is over \$5,000,000.

United Way recognizes contribution revenue at the fair value of the fund assets upon notification that its rights to receive benefits under the agreement are unconditional. Changes in the fair value of the United Way interests in the fund assets are reflected as gains or losses in the statement of activities in the period they occur.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 – ASSETS HELD AT FOUNDATION – CONTINUED**

United Way’s endowment funds held by the Foundation reported by type and net assets class are as follows:

**Changes in Endowment Net Assets:**

|  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment Net Assets, June 30, 2015        | \$ 3,221,638        | \$ -                              | \$ 5,000,000                      | 8,221,638           |
| Contributions                              | -                   | -                                 | -                                 | -                   |
| Appropriation for Expenditure              | (810,998)           | -                                 | -                                 | (810,998)           |
| Investment Income (Loss), Net of Expenses  | 258,069             | -                                 | -                                 | 258,069             |
| Net Appreciation (Depreciation)            | (554,264)           | -                                 | -                                 | (554,264)           |
| Total Return                               | (1,107,193)         | -                                 | -                                 | (1,107,193)         |
| <b>Endowment Net Assets, June 30, 2016</b> | <b>2,114,445</b>    | <b>-</b>                          | <b>5,000,000</b>                  | <b>7,114,445</b>    |
| Contributions                              | -                   | -                                 | -                                 | -                   |
| Appropriation for Expenditure              | -                   | -                                 | -                                 | -                   |
| Investment Income (Loss), Net of Expenses  | 113,556             | -                                 | -                                 | 113,556             |
| Net Appreciation (Depreciation)            | 627,160             | -                                 | -                                 | 627,160             |
| Total Return                               | 740,716             | -                                 | -                                 | 740,716             |
| <b>Endowment Net Assets, June 30, 2017</b> | <b>\$ 2,855,161</b> | <b>\$ -</b>                       | <b>\$ 5,000,000</b>               | <b>\$ 7,855,161</b> |

|  | <b>Board-<br/>Designated<br/>Endowment<br/>Funds</b> | <b>Donor-<br/>Restricted<br/>Endowment<br/>Funds</b> | <b>Total</b>        |
|--|--|--|---------------------|
| Endowment Net Assets, June 30, 2015        | \$ 3,221,638   | \$ 5,000,000   | \$ 8,221,638        |
| Contributions                              | -  | -  | -                   |
| Appropriation for Expenditure              | (810,998)  | -  | (810,998)           |
| Investment Income (Loss), Net of Expenses  | 258,069  | -  | 258,069             |
| Net Appreciation (Depreciation)            | (554,264)  | -  | (554,264)           |
| Total Return                               | (1,107,193)  | -  | (1,107,193)         |
| <b>Endowment Net Assets, June 30, 2016</b> | <b>2,114,445</b>                                     | <b>5,000,000</b>                                     | <b>7,114,445</b>    |
| Contributions                              | -  | -  | -                   |
| Appropriation for Expenditure              | -  | -  | -                   |
| Investment Income (Loss), Net of Expenses  | 113,556  | -  | 113,556             |
| Net Appreciation (Depreciation)            | 627,160  | -  | 627,160             |
| Total Return                               | 740,716  | -  | 740,716             |
| <b>Endowment Net Assets, June 30, 2017</b> | <b>\$ 2,855,161</b>                                  | <b>\$ 5,000,000</b>                                  | <b>\$ 7,855,161</b> |

Fees related to the management of these funds were \$46,976 and \$38,868 for the years ended June 30, 2017 and 2016, respectively.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 4 – FAIR VALUE MEASUREMENT**

During the years ended June 30, 2017 and 2016, the Organization had fair value of assets measured on a recurring basis using a market approach, as follows for assets held for others and beneficial interests in trusts:

|  | <u>Fair Value Measurements at Reporting Date Using</u> |                                    |   |                                   |
|--|--|------------------------------------|---|-----------------------------------|
|  | <b>Total</b>   | Quoted Prices in<br>Active Markets |   | Significant                       |
|  |  | for Identical<br>Assets<br>Level 1 | Significant Other<br>Observable Inputs<br>Level 2 | Unobservable<br>Inputs<br>Level 3 |
| <b>June 30, 2017</b>   | Level 1  | Level 2                            | Level 3   |                                   |
| Assets Held by Others -<br>Mutual Fund Investment<br>Balanced Pool | \$ 7,855,161   | \$ -                               | \$ -  | \$ 7,855,161                      |
| Beneficial Interest in Trusts                                      | 714,062  | 714,062                            | -   | -                                 |
| <b>Total</b>   | <b>\$ 8,569,223</b>                                    | <b>\$ 714,062</b>                  | <b>\$ -</b>                                       | <b>\$ 7,855,161</b>               |

|  | <u>Fair Value Measurements at Reporting Date Using</u> |                                    |   |                                   |
|--|--|------------------------------------|---|-----------------------------------|
|  | Total  | Quoted Prices in<br>Active Markets |   | Significant                       |
|  |  | for Identical<br>Assets<br>Level 1 | Significant Other<br>Observable Inputs<br>Level 2 | Unobservable<br>Inputs<br>Level 3 |
| June 30, 2016  | Level 1  | Level 2                            | Level 3   |                                   |
| Assets Held by Others -<br>Mutual Fund Investment<br>Balanced Pool | \$ 7,114,445   | \$ -                               | \$ -  | \$ 7,114,445                      |
| Beneficial Interest in Trusts                                      | 685,076  | 685,076                            | -   | -                                 |
| <b>Total</b>   | <b>\$ 7,799,521</b>                                    | <b>\$ 685,076</b>                  | <b>\$ -</b>                                       | <b>\$ 7,114,445</b>               |

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

|   | Fair Value Measurements Using<br>Significant Unobservable Inputs<br>(Level 3) |
|---|---|
|   | Assets Held by Others - Mutual<br>Fund Investment Balanced Pool               |
| June 30, 2015   | \$ 8,221,638  |
| Total Realized Gains or Losses  | 191,672   |
| Unrealized Gains and Losses in the Change in<br>Unrestricted Net Assets         | (554,264)   |
| Purchases, Issuance, and Settlements  | (744,601)   |
| <b>June 30, 2016</b>  | <b>\$ 7,114,445</b>   |
| <b>Total Realized Gains or Losses</b>   | <b>20,037</b>   |
| <b>Unrealized Gains and Losses in the Change in<br/>Unrestricted Net Assets</b> | <b>627,160</b>  |
| <b>Purchases, Issuance, and Settlements</b>                                     | <b>93,519</b>   |
| <b>June 30, 2017</b>  | <b>\$ 7,855,161</b>   |

|   | Assets Held by<br>Others |
|---|--------------------------|
| <b>The amount of total gains or losses for the year ended June 30, 2017 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.</b> | <b>\$ 740,716</b>        |

The amount of total gains or losses for the year ended June 30, 2016 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date. \$ (1,107,193)

Gains and losses (realized and unrealized) included in unrestricted net assets for the year are reported in support and revenue as follows:

|   | Investment Gains (Losses) |              |
|---|---------------------------|--------------|
|   | June 30                   |              |
|   | 2017                      | 2016         |
| Total realized gains or losses included in unrestricted net assets for the year | \$ 113,556                | \$ (552,929) |
| Change in unrealized gains or losses relating to assets still held at year end  | \$ 627,160                | \$ (554,264) |

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED**

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. For the valuation of assets held by others, which include equities, fixed income, and alternative investments securities at June 30, 2017 and 2016, the Organization used significant unobservable inputs including information from fund managers based on quoted market prices, if available, or other valuation methods (Level 3). Management reviews and evaluates the values provided by the fund manager and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

**NOTE 5 – RETIREMENT PLAN**

United Way has a contributory defined contribution retirement plan which provides retirement benefits and is administered by Mutual of America. All full-time employees with at least one year of service who have attained age 21, except for employees who are age 60 or older when employed, are eligible under the Plan. United Way’s contribution to the plan was \$306,500 and \$324,445 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 6 – LINE OF CREDIT**

In April 2011, the Organization entered into an agreement for an unsecured line of credit for \$3,000,000 with a bank. Interest is payable monthly based on the bank’s Prime Rate less 75 basis points (3.5%) for the applicable period such advance has been outstanding. The line of credit was set to mature in January 2017. In December 2016, the line of credit was extended until January 2018. At June 30, 2017 and 2016, the outstanding balance was \$1,688,775 and \$800,000, respectively.

**NOTE 7 – OPERATING LEASES**

The Organization has entered into various operating leases for equipment, expiring between 2017 and 2018 with payments ranging between \$120 and \$692. Total lease expense for the years ended June 30, 2017 and 2016 were \$19,150 and \$360,973, respectively. The difference between the estimated fair market value of rent and expenditures for certain operating expenses is recorded as donated rent. Total lease expense for the years ended June 30, 2017 and 2016, includes donated rent of \$0 and \$30,000 respectively. Minimum future annual payments on these leases are as follows:

| <u>Year</u> | <u>Building</u> | <u>Equipment</u> | <u>Total</u>    |
|-------------|-----------------|------------------|-----------------|
| 2018        | \$ -            | \$ 4,152         | \$ 4,152        |
| 2019        | -               | -                | -               |
| 2020        | -               | -                | -               |
| 2021        | -               | -                | -               |
| 2022        | -               | -                | -               |
|             | <u>\$ -</u>     | <u>\$ 4,152</u>  | <u>\$ 4,152</u> |

**NOTE 8 – AGENCY LIABILITY**

In conducting the annual campaign, the Organization receives donations that are specified for specific agencies. The agency liability reflects those donations that were received but not disbursed by June 30, 2017.

**NOTE 9 – DESIGNATED GIFTS**

The Organization receives contributions that have been designated by the donor for certain member groups and agencies. The Organization honors these designations, and after withholding a processing fee, transfers the donor designated gift to the appropriate group or agency. At June 30, 2017, all designated gifts received have been allocated, accordingly.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of June 30:

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Cash and Cash Equivalents - CFC                | \$ -                | \$ 328,629          |
| Cash and Cash Equivalents - DRAP               | \$ -                | \$ 203,204          |
| Pledges Receivable, Due in Future Periods, Net | 5,208,472           | 6,356,791           |
| Beneficial Interest in Trust                   | 570,997             | 545,239             |
| Distributions Payable - CFC                    | -                   | (794,386)           |
| DRAP Liability                                 | -                   | (203,204)           |
| Youth Grizzlies Foundation Donation            | 15,442              | 15,178              |
|  | <u>\$ 5,794,911</u> | <u>\$ 6,451,451</u> |

**NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following as of June 30:

|                               | <u>2017</u>         | <u>2016</u>         |
|-------------------------------|---------------------|---------------------|
| Donor Restricted - Endowments | \$ 5,000,000        | \$ 5,000,000        |
| Beneficial Interest in Trust  | 143,065             | 139,837             |
|                               | <u>\$ 5,143,065</u> | <u>\$ 5,139,837</u> |

Permanently restricted net assets are gifts and bequests given with the stipulation that the principal be maintained intact in perpetuity.

**NOTE 12 – CONCENTRATIONS**

Throughout the years ending June 30, 2017 and 2016, United Way maintained cash in accounts at one Federally-insured financial institution. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2017 and 2016, United Way held \$0 and \$456,776 that was in excess of FDIC limitations, respectively. United Way has not experienced any losses on such deposits and management considers the risk of loss to be acceptable.

The top three contributors accounted for approximately 37% and 38% of the campaign total for the years ended June 30, 2017, and 2016, respectively.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 13 – ALLOCATIONS TO AGENCIES**

Allocations to agencies for the years ended June 30, 2017 and 2016 consists of the following:

| Agency   | Allocations         | Donor Designations  | Subtotal             | Agency Campaign     | Total Allocations    | 2016 Allocations     |
|--|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| Agape  | \$ 60,083           | \$ 14,813           | \$ 74,896            | \$ -                | \$ 74,896            | \$ 88,446            |
| Alliance Healthcare Services                       | 156,042             | -                   | 156,042              | 24,130              | 180,172              | 176,239              |
| Alpha Omega Veterans Services, Inc.                | 222,000             | 18,862              | 240,862              | -                   | 240,862              | 198,578              |
| American Heart Association, Shelby County Chapter  | -                   | -                   | -                    | -                   | -                    | 117,132              |
| American Red Cross, Mid South Chapter              | 425,243             | 25,903              | 451,146              | 4,827               | 455,973              | 448,902              |
| The Arc of the Mid-South                           | 58,629              | -                   | 58,629               | 7,600               | 66,229               | 67,002               |
| Baptist Memorial Hospital                          | -                   | 95,615              | 95,615               | -                   | 95,615               | -                    |
| Boy Scouts of America, Chickasaw Council           | 134,617             | 42,149              | 176,766              | 1,420               | 178,186              | 302,509              |
| Boys & Girls Club of Greater Memphis               | 398,965             | 47,466              | 446,431              | 4,409               | 450,840              | 456,486              |
| BRIDGES  | 150,000             | 7,456               | 157,456              | 6,156               | 163,612              | 216,310              |
| Catholic Charities of West TN                      | 102,662             | -                   | 102,662              | -                   | 102,662              | 128,763              |
| Church Health Center                               | -                   | 109,799             | 109,799              | 75                  | 109,874              | 123,701              |
| Collierville Literacy Foundation                   | 53,416              | 5,967               | 59,383               | 100                 | 59,483               | 59,894               |
| Community Foundation of Greater Memphis            | -                   | 171,968             | 171,968              | -                   | 171,968              | 175,767              |
| Community Health Charities                         | -                   | -                   | -                    | -                   | -                    | 186,033              |
| Community Health Charities of Tennessee            | -                   | -                   | -                    | -                   | -                    | 50,938               |
| Crisis Center                                      | 79,503              | -                   | 79,503               | -                   | 79,503               | 79,503               |
| Exchange Club Family Center of the Mid-South       | 164,138             | 16,533              | 180,671              | 8,673               | 189,344              | 157,415              |
| Fayette Cares, Inc.                                | 25,422              | 10,906              | 36,328               | 14,692              | 51,020               | 55,100               |
| Friends for Life                                   | 73,801              | -                   | 73,801               | 3,955               | 77,756               | 87,485               |
| Girl Scouts, Heart of the South                    | 170,246             | 10,720              | 180,966              | 3,781               | 184,747              | 239,195              |
| Girls, Incorporated of Memphis                     | 300,625             | 11,784              | 312,409              | 4,861               | 317,270              | 318,257              |
| Goodwill Homes Community Services, Inc.            | 327,793             | -                   | 327,793              | 7,401               | 335,194              | 338,065              |
| Grace House of Memphis, Inc.                       | 145,269             | -                   | 145,269              | 5,405               | 150,674              | 152,660              |
| Harwood Center, Inc.                               | 188,072             | -                   | 188,072              | 6,626               | 194,698              | 200,364              |
| Hope Christian Community Foundation                | -                   | 116,190             | 116,190              | -                   | 116,190              | 152,516              |
| Hope House   | 79,900              | 22,998              | 102,898              | 4,101               | 106,999              | 100,781              |
| Knowledge Quest                                    | 344,832             | 26,239              | 371,071              | 4,854               | 375,925              | 325,669              |
| Latino Memphis                                     | 50,758              | -                   | 50,758               | -                   | 50,758               | 55,665               |
| Leadership Memphis                                 | -                   | -                   | -                    | -                   | -                    | 100,000              |
| LeBonheur Early Intervention & Development Program | 55,567              | 31,586              | 87,153               | -                   | 87,153               | 108,175              |
| LeBonheur Foundation                               | -                   | 47,743              | 47,743               | -                   | 47,743               | 79,460               |
| LINC/JOBLINC-Library Information Center            | 67,600              | -                   | 67,600               | 792                 | 68,392               | 60,000               |
| Literacy Midsouth                                  | 82,490              | 9,924               | 92,414               | -                   | 92,414               | 122,318              |
| Lowenstein House, Inc.                             | 51,163              | -                   | 51,163               | 9,496               | 60,659               | 61,449               |
| Memphis Child Advocacy Center                      | 121,280             | 42,436              | 163,716              | 8,750               | 172,466              | 161,522              |
| Memphis Jewish Community Center                    | 159,408             | 25,517              | 184,925              | 25                  | 184,950              | 252,997              |
| Memphis Oral School for the Deaf                   | 111,497             | 9,311               | 120,808              | 2,898               | 123,706              | 127,740              |
| Memphis Recovery Centers, Inc.                     | 175,938             | 3,551               | 179,489              | 9,390               | 188,879              | 194,442              |
| Memphis Urban League, Inc.                         | 198,596             | 3,517               | 202,113              | 1,036               | 203,149              | 237,562              |
| Meritan, Inc.                                      | 502,500             | 11,846              | 514,346              | 62,443              | 576,789              | 568,683              |
| Methodist Healthcare Foundation                    | -                   | 53,430              | 53,430               | -                   | 53,430               | 50,469               |
| Mid-South Food Bank                                | 9,000               | 18,883              | 27,883               | -                   | 27,883               | 65,215               |
| Porter-Leath Children's Center                     | 306,124             | 55,464              | 361,588              | 100,935             | 462,523              | 413,928              |
| Sacred Heart Southern Missions, Inc.               | 51,636              | 2,046               | 53,682               | 11,108              | 64,790               | 71,867               |
| Salvation Army                                     | 493,422             | 16,084              | 509,506              | 13,285              | 522,791              | 386,388              |
| Shelby Residential and Voc. Services (SRVS)        | 157,765             | 2,995               | 160,760              | 55,177              | 215,937              | 216,148              |
| St. Jude Children's Hospital                       | -                   | 93,467              | 93,467               | -                   | 93,467               | 87,334               |
| Synergy Treatment Centers                          | 80,235              | 2,548               | 82,783               | 14,000              | 96,783               | 93,562               |
| Tennessee Poison Center                            | 61,341              | 682                 | 62,023               | -                   | 62,023               | 61,265               |
| United Way of the Mid-South                        | -                   | -                   | -                    | -                   | -                    | 130,565              |
| Third Party Processors                             | -                   | 2,584,968           | 2,584,968            | -                   | 2,584,968            | 2,054,589            |
| YMCA of Memphis and the Mid-South                  | 274,503             | 4,669               | 279,172              | 140,758             | 419,930              | 378,314              |
| Youth Villages                                     | 94,000              | 56,210              | 150,210              | 1,047,000           | 1,197,210            | 1,195,494            |
| YWCA of Greater Memphis                            | 262,259             | 2,091               | 264,350              | 3,204               | 267,554              | 380,054              |
| Nonmember agencies and others less than \$50,000   | 871,813             | 1,091,727           | 1,963,540            | 62,468              | 2,026,008            | 2,311,617            |
|  | <u>\$ 7,900,153</u> | <u>\$ 4,926,063</u> | <u>\$ 12,826,216</u> | <u>\$ 1,655,831</u> | <u>\$ 14,482,047</u> | <u>\$ 15,030,532</u> |