

**UNITED WAY OF THE MID-SOUTH**

**FINANCIAL STATEMENTS**

**June 30, 2018 and 2017**

**UNITED WAY OF THE MID-SOUTH  
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## Independent Auditor's Report

To the Board of Directors  
United Way of the Mid-South  
Memphis, Tennessee

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, 2018 and 2017, 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.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Mid-South as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Alexander Thompson Arnold PLLC*

Memphis, Tennessee  
November 8, 2018

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 173,799	\$ 125,717
Pledges receivable, net	5,068,981	5,208,472
Grants receivable	36,123	-
Assets held by others	7,349,268	7,855,161
Beneficial interests in trusts	740,393	714,062
Property and equipment, net of accumulated depreciation of \$686,722 and \$519,314, respectively	1,756,997	1,890,001
Other assets	11,684	16,299
Total assets	<u>\$ 15,137,245</u>	<u>\$ 15,809,712</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 386,233	\$ 504,576
Agency liability	99,898	126,584
Checks in excess of deposits	144,279	67,198
Distributions payable	373,088	189,611
Line of credit	1,469,497	1,688,775
Total liabilities	<u>2,472,995</u>	<u>2,576,744</u>
<b>Net Assets</b>		
Unrestricted	1,854,876	2,294,992
Temporarily restricted	5,665,553	5,794,911
Permanently restricted	5,143,821	5,143,065
Total net assets	<u>12,664,250</u>	<u>13,232,968</u>
Total liabilities and net assets	<u>\$ 15,137,245</u>	<u>\$ 15,809,712</u>

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2018

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenue</b>				
Annual campaign				
Contributions received	\$ 57,635	\$ 17,026,706	\$ -	\$ 17,084,341
Less donor designations	-	(4,618,837)	-	(4,618,837)
Less provision for uncollectible pledges	-	(668,248)	-	(668,248)
	<u>57,635</u>	<u>11,739,621</u>	<u>-</u>	<u>11,797,256</u>
Investment income	403,633	-	-	403,633
Special events	33,669	-	-	33,669
Change in trust	-	25,574	756	26,330
Other contributions	491,725	-	-	491,725
Grants and contracts	648,651	-	-	648,651
Miscellaneous income	3,193	-	-	3,193
	<u>1,638,506</u>	<u>11,765,195</u>	<u>756</u>	<u>13,404,457</u>
<b>Net Assets Released from Restrictions</b>				
Contributions received for current period				
Support	17,612,761	(17,612,761)	-	-
Less donor designations	(4,926,063)	4,926,063	-	-
Less provision for uncollectible pledges	(792,145)	792,145	-	-
Total assets released from restrictions	<u>11,894,553</u>	<u>(11,894,553)</u>	<u>-</u>	<u>-</u>
<b>Total Revenue and Other Support</b>	<u>\$ 13,533,059</u>	<u>\$ (129,358)</u>	<u>\$ 756</u>	<u>\$ 13,404,457</u>

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2018

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Expenses</b>				
Program services:				
Allocations to agencies	\$ 12,577,637	\$ -	\$ -	\$ 12,577,637
Less donor designations	(4,618,837)	-	-	(4,618,837)
Net funds distributed	7,958,800			7,958,800
Community service	2,304,305	-	-	2,304,305
Grant expenses	579,509	-	-	579,509
Total program services	10,842,614	-	-	10,842,614
Supporting services:				
Fund raising	1,247,430	-	-	1,247,430
Management and general	1,883,131	-	-	1,883,131
Total supporting services	3,130,561	-	-	3,130,561
Total expenses	13,973,175	-	-	13,973,175
<b>Increase (Decrease) in Net Assets</b>	(440,116)	(129,358)	756	(568,718)
Net Assets at Beginning of Year	2,294,992	5,794,911	5,143,065	13,232,968
Net Assets at End of Year	<u>\$ 1,854,876</u>	<u>\$ 5,665,553</u>	<u>\$ 5,143,821</u>	<u>\$ 12,664,250</u>

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenue</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	-	(792,145)	-	(792,145)
	<u>219,615</u>	<u>12,613,211</u>	<u>-</u>	<u>12,832,826</u>
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 revenue	 <u>3,612,671</u>	 <u>12,638,970</u>	 <u>3,228</u>	 <u>16,254,869</u>
<b>Net Assets Released from Restrictions</b>				
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 restrictions	<u>13,295,510</u>	<u>(13,295,510)</u>	<u>-</u>	<u>-</u>
 <b>Total Revenue and Other Support</b>	 <u><u>\$ 16,908,181</u></u>	 <u><u>\$ (656,540)</u></u>	 <u><u>\$ 3,228</u></u>	 <u><u>\$ 16,254,869</u></u>

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



**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Expenses</b>				
Program services:				
Allocations to agencies	\$ 14,482,047	\$ -	\$ -	\$ 14,482,047
Less donor designations	(4,926,063)	-	-	(4,926,063)
Net funds distributed	9,555,984	-	-	9,555,984
Community Service	1,943,154	-	-	1,943,154
Grant expenses	397,799	-	-	397,799
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	2,272,583	-	-	2,272,583
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
Net Assets at Beginning of Year	<u>781,718</u>	<u>6,451,451</u>	<u>5,139,837</u>	<u>12,373,006</u>
Net Assets at End of Year	<u>\$ 2,294,992</u>	<u>\$ 5,794,911</u>	<u>\$ 5,143,065</u>	<u>\$ 13,232,968</u>

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2018

	PROGRAM SERVICES			SUPPORT SERVICES		Total
	Allocations to Agencies	Community Service	Grant Expense	Fund Raising	Management and General	
Allocation to agencies	\$ 12,577,637	\$ -	\$ -	\$ -	\$ -	\$ 12,577,637
Less donor designations	(4,618,837)	-	-	-	-	(4,618,837)
Sub total	<u>7,958,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,958,800</u>
Grant Expense	-	-	150,041	-	-	150,041
Salaries	-	1,127,766	328,716	610,514	921,635	2,988,631
Employee benefits	-	269,766	75,605	146,037	220,458	711,866
Payroll taxes	-	79,175	25,147	42,861	64,704	211,887
Sub total	<u>-</u>	<u>1,476,707</u>	<u>429,468</u>	<u>799,412</u>	<u>1,206,797</u>	<u>3,912,384</u>
Professional Fees	-	85,122	-	46,081	69,564	200,767
Supplies	-	42,970	-	23,262	35,116	101,348
Telephone	-	21,320	-	11,542	17,424	50,286
Postage	-	3,953	-	2,139	3,229	9,321
Occupancy	-	137,487	-	74,426	112,349	324,262
Equipment rental and repairs	-	14,809	-	8,016	12,101	34,926
Software support/maintenance	-	37,154	-	20,113	30,364	87,631
Printing and publications	-	68,724	-	37,203	56,163	162,090
Local travel	-	30,347	-	16,428	24,800	71,575
Conferences, conventions, and meetings	-	8,823	-	4,777	7,211	20,811
Special events	-	62,986	-	34,101	51,485	148,572
Membership dues	-	3,518	-	1,904	2,874	8,296
Endowment fund management fees	-	25,881	-	14,010	21,150	61,041
Bank service fees	-	17,272	-	9,350	14,115	40,737
Miscellaneous	-	1,467	-	796	1,202	3,465
Interest	-	10,335	-	5,594	8,445	24,374
Depreciation	-	70,978	-	38,424	58,006	167,408
Gifts in kind	-	103,280	-	55,910	84,403	243,593
Sub total	<u>-</u>	<u>746,426</u>	<u>-</u>	<u>404,076</u>	<u>610,001</u>	<u>1,760,503</u>
United Way dues	-	81,172	-	43,942	66,333	191,447
Total Functional Expenses	<u>\$ 7,958,800</u>	<u>\$ 2,304,305</u>	<u>\$ 579,509</u>	<u>\$ 1,247,430</u>	<u>\$ 1,883,131</u>	<u>\$ 13,973,175</u>

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2017

	PROGRAM SERVICES			SUPPORT SERVICES		Total
	Allocations to Agencies	Community Service	Grant Expense	Fund Raising	Management and General	
Allocation to agencies	\$ 14,482,047	\$ -	\$ -	\$ -	\$ -	\$ 14,482,047
Less donor designations	(4,926,063)	-	-	-	-	(4,926,063)
Sub total	<u>9,555,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,555,984</u>
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	-	68,443	17,102	43,146	79,087	207,778
Sub total	<u>-</u>	<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
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	-	69,507	-	43,797	80,338	193,642
Sub total	<u>-</u>	<u>517,285</u>	<u>-</u>	<u>326,524</u>	<u>597,753</u>	<u>1,441,562</u>
United Way dues	<u>-</u>	<u>72,318</u>	<u>-</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 are an integral part of these financial statements.*

**UNITED WAY OF THE MID-SOUTH  
STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (568,718)	\$ 859,962
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</b>		
Depreciation	167,408	142,071
Change in allowance for doubtful accounts	(200,000)	(325,000)
Donation of land and building	-	(1,831,750)
(Increase) decrease in fair value of assets held by others	505,892	(740,716)
(Increase) decrease in fair value of beneficial interests in trusts	(26,331)	(28,986)
<b>Changes in assets and liabilities</b>		
Gross pledges receivable	339,491	1,473,319
Grant receivable	(36,123)	3,783
Other assets	4,615	2,489
Accounts payable and accrued expenses	(118,343)	(65,511)
Agency liability	(26,686)	92,487
Distributions payable	183,477	(889,147)
Net cash provided by (used in) operating activities	<u>224,682</u>	<u>(1,306,999)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(34,403)</u>	<u>(59,452)</u>
Net cash used in investing activities	<u>(34,403)</u>	<u>(59,452)</u>
<b>Cash flows from financing activities</b>		
Line of credit draws	7,991,608	10,049,258
Principal payments on line of credit	(8,210,886)	(9,160,483)
Checks in excess of deposits	77,081	67,198
Net cash provided by (used in) financing activities	<u>(142,197)</u>	<u>955,973</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	48,082	(410,478)
<b>Cash and cash equivalents at beginning of year</b>	<u>125,717</u>	<u>536,195</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 173,799</u>	<u>\$ 125,717</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 20,393	\$ 25,615
<b>Noncash investing activities</b>		
Donation of land and building	\$ -	\$ 1,831,750

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

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

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

**A. 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.

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 its Day of Caring events) and the administration of various community-related projects.

**Grant Expense:** This category includes programs that manage and allocate government, foundation, and private grants to support our programs that improve education, financial stability, and health.

**B. 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 2015.

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

**C. 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.

**D. 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.

**E. Advertising Costs**

The Organization had advertising costs of approximately \$37,422 and \$35,648 during the years ended June 30, 2018 and 2017, respectively. Advertising costs are expensed when they are incurred. Advertising valued at \$132,895 and \$147,689 was donated during the years ended June 30, 2018 and 2017, respectively and is included in the Statements of Functional Expenses. Corresponding revenue is included in the "Other Contributions" line of the Statement of Activities.

**F. 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.

**G. 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.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

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.

During the years ended June 30, 2018 and 2017, 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.

**H. 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.

**I. 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.

**J. 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.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

**K. 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.

**L. Contributions**

Campaigns are conducted primarily but not exclusively 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.

**M. 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.

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.

**N. Grant Programs**

United Way is the recipient of several government and private 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.

**O. 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.



**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

**P. 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 281,489	\$ 281,489
Building	1,048,511	1,048,511
Equipment	395,060	395,060
Software	57,189	57,189
Furniture & Fixtures	506,909	506,909
Leasehold Improvements	154,561	120,157
	<u>2,443,719</u>	<u>2,409,315</u>
Less: Accumulated Depreciation	<u>(686,722)</u>	<u>(519,314)</u>
	<u>\$ 1,756,997</u>	<u>\$ 1,890,001</u>

Depreciation expense totaled \$167,408 and \$142,071 for the years ended June 30, 2018 and 2017, respectively.

**Q. 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.

**R. Subsequent Events**

Subsequent events have been evaluated through November 8, 2018, 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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
2017 Campaign	\$ 5,868,981	\$ -
2016 Campaign	-	6,208,472
Less allowance for uncollectible pledges	<u>(800,000)</u>	<u>(1,000,000)</u>
	<u>\$ 5,068,981</u>	<u>\$ 5,208,472</u>

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

The following summarizes the changes in the allowance for estimated uncollectible pledges for the year ended June 30, 2018:

Balance at beginning of year	\$ 1,000,000
Provision	668,248
Write-offs, net	<u>(868,248)</u>
Balance at end of year	<u>\$ 800,000</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.

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.

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

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, 2018 and 2017 were \$386,298 and \$391,790, 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, 2018: 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's endowment funds held by the Foundation reported by type and net assets class are as follows:

Changes in Endowment Net Assets:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ 2,114,445	\$ -	\$ 5,000,000	\$ 7,114,445
Contributions	-	-	-	-
Appropriation for expenditure	-	-	-	-
Investment income (loss)	113,556	-	-	113,556
Net appreciation (depreciation)	627,160	-	-	627,160
Total return	<u>740,716</u>	<u>-</u>	<u>-</u>	<u>740,716</u>
Endowment net assets, June 30, 2017	2,855,161	-	5,000,000	7,855,161
Contributions	900,000	-	-	900,000
Appropriation for expenditure	(1,747,943)	-	-	(1,747,943)
Investment income (loss)	376,461	-	-	376,461
Net appreciation (depreciation)	(34,411)	-	-	(34,411)
Total return	<u>(505,893)</u>	<u>-</u>	<u>-</u>	<u>(505,893)</u>
Endowment net assets, June 30, 2018	<u>\$ 2,349,268</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>	<u>\$ 7,349,268</u>

Fees related to the management of these funds were \$61,041 and \$46,976 for the years ended June 30, 2018 and 2017, respectively.

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

	<b>Board Designated Endowment Funds</b>	<b>Donor Restricted Endowment Funds</b>	<b>Total</b>
Balance at June 30, 2016	\$ 2,114,445	\$ 5,000,000	\$ 7,114,445
Contributions	-	-	-
Appropriation for expenditure	-	-	-
Investment income (loss), net of expenses	113,556	-	113,556
Net appreciation (depreciation)	627,160	-	627,160
Total return	<u>740,716</u>	<u>-</u>	<u>740,716</u>
Endowment net assets, June 30, 2017	2,855,161	5,000,000	7,855,161
Contributions	900,000	-	900,000
Appropriation for expenditure	(1,747,943)	-	(1,747,943)
Investment income (loss), net of expenses	376,461	-	376,461
Net appreciation (depreciation)	(34,411)	-	(34,411)
Total return	<u>(505,893)</u>	<u>-</u>	<u>(505,893)</u>
Endowment net assets, June 30, 2018	<u>\$ 2,349,268</u>	<u>\$ 5,000,000</u>	<u>\$ 7,349,268</u>

**NOTE 4 – FAIR VALUE MEASUREMENT**

During the years ended June 30, 2018 and 2017, 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:

	Total	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	June 30, 2018			
Assets Held by Others - Mutual Fund Investment Balanced Pool	\$ 7,349,268	\$ -	\$ -	\$ 7,349,268
Beneficial Interest in Trusts	740,393	740,393	-	-
Total	<u>\$ 8,089,661</u>	<u>\$ 740,393</u>	<u>\$ -</u>	<u>\$ 7,349,268</u>
	June 30, 2017			
Assets Held by Others - Mutual Fund Investment Balanced Pool	\$ 7,855,161	\$ -	\$ -	\$ 7,855,161
Beneficial Interest in Trusts	714,062	714,062	-	-
Total	<u>\$ 8,569,223</u>	<u>\$ 714,062</u>	<u>\$ -</u>	<u>\$ 7,855,161</u>

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

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

	Fair Value Measurements Using Significant Unobservable Inputs
	Assets Held by Others - Mutual Fund Investment Balanced Pool
June 30, 2016	\$ 7,114,445
Total realized gains (losses)	20,037
Unrealized gains (losses) and the change in Unrestricted Net Assets	627,160
Purchases, Issuance, and Settlements	93,519
June 30, 2017	7,855,161
Total realized gains (losses)	309,821
Unrealized gains (losses) and the change in Unrestricted Net Assets	(34,411)
Purchases, Issuance, and Settlements	(781,303)
June 30, 2018	\$ 7,349,268

	Assets Held by Others
The amount of total gains or losses for the year ended June 30, 2018 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.	\$ (505,893)

	\$ 740,716
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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	
	2018	2017
Total gains or losses included in unrestricted net assets for the year	\$ (471,482)	\$ 113,556
Change in unrealized gains or losses relating to assets still held at year end	\$ (34,411)	\$ 627,160

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

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, 2018 and 2017, 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 \$307,848 and \$306,500 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 6 – LINE OF CREDIT**

The Organization entered into an agreement for an unsecured line of credit for \$3,000,000 with a bank. The line of credit matures in January 2019. 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. At June 30, 2018 and 2017, the outstanding balance was \$1,469,497 and \$1,688,775, respectively.

**NOTE 7 – OPERATING LEASES**

The Organization has entered into various operating leases for equipment with payments ranging between \$120 and \$692. Total lease expense for the years ended June 30, 2018 and 2017 were \$26,372 and \$19,150, respectively. Minimum future annual payments on these leases are as follows:

<u>Year</u>	<u>Equipment</u>	<u>Total</u>
2019	\$ 2,064	\$ 2,064
2020	2,064	2,064
2021	1,548	1,548
2022	-	-
2023	-	-
	<u>\$ 5,676</u>	<u>\$ 5,676</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, 2018.

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 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 transfers the donor designated gift to the appropriate group or agency. At June 30, 2018, all designated gifts received have been allocated, accordingly.

**NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS**

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

	2018	2017
Pledges receivable, due in future periods, net	<u>\$ 5,068,981</u>	<u>\$ 5,208,472</u>
Beneficial interest in trust	596,572	570,997
Youth Grizzlies Foundation donation	<u>-</u>	<u>15,442</u>
	<u><u>\$ 5,665,553</u></u>	<u><u>\$ 5,794,911</u></u>

**NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS**

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

	2018	2017
Donor restricted - endowments	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Beneficial interest in trust	<u>143,821</u>	<u>143,065</u>
	<u><u>\$ 5,143,821</u></u>	<u><u>\$ 5,143,065</u></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, 2018 and 2017, 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, 2018 and 2017, United Way held \$0 that was in excess of FDIC limitations.

The top three contributors accounted for approximately 34% and 37% of the campaign total for the years ended June 30, 2018 and 2017, respectively.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

**NOTE 13 – ALLOCATIONS TO AGENCIES**

Allocations to agencies for the years ended June 30, 2018 and 2017 consists of the following:

Agency	Allocations	Donor Designations	Subtotal	Agency Campaign	2018 Allocations	2017 Allocations
Agape	\$ 34,167	\$ 6,515	\$ 40,682	\$ -	\$ 40,682	\$ 74,896
Alliance Healthcare Services	156,042	-	156,042	23,994	180,036	180,172
Alpha Omega Veterans Services, Inc.	214,058	22,233	236,291	4,160	240,451	240,862
American Red Cross, Mid South Chapter	432,289	18,331	450,620	3,168	453,788	455,973
Arc of the Mid-South	14,658	-	14,658	-	14,658	66,229
Baptist Memorial Healthcare	-	57,206	57,206	-	57,206	95,615
Boy Scouts of America, Chickasaw Council	85,200	46,067	131,267	761	132,028	178,186
Boys & Girls Club of Memphis, Inc.	261,297	28,981	290,278	6,463	296,741	450,840
Bridges USA	245	6,434	6,679	6,319	12,998	163,612
Catholic Charities of West TN	95,723	-	95,723	-	95,723	102,662
Church Health Center	-	128,320	128,320	-	128,320	109,874
Collierville Literacy Foundation	47,754	7,680	55,434	-	55,434	59,483
Community Foundation of Greater Memphis	-	117,157	117,157	-	117,157	171,968
Crisis Center	105,000	1,082	106,082	-	106,082	79,503
Exchange Club Family Center of the Mid-South	129,438	8,123	137,561	7,578	145,139	189,344
Fayette Cares, Inc.	18,446	6,257	24,703	16,817	41,520	51,020
Friends for Life	68,825	6,983	75,808	3,237	79,045	77,756
Girl Scouts Heart of the South	136,605	9,128	145,733	3,469	149,202	184,747
Girls, Incorporated of Memphis	108,101	7,390	115,491	6,329	121,820	317,270
Goodwill Homes Community Services, Inc.	278,242	-	278,242	8,953	287,195	335,194
Grace House of Memphis, Inc.	137,891	6,630	144,521	5,174	149,695	150,674
Harwood Center, Inc.	169,265	5,615	174,880	2,558	177,438	194,698
Hope Christian Community Foundation	-	167,018	167,018	-	167,018	116,190
Hope House	79,900	19,469	99,369	5,926	105,295	106,999
Knowledge Quest	295,767	7,547	303,314	6,129	309,443	375,925
Latino Memphis	38,363	1,914	40,277	7,340	47,617	50,758
LeBonheur Early Intervention & Development Program	39,312	35,874	75,186	-	75,186	87,153
LeBonheur Foundation	-	43,640	43,640	-	43,640	47,743
LINC/JOBLINC-Library Information Center	67,375	2,750	70,125	-	70,125	68,392
Literacy Midsouth	66,000	5,394	71,394	-	71,394	92,414
Lowenstein House	48,605	273	48,878	8,320	57,198	60,659
Memphis Child Advocacy Center	110,274	33,247	143,521	7,771	151,292	172,466
Memphis Jewish Community Center	131,347	19,051	150,398	-	150,398	184,950
Memphis Oral School for the Deaf	95,113	22,990	118,103	1,786	119,889	123,706
Memphis Recovery Centers, Inc.	175,938	885	176,823	15,842	192,665	188,879
Memphis Urban League, Inc.	166,612	3,954	170,566	962	171,528	203,149
Meritan, Inc.	429,790	11,122	440,912	66,916	507,828	576,789
Methodist Healthcare Foundation	-	-	-	-	-	53,430
Mid-South Food Bank	-	-	-	-	-	27,883
MIFA	-	51,730	51,730	-	51,730	-
Porter-Leath Children's Center	303,750	59,402	363,152	99,617	462,769	462,523
Sacred Heart Southern Missions, Inc.	54,926	3,330	58,255	-	58,255	64,790
Salvation Army	435,274	17,802	453,076	-	453,076	522,791
Shelby Residential and Voc. Services (SRVS)	73,005	6,828	79,833	53,390	133,223	215,937
St. Jude Children's Hospital	-	122,957	122,957	-	122,957	93,467
Synergy Treatment Centers	80,235	1,405	81,640	16,500	98,140	96,783
Tennessee Poison Center	60,820	303	61,123	-	61,123	62,023
Third Party Processors	-	2,497,109	2,497,109	-	2,497,109	2,584,968
YMCA of Memphis and the Mid-South	244,832	1,245	246,077	136,231	382,308	419,930
Youth Villages	-	82,599	82,599	1,120,000	1,202,599	1,197,210
YWCA of Greater Memphis	54,999	1,000	55,999	1,616	57,615	267,554
Non member agencies and those less than \$50,000	717,369	907,870	1,625,239	48,623	1,673,862	2,026,008
	<u>\$ 6,262,851</u>	<u>\$ 4,618,837</u>	<u>\$ 10,881,688</u>	<u>\$ 1,695,949</u>	<u>\$ 12,577,637</u>	<u>\$ 14,482,047</u>



**UNITED WAY OF THE MID-SOUTH**  
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June 30, 2018 and 2017

**NOTE 14 – SUBSEQUENT EVENT**

On September 19, 2018, the Department of Human Services' \$3.278 million contract that was awarded to the Organization's *Driving The Dream* became fully executed. This contract will be used to manage the comprehensive access to social services for 1,600 Temporary Assistance to Needy Families (TANF) families.

On October 31, 2018, the Organization renewed its \$3,000,000 unsecured line of credit that was set to mature in January 2019. The renewal extends the maturity date until January 2020. Interest is payable monthly based on the bank's Prime Rate less 75 basis points.

**NOTE 15 – NEW PRONOUNCEMENT**

In August 2016, the Financial Accounting Standards Board ("ASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14") which reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. This update is effective for financial statements issued for fiscal years beginning after December 15, 2017.