

UNITED WAY OF GASTON COUNTY, INC.

FINANCIAL REPORT

June 30, 2018

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McCANNON • ROGERS • DRISCOLL
& ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
United Way of Gaston County, Inc.
Gastonia, North Carolina

We have audited the accompanying financial statements of United Way of Gaston County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Gaston County, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of Gaston County, Inc.'s financial statements as of and for the year ended June 30, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of agency allocations to be paid are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McCannon, Rogers, Driscoll & Associates, L.L.P.

Gastonia, North Carolina
November 9, 2018

UNITED WAY OF GASTON COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS	2018	2017
Cash	\$ 855,821	\$ 879,570
Unconditional promises to give, net	751,106	729,255
Other receivables	47,104	20,879
Prepaid expenses	11,255	8,384
Investments	426,454	409,365
Property and equipment, net	232,845	272,687
Total assets	<u>\$ 2,324,585</u>	<u>\$ 2,320,140</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,711	\$ 1,040
Accrued expenses	21,858	30,931
Rental deposits	1,739	-
Agency allocations payable	832,336	846,272
Designations payable	250,468	243,428
Total liabilities	1,109,112	1,121,671
NET ASSETS		
Unrestricted	1,210,781	1,193,116
Temporarily restricted net assets	4,692	5,353
Total net assets	1,215,473	1,198,469
Total liabilities and net assets	<u>\$ 2,324,585</u>	<u>\$ 2,320,140</u>

See notes to financial statements.

UNITED WAY OF GASTON COUNTY, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues and other support				
Campaign contributions	\$ 1,722,032	\$ -	\$ 1,722,032	\$ 1,718,526
Less uncollectible contributions	118,168	-	118,168	112,430
Less designations	250,468	-	250,468	243,428
	<u>1,353,396</u>	<u>-</u>	<u>1,353,396</u>	<u>1,362,668</u>
Investment income (loss), net of expenses of \$2,327	17,089	-	17,089	25,310
Rental income (loss), net of expenses of \$45,376	58	-	58	4,812
Special events, net expenses of \$7,701	13,290	-	13,290	8,296
Annual meeting, net of expenses of \$6,636	4,939	-	4,939	1,623
Other	76,042	-	76,042	52,040
Grants - public	98,204	-	98,204	49,293
Net assets released from restrictions	661	(661)	-	-
Total revenues and other support	1,563,679	(661)	1,563,018	1,504,042
Expenses				
Agency allocations	856,802	-	856,802	884,777
Payments to affiliated organizations	23,995	-	23,995	26,173
	<u>880,797</u>	<u>-</u>	<u>880,797</u>	<u>910,950</u>
Program activities				
Campaign	170,705	-	170,705	168,434
Community impact and investment	350,385	-	350,385	310,871
Total program services	<u>521,090</u>	<u>-</u>	<u>521,090</u>	<u>479,305</u>
Supporting services				
Financial management	144,127	-	144,127	141,888
Total expenses	<u>1,546,014</u>	<u>-</u>	<u>1,546,014</u>	<u>1,532,143</u>
Change in net assets	17,665	(661)	17,004	(28,101)
Net assets, beginning of year	<u>1,193,116</u>	<u>5,353</u>	<u>1,198,469</u>	<u>1,226,570</u>
Net assets, end of year	<u>\$ 1,210,781</u>	<u>\$ 4,692</u>	<u>\$ 1,215,473</u>	<u>\$ 1,198,469</u>

See notes to financial statements.

UNITED WAY OF GASTON COUNTY, INC.

Statements of Functional Expenses
Years Ended June 30, 2018 and 2017

	Program Services			Total 2018	Total 2017
	Campaign	Community Impact and Investment	Financial Management		
Salaries and wages	\$ 88,148	\$ 142,012	\$ 80,657	\$ 310,817	\$ 302,314
Employee benefits	16,199	26,098	14,821	57,118	53,915
Payroll taxes	7,083	11,411	6,481	24,975	25,763
Professional fees	6,202	3,578	4,413	14,193	12,750
Office supplies	3,328	1,920	2,368	7,616	9,761
Equipment repairs	9,420	5,435	6,702	21,557	19,607
Campaign supplies	2,376	1,371	1,690	5,437	6,799
Telephone	3,698	2,134	2,631	8,463	7,487
Postage	569	328	405	1,302	875
Occupancy expense	15,834	9,134	11,265	36,233	34,483
Travel	-	-	-	-	461
Publication and dues	1,830	1,056	1,302	4,188	3,259
Insurance	2,071	1,195	1,473	4,739	4,716
Staff expense	2,353	1,357	1,674	5,384	10,417
Success by Six expense	-	13,399	-	13,399	21,869
211 program expenses	-	12,668	-	12,668	12,605
Community impact	-	110,600	-	110,600	67,193
Computer service	960	554	682	2,196	4,502
Miscellaneous	2,681	1,547	1,906	6,134	3,649
Depreciation	7,953	4,588	5,657	18,198	18,768
Total 2018	\$ 170,705	\$ 350,385	\$ 144,127	\$ 665,217	
Total 2017	\$ 168,434	\$ 310,871	\$ 141,888		\$ 621,193

See notes to financial statements.

UNITED WAY OF GASTON COUNTY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,004	\$ (28,101)
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized gain on investments	(5,781)	(16,432)
Depreciation	41,868	42,338
Change in allowance for unconditional promises to give	5,000	15,000
Loss on disposal of property and equipment	641	-
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	(26,851)	2,959
(Increase) decrease in other receivables	(26,225)	10,335
(Increase) decrease in prepaid expenses	(2,871)	6,670
Increase (decrease) in rental deposits	1,739	(20,676)
Increase (decrease) in accounts payable	1,671	(1,594)
Increase (decrease) in accrued expenses	(9,073)	12,055
Increase (decrease) in agency allocations payable	(13,936)	(59,279)
Increase (decrease) in designations payable	7,040	(96,533)
	<u>(9,774)</u>	<u>(133,258)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on certificates of deposit	-	(112)
Certificates of deposit's redeemed	-	119,676
Purchases of investments	(11,308)	(215,296)
Purchases of property and equipment	(2,667)	(43,601)
	<u>(13,975)</u>	<u>(139,333)</u>
Net cash used in investing activities		
Net decrease in cash	(23,749)	(272,591)
Cash:		
Beginning of year	<u>879,570</u>	<u>1,152,161</u>
End of year	<u>\$ 855,821</u>	<u>\$ 879,570</u>

See notes to financial statements.

UNITED WAY OF GASTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note A - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

United Way of Gaston County, Inc. (the Organization) is a nonprofit corporation that campaigns for contributions annually and distributes allocations to its nonprofit affiliates for their operations.

A summary of the Organization's significant accounting policies follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Temporarily Restricted Net Assets – Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently Restricted Net Assets – Net assets that contain donor-imposed restrictions stipulating that the amounts be maintained by United Way in perpetuity. United Way may expend part or all of the income earned according to donor stipulations. The Organization had no permanently restricted net assets at June 30, 2018.

Comparative Data

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2017, from which the summarized information was derived.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF GASTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

Note A - Nature of Activities and Summary of Significant Accounting Policies -- Continued

Financial Instruments and Risk Considerations

Financial reporting standards require the disclosure of concentration of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and unconditional promises to give.

The Organization maintains its operating cash account in one commercial bank located in North Carolina. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Unconditional promises to give are mainly from residents and businesses in Gaston County, North Carolina. As such, collection of these amounts is dependent on the economy of this region.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on past experience and management's analysis of the specific promises made.

Functional Expenses

Operating expenses are functionalized between program services and supporting services based on departmental allocations.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed by the straight-line method over the estimated useful lives as follows:

Buildings and building improvements	10-39 years
Office furniture and equipment	5-10 years
Signs	7-10 years
Vehicle	5 years

Additions are charged to the property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts, and any profit or loss on disposition is credited or charged to earnings.

UNITED WAY OF GASTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Note A - Nature of Activities and Summary of Significant Accounting Policies – Continued

Property and Equipment - continued

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

The Organization received certain donated services. No amounts have been reflected in the statements for such services because there is no objective basis available to measure the value of such services.

Income Tax Status

The Organization is organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. In addition, the State of North Carolina has granted the Organization tax-exempt status.

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2018. The Organization has years ending June 30, 2015, 2016 and 2017 subject to examination by the Internal Revenue Service.

Investment Valuation and Income Recognition

The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note F for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold, as well as held, during the year.

Beneficial Interest in Assets Held by Others (Endowment Fund)

In accordance with U.S. GAAP, the Organization recognizes certain assets held by a recipient organization for the sole benefit of the Organization. These amounts are valued at fair value as reported by the holder of the assets.

UNITED WAY OF GASTON COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Note A - Nature of Activities and Summary of Significant Accounting Policies – Continued

Rental Income

The Organization received rental from various lease agreements. Rental income for the year ended June 30, 2018 amounted to \$45,434. Future minimum rentals on non-cancelable operating leases for the fiscal year ending June 30, 2019 are \$25,292.

Subsequent Events

The Organization has evaluated subsequent events through November 9, 2018, the date the financial statements were available to be issued.

Note B - Unconditional Promises to Give

Unconditional promises to give are shown net of the allowance for uncollectible unconditional promises to give. The allowance was \$105,000 at June 30, 2018. All unconditional promises to give are due by June 30, 2019.

Included under designations payable on the statements of financial position are contributions of \$250,468 at June 30, 2018, that have been designated by the donors for specific agencies.

Note C - Property and Equipment

Property and equipment at June 30, 2018 are composed of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 125,000	\$ -	\$ 125,000
Buildings and building improvements	1,067,592	970,525	97,067
Office furniture and equipment	76,333	65,555	10,778
Signs	7,679	7,679	-
	\$ 1,276,604	\$ 1,043,759	\$ 232,845

Depreciation expense was \$41,868 for the year ended June 30, 2018. Of this amount \$23,100 was allocated to rental expense and \$18,198 was allocated to operations.

Note D - Temporarily Restricted Net Assets

Temporarily restricted assets consist of cash and are available for the following purposes at June 30, 2018:

Share the Cool	\$ 4,692
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UNITED WAY OF GASTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2018

Note D - Temporarily Restricted Net Assets - Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Program restrictions for Share the Warmth of \$661 were released from restriction during the year ended June 30, 2018.

Note E - Retirement Plan

The Organization has a SIMPLE IRA plan under Section 408(p) of the Internal Revenue Code whereby the Organization will contribute a matching contribution to each eligible employee's SIMPLE IRA which is the lower of the employee's actual contributions to the plan or 3% of their annual compensation.

Total retirement expense was \$4,856 for the year ended June 30, 2018.

Note F - Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at June 30, 2018 and 2017.

UNITED WAY OF GASTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS – CONTINUED
June 30, 2018

Note F - Fair Value Measurements – Continued

Endowment Fund: The Endowment Fund is valued based on the underlying investments held by the Endowment. It consist of investments valued at quoted market prices, valued based on fund management’s estimates based on certain valuation methods such as cash flow analysis and other valuing methods based on income or other relevant information.

Mutual Funds: Valued at the daily closing price as reported by the fund. The mutual funds held by the Organization are actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

The following table sets forth by level, within the fair value hierarchy, the Agency’s fair value measurements at June 30, 2018.

	June 30, 2018			Fair Value
	Level 1	Level 2	Level 3	
Endowment fund	\$ -	\$ -	\$ 205,529	\$ 205,529
Mutual Funds	<u>220,925</u>	-	-	<u>220,925</u>
	<u>\$ 220,925</u>	<u>\$ -</u>	<u>\$ 205,529</u>	<u>\$ 426,454</u>

The following table sets forth a summary of changes in the fair value of the Organization’s level 3 assets for the year ended June 30, 2018.

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)
Beginning balance	\$ 195,277
Unrealized gains	8,006
Interest and dividend income	4,573
Investment fees paid	<u>(2,327)</u>
Ending balance	<u>\$ 205,529</u>

UNITED WAY OF GASTON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

Note G - Special Events

Several special events were held during the year ended June 30, 2018 which generated \$20,991 in revenues. Expenses related to these events totaled \$7,701, resulting in income to the Organization of \$13,290.

Note H - Commitments and Contingencies

Commitments to allocate funds to United Way agencies and other allocations are dependent on the results of United Way's campaigns. United Way historically provides agencies with anticipated funding commitments in advance and generally funds those commitments on a monthly basis. Such commitments are subject to adjustment based on final campaign results, including subsequent collections.

SUPPLEMENTARY INFORMATION

UNITED WAY OF GASTON COUNTY, INC.

SCHEDULES OF AGENCY ALLOCATIONS TO BE PAID

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
A.C.P.P., Inc.	\$ 32,200	\$ 32,200
Adult Day Care Center	51,980	51,980
Alliance for Children & Youth	100,000	94,350
American Red Cross	48,000	45,000
The ARC of Gaston County	25,500	17,940
Bessemer City Area Crisis Center	25,093	25,093
Boys & Girls Clubs of Greater Gaston, Inc.	167,201	167,201
Cherryville Area Ministries and Thrift Shop	28,190	28,190
Community Relief Organization of Mt. Holly	20,000	19,154
Dallas/High Shoals Christian Social Ministry	40,000	35,360
Flynn Fellowship Home	18,000	15,300
Gaston County Cancer Society	68,679	68,679
Gaston County Family YMCA	18,643	45,043
Gaston Literacy Council	100,129	101,396
Heart Society of Gaston County	60,000	56,440
Hospice of Gaston County, Inc.	58,847	65,075
Piedmont Boy Scout Council	33,000	28,538
GS Carolinas Peaks to Piedmont Girl Scout Council	40,000	37,029
SOCKS (Serving Our Community with Kindness in Springwood)	22,000	18,216
The Salvation Army	23,000	24,933
The Salvation Army Boys and Girls Clubs	<u>48,000</u>	<u>35,328</u>
Total agency allocations to be paid	1,028,462	1,012,445
Less agency designations payable and additional agency payments made	<u>(196,126)</u>	<u>(127,668)</u>
Net agency allocations payable	832,336	884,777
Plus designations payable	<u>250,468</u>	<u>243,428</u>
Total allocations and designations to be paid	<u>\$ 1,082,804</u>	<u>\$ 1,128,205</u>

See notes to financial statements.