

UNITED WAY OF FORSYTH COUNTY, INC.

Consolidated Financial Statements

June 30, 2015 and 2014

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Board of Directors
United Way of Forsyth County, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of United Way of Forsyth County, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Forsyth County, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters - Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal awards on page 26, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 audits 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 the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [DATE] on our consideration of United Way of Forsyth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Forsyth County's internal control over financial reporting and compliance.

Correction of Error

As discussed in Note O to the financial statements, certain errors related to the presentation of previously reported assets, temporarily restricted net assets, and support and revenue were discovered by management during the current year. Our opinion is not modified with respect to that matter.

Winston-Salem, North Carolina
[DATE]

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 2,754,017	\$ 3,183,706
Short-term investments	100,916	100,765
Pledges receivable, net	7,157,199	6,826,035
Contribution receivable from split-interest agreement, net	1,786,000	1,933,000
Other receivables	633,559	1,029,896
Investments	8,023,889	8,208,684
Property and equipment, net	3,632,023	3,706,247
Beneficial interest in assets held by others	543,795	512,205
Other assets	<u>19,871</u>	<u>18,336</u>
<u>TOTAL ASSETS</u>	<u>\$ 24,651,269</u>	<u>\$ 25,518,874</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Designations to agencies and other United Ways	\$ 2,526,461	\$ 2,518,435
Accrued expenses and other liabilities	1,755,694	1,283,545
Note payable	<u>-</u>	<u>12,508</u>
<u>Total Liabilities</u>	<u>4,282,155</u>	<u>3,814,488</u>
Net Assets		
Unrestricted	15,890,010	16,641,559
Temporarily restricted	3,747,100	4,335,173
Permanently restricted	<u>732,004</u>	<u>727,654</u>
<u>Total Net Assets</u>	<u>20,369,114</u>	<u>21,704,386</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 24,651,269</u>	<u>\$ 25,518,874</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Gross contributions - current campaign	\$ 16,813,208	\$ -	\$ -	\$ 16,813,208
Overpayments on prior campaigns	54,930	-	-	54,930
Designations from other United Way agencies	148,689	-	-	148,689
Less amount recognized from prior year	(25,000)	-	-	(25,000)
Less donor designations	(2,878,277)	-	-	(2,878,277)
Contributions received for future campaigns	-	279,625	-	279,625
Less provision for uncollectible pledges	(757,804)	-	-	(757,804)
<u>Net Campaign</u>	<u>13,355,746</u>	<u>279,625</u>	<u>-</u>	<u>13,635,371</u>
Other gifts and grants, net	-	2,358,305	4,350	2,362,655
Investment income, net	225,779	12,449	-	238,228
Administrative fees	286,736	-	-	286,736
Other revenue	8,042	4,659	-	12,701
Net assets released from restrictions	<u>3,263,043</u>	<u>(3,263,043)</u>	<u>-</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>17,139,346</u>	<u>(608,005)</u>	<u>4,350</u>	<u>16,535,691</u>
EXPENSES				
Program services	14,904,609	-	-	14,904,609
Management and general	1,803,734	-	-	1,803,734
Fundraising	<u>723,691</u>	<u>-</u>	<u>-</u>	<u>723,691</u>
<u>Total Expenses</u>	<u>17,432,034</u>	<u>-</u>	<u>-</u>	<u>17,432,034</u>
Change in Net Assets From Operations	(292,688)	(608,005)	4,350	(896,343)
Other Changes				
Unrealized and realized gains (losses) on investments and beneficial interest in assets held by others	(293,819)	19,932	-	(273,887)
Pension expense in excess of net periodic pension cost	<u>(165,042)</u>	<u>-</u>	<u>-</u>	<u>(165,042)</u>
CHANGE IN NET ASSETS	(751,549)	(588,073)	4,350	(1,335,272)
Net Assets at Beginning of Year	<u>16,641,559</u>	<u>4,335,173</u>	<u>727,654</u>	<u>21,704,386</u>
Net Assets at End of Year	<u>\$ 15,890,010</u>	<u>\$ 3,747,100</u>	<u>\$ 732,004</u>	<u>\$ 20,369,114</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Gross contributions - current campaign	\$ 16,778,558	\$ -	\$ -	\$ 16,778,558
Overpayments on prior campaigns	145,756	-	-	145,756
Designations from other United Way agencies	117,631	-	-	117,631
Less amount recognized from prior year	(25,000)	-	-	(25,000)
Less donor designations	(2,978,684)	-	-	(2,978,684)
Contributions received for future campaigns	-	339,505	-	339,505
Less provision for uncollectible pledges	<u>(1,025,477)</u>	<u>-</u>	<u>-</u>	<u>(1,025,477)</u>
Net Campaign	13,012,784	339,505	-	13,352,289
Other gifts and grants, net	-	3,915,335	9,071	3,924,406
Investment income, net	160,724	7,919	-	168,643
Administrative fees	329,169	-	-	329,169
Other revenue	24,014	-	-	24,014
Net assets released from restrictions	<u>3,088,178</u>	<u>(3,088,178)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>16,614,869</u>	<u>1,174,581</u>	<u>9,071</u>	<u>17,798,521</u>
EXPENSES				
Program services	13,989,110	-	-	13,989,110
Management and general	1,493,681	-	-	1,493,681
Fundraising	<u>976,439</u>	<u>-</u>	<u>-</u>	<u>976,439</u>
Total Expenses	<u>16,459,230</u>	<u>-</u>	<u>-</u>	<u>16,459,230</u>
Change in Net Assets From Operations	155,639	1,174,581	9,071	1,339,291
Other Changes				
Unrealized and realized gains on investments and beneficial interest in assets held by others	1,160,671	156,254	-	1,316,925
Pension gains in excess of net periodic pension cost	<u>408,510</u>	<u>-</u>	<u>-</u>	<u>408,510</u>
CHANGE IN NET ASSETS	1,724,820	1,330,835	9,071	3,064,726
Net Assets at Beginning of Year	<u>14,916,739</u>	<u>3,004,338</u>	<u>718,583</u>	<u>18,639,660</u>
Net Assets at End of Year	<u>\$ 16,641,559</u>	<u>\$ 4,335,173</u>	<u>\$ 727,654</u>	<u>\$ 21,704,386</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 714,413	\$ 846,716	\$ 459,979	\$ 2,021,108
Payroll taxes	50,641	57,631	34,501	142,773
Employee benefits	<u>160,371</u>	<u>184,125</u>	<u>93,403</u>	<u>437,899</u>
<u>Total Salaries and Related Expenses</u>	925,425	1,088,472	587,883	2,601,780
Allocations and grants	11,215,314	-	-	11,215,314
Program expenses	2,445,697	-	-	2,445,697
Professional fees and contract services	40,724	170,989	1,028	212,741
Supplies	130,149	76,703	66,135	272,987
Telephone	10,574	6,792	7,306	24,672
Postage and shipping	37	8,719	6,522	15,278
Travel	28,029	14,301	14,605	56,935
Meetings	816	3,216	4,308	8,340
Subscriptions and professional dues	694	8,811	456	9,961
Professional development and education	13,199	100	2,520	15,819
Personnel recruitment and relocation	2,069	1,600	3,045	6,714
Equipment rental and maintenance	-	35,652	-	35,652
Occupancy	80,394	72,293	29,720	182,407
Depreciation	-	79,700	-	79,700
United Way dues	-	225,148	-	225,148
Miscellaneous	<u>11,488</u>	<u>11,238</u>	<u>163</u>	<u>22,889</u>
 <u>TOTAL EXPENSES</u>	 <u>\$ 14,904,609</u>	 <u>\$ 1,803,734</u>	 <u>\$ 723,691</u>	 <u>\$ 17,432,034</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 630,116	\$ 709,284	\$ 625,897	\$ 1,965,297
Payroll taxes	34,495	52,557	44,909	131,961
Employee benefits	<u>355,304</u>	<u>17,851</u>	<u>142,807</u>	<u>515,962</u>
<u>Total Salaries and Related Expenses</u>	1,019,915	779,692	813,613	2,613,220
Allocations and grants	11,549,011	-	-	11,549,011
Program expenses	1,112,901	-	-	1,112,901
Professional fees and contract services	72,525	178,517	240	251,282
Supplies	65,509	58,890	42,424	166,823
Telephone	7,589	13,414	13,313	34,316
Postage and shipping	1,890	6,570	7,433	15,893
Printing and publications	-	1,566	-	1,566
Travel	50,700	14,741	13,225	78,666
Meetings	1,613	2,307	14,382	18,302
Subscriptions and professional dues	725	7,058	525	8,308
Professional development and education	4,430	7,969	19	12,418
Personnel recruitment and relocation	605	2,854	1,620	5,079
Equipment rental and maintenance	10,691	13,374	8,038	32,103
Occupancy	49,268	89,830	61,403	200,501
Depreciation	-	82,343	-	82,343
United Way dues	-	224,849	-	224,849
Miscellaneous	<u>41,738</u>	<u>9,707</u>	<u>204</u>	<u>51,649</u>
<u>TOTAL EXPENSES</u>	<u>\$ 13,989,110</u>	<u>\$ 1,493,681</u>	<u>\$ 976,439</u>	<u>\$ 16,459,230</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (1,335,272)	\$ 3,064,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	79,700	82,343
Discount amortization	(53,000)	-
Gain on disposal of assets	(1,976)	-
Discount on contribution receivable from split-interest agreement	-	367,000
Unrealized and realized (gains) losses on investments	312,289	(1,244,975)
Unrealized and realized gains on beneficial interest in assets held by others	(38,402)	(71,950)
Provision for uncollectible pledges	757,804	1,025,477
(Increase) decrease in operating assets:		
Pledges receivable	(1,088,968)	(275,764)
Other receivables	396,337	(55,707)
Contribution receivable from split-interest agreement	200,000	(2,300,000)
Other assets	(1,535)	(18,336)
Increase (decrease) in operating liabilities:		
Designations to agencies and other United Ways	8,026	106,897
Accrued expenses and other liabilities	472,149	(274,028)
Contributions restricted for long-term purposes	(4,350)	(9,071)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>(297,198)</u>	<u>396,612</u>
INVESTING ACTIVITIES		
Sale of investments	316,834	2,264,685
Purchases of investments	(444,479)	(1,764,753)
Capital expenditures	(13,682)	(16,855)
Beneficial interest in assets held by others		
Contributions	(4,350)	(9,071)
Reinvested earnings, net	5,162	4,055
Distributions	6,000	10,000
<u>Net Cash Provided by (Used by) Investing Activities</u>	<u>(134,515)</u>	<u>488,061</u>
FINANCING ACTIVITIES		
Principal payments on debt	(2,326)	(5,427)
Contributions restricted for long-term purposes	4,350	9,071
<u>Net Cash Provided by Financing Activities</u>	<u>2,024</u>	<u>3,644</u>
Change in Cash and Cash Equivalents	(429,689)	888,317
Cash and Cash Equivalents at Beginning of Year	<u>3,183,706</u>	<u>2,295,389</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,754,017</u>	<u>\$ 3,183,706</u>

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

United Way of Forsyth County, Inc. ("United Way") is a not-for-profit corporation organized under the laws of the State of North Carolina. Its purpose is to increase the organized capacity of people to care for one another. It accomplishes this purpose by providing the best possible support for local human services through its member agencies, by directing resources toward root causes of human problems, and by being inclusive of all citizens of the community.

The United Way conducts annual campaigns primarily to raise support for allocations to member agencies, program services, and general operating expenses. Donors may designate their pledges among several focus areas, agencies, or geographic locations of their choice.

In 2005, the United Way of Forsyth County Foundation (the "Foundation") was formed for the purposes of providing a resource for funds for areas of need within the community that have been identified by United Way and other charitable organizations as areas of high priority. This Foundation will also carry out fundraising activities with an emphasis on bequests and planned giving. The United Way controls the Foundation by voting for the majority of its board members. Therefore, the United Way and the Foundation are consolidated.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements include the accounts of the United Way and the United Way of Forsyth County Foundation. All significant intercompany transactions have been eliminated.

Basis of Presentation

The United Way presents its net assets and its support and revenue based upon the absence or existence of donor-imposed restrictions as follows:

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 in perpetuity. United Way may expend part or all of the income earned according to donor stipulations.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or purpose was satisfied) are reported as net assets released from restrictions.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period the commitment is made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions upon which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. United Way reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated.

Allowance for Uncollectible Accounts

United Way estimates its allowance for doubtful pledges receivable based on a combination of factors including historical loss experience, current economic conditions, and management's knowledge of the composition of pledges receivable. Campaign pledge contributions are generally paid within one year.

Cash and Cash Equivalents

United Way considers all demand deposits at financial institutions and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Those accounts may exceed federal insurance limits from time to time. United Way has not experienced any losses on such deposits, and does not believe the organization is exposed to a significant risk of loss.

Property and Equipment

Furniture and equipment are recorded at cost, if purchased, and at estimated fair value at the date of receipt, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. In accordance with United Way's policy, property and equipment are included in unrestricted net assets. The United Way capitalizes expenditures for such items in excess of \$1,000. Lesser amounts are expensed.

Investments

United Way accounts for its investments in marketable securities with readily determinable fair values at their fair values in the consolidated statements of financial position. Investment income and realized and unrealized gains and losses are included in the change in net assets in the consolidated statements of activities. Expenses relating to investment income, including custodial fees and investment advisory fees, have been netted against investment income.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowments

Beneficial Interest in Assets Held by Others

The United Way has established trust arrangements with the Winston-Salem Foundation (the "Foundation"), the purpose of which is to provide permanent endowments to support the future needs of the United Way. Donor contributions have been irrevocably transferred to the Foundation, who will invest the funds and make quarterly earnings distributions, to the United Way or accumulated income funds within the endowments, in amounts determined by the Foundation. The United Way has granted the Foundation variance power, the unilateral power to redirect the use of the assets, but has retained a right to the assets by specifying itself as the beneficiary. Pursuant to GAAP, these endowments have been recognized as beneficial interest in assets held by others in the accompanying consolidated statements of financial position at the current market value of the underlying investments held by the Foundation, which amounted to \$543,795 and \$512,205 for the years ended June 30, 2015 and 2014, respectively.

The endowment funds administered by the Winston-Salem Foundation are as follows:

The Voluntary Action Center Training Endowment

This endowment was established during 1986 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to aid and support the training programs of the Voluntary Action Center of Forsyth County, Inc. ("VAC"), whose programs are conducted under the auspices of United Way. Under the terms of the trust agreement, VAC and the Foundation Committee may agree to distribute principal of the trust as long as the remaining fair value of the principal does not fall below \$35,000. Fair value of the endowment assets was \$48,070 and \$45,135 for the years ended June 30, 2015 and 2014, respectively.

The United Way Joel A. Weston, Jr. Memorial Endowment

This endowment was established during 1988 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to fund an award for excellence in nonprofit management, dedicated to the memory of Joel A. Weston, Jr., who served as chairman of United Way's Board of Directors from 1980-1982. Under the terms of the agreement, net income from the endowment may be used to fund the award. Fair value of the endowment assets was \$267,426 and \$246,850 for the years ended June 30, 2015 and 2014, respectively.

The United Way Caring Shares Endowment

This endowment was established during 1989 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to provide funds for the welfare of the community as deemed necessary by the Board of Directors of United Way. Under the terms of the trust agreement, net income from the endowment may be used to provide funds for the welfare of the community. Fair value of the endowment assets was \$228,299 and \$220,220 for the years ended June 30, 2015 and 2014, respectively.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowments (Continued)

The Board of Directors of the United Way has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gifts 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 United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the United Way in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the United Way 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 donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the United Way, and (7) the United Way's investment policies.

Funds with Deficiencies. From time to time, the fair value of the assets associated with the donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the United Way to retain as funds of perpetual duration. In accordance with GAAP, deficiencies of this nature are first offset by any accumulated temporarily restricted net assets from the fund, with any remaining deficiency offsetting unrestricted net assets. There were no endowment fund deficiencies as of June 30, 2015 or 2014.

Investment Return Objectives, Risk Parameters and Strategies. Based on the nature of the endowments, the investment of the funds is determined by the Foundation rather than the United Way. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to provide the United Way income while growing the funds if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed by the Foundation.

Spending Policy. The Foundation makes quarterly distributions to the United Way or accumulated income funds within the endowments. Distribution amounts are determined by Foundation policy. The decision to receive distributions or accumulate in income funds within the endowments is determined by the United Way's management consistent with the previously discussed standards of prudence prescribed by UPMIFA. Amounts distributed by the funds are temporarily restricted for various purposes discussed above. In absence of any donor restrictions on endowment earnings, the United Way, consistent with UPMIFA and GAAP, would still have to reflect all investment income and changes in value of perpetual funds as temporarily restricted net assets until appropriated for expenditure by the Board of Directors (unless there is a fund deficiency as discussed above).

Other Endowments

Other endowments consist of a \$500,000 gift from a donor which the United Way will use earnings to satisfy the donor's annual campaign pledge. The intent of the donor was that the gift be invested in perpetuity.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. See Note M for assets and liabilities of United Way measured at fair value on a recurring basis.

Allocations

Allocations result from contributions by donors that are not specifically directed to individual organizations and agencies. These funds are allocated for distribution to various member agencies and programs based on need and other criteria deemed appropriate by the Board of Directors.

Designations

Designations result from contributions by donors that are specifically directed to organizations and agencies. These funds are distributed to the organizations net of an administrative fee.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of United Way.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

United Way has evaluated its subsequent events (events occurring after June 30, 2015) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the consolidated financial statements.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

United Way and the Foundation are not-for-profit organizations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes.

United Way's and the Foundation's primary tax positions relate to their status as not-for-profit entities exempt from income taxes and classification of activities related to their exempt purposes. It is the opinion of management that United Way and the Foundation have no uncertain tax positions that would be subject to change upon examination.

United Way and the Foundation are required to file federal exempt organization tax returns (Form 990) annually to retain the exempt status. United Way and the Foundation are also required to file exempt organization business income tax returns (Form 990-T) for any year gross unrelated business income exceeds \$1,000. United Way's and the Foundation's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE C: PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Campaign pledges receivable	\$ 8,940,566	\$ 7,717,271
Less allowance for uncollectible pledges	<u>(1,783,367)</u>	<u>(891,236)</u>
	<u>\$ 7,157,199</u>	<u>\$ 6,826,035</u>

Pledges receivable are expected to be collected within one year.

NOTE D: CHARITABLE LEAD TRUST SPLIT-INTEREST AGREEMENT

During the year ended June 30, 2014, a donor established a Charitable Lead Annuity Trust with a third party naming the United Way as a beneficiary. Under terms of the split interest agreement, the United Way is to receive an annual distribution from the trust for 20 years. The receivable for the split-interest agreement is carried at fair value, which the United Way has estimated based on the present value of its expected future cash flows. Based on the life of the trust and a 3.08% discount rate, the fair value of the United Way's contribution receivable from the split-interest agreement was \$1,786,000 and \$1,933,000 at June 30, 2015 and 2014, respectively. On an annual basis, the United Way will revalue the contribution receivable based on the remaining life of the trust and current market conditions.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E: INVESTMENTS

Investments, stated at fair value, consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Money market and short-term reserve funds	\$ 29,262	\$ 87,687
Mutual funds	<u>7,994,627</u>	<u>8,120,997</u>
	<u>\$ 8,023,889</u>	<u>\$ 8,208,684</u>

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,782,000	\$ 1,782,000
Buildings	1,972,531	1,972,531
Building improvements	106,000	106,000
Computer hardware	95,765	92,978
Computer equipment	42,231	31,336
Software	58,771	58,771
Automobile	-	27,352
Furniture	10,998	10,998
Equipment	<u>7,572</u>	<u>7,572</u>
	4,075,868	4,089,538
Less: accumulated depreciation	<u>(443,845)</u>	<u>(383,291)</u>
	<u>\$ 3,632,023</u>	<u>\$ 3,706,247</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$79,700 and \$82,343, respectively.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G: ENDOWMENTS

Endowment net assets composition by type as of June 30, 2015 and 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2015</u>				
Donor-restricted endowment funds				
Beneficial interest in assets held by others	\$ -	\$ 311,791	\$ 232,004	\$ 543,795
Cash and cash equivalents	-	22,370	-	22,370
Investments	-	53,870	500,000	553,870
	<u>\$ -</u>	<u>\$ 388,031</u>	<u>\$ 732,004</u>	<u>\$ 1,120,035</u>
<u>2014</u>				
Donor-restricted endowment funds				
Beneficial interest in assets held by others	\$ -	\$ 284,551	\$ 227,654	\$ 512,205
Cash and cash equivalents	-	47,676	-	47,676
Investments	-	58,454	500,000	558,454
	<u>\$ -</u>	<u>\$ 390,681</u>	<u>\$ 727,654</u>	<u>\$ 1,118,335</u>

Changes in endowment net assets during the years ended June 30, 2015 and 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2015</u>				
Endowment net assets, beginning of year	\$ -	\$ 390,681	\$ 727,654	\$ 1,118,335
Contributions	-	-	4,350	4,350
Interest and dividend income, net	-	12,298	-	12,298
Realized and unrealized gains	-	19,932	-	19,932
Amounts appropriated for expenditure	-	(34,880)	-	(34,880)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 388,031</u>	<u>\$ 732,004</u>	<u>\$ 1,120,035</u>
<u>2014</u>				
Endowment net assets, beginning of year	\$ -	\$ 263,132	\$ 718,583	\$ 981,715
Contributions	-	-	9,071	9,071
Interest and dividend income, net	-	7,768	-	7,768
Realized and unrealized gains	-	156,254	-	156,254
Amounts appropriated for expenditure	-	(36,473)	-	(36,473)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 390,681</u>	<u>\$ 727,654</u>	<u>\$ 1,118,335</u>

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H: RETIREMENT PLANS

Defined Benefit Plan

United Way has a noncontributory defined benefit retirement plan covering substantially all employees who were with the Organization prior to the plan curtailment in 2009. The plan provides defined benefits based on years of service and final average compensation. Contributions to the plan are based upon the aggregate cost method and comply with the funding requirements of the Employee Retirement Income Security Act. United Way's general policy is to fund pension costs accrued. United Way uses a June 30 measurement date to measure amounts related to its defined benefit retirement plan.

The following sets forth the funded status of the retirement plan and the amounts recognized in United Way's consolidated financial statements as of and for the years ended June 30, 2015 and 2014.

Obligation and Funded Status

	<u>2015</u>	<u>2014</u>
Fair value of plan assets	\$ 3,138,199	\$ 3,181,435
Projected benefit obligation	<u>(4,084,676)</u>	<u>(4,069,205)</u>
Funded status (plan assets less benefit obligation)	<u>\$ (946,477)</u>	<u>\$ (887,770)</u>
Amounts recognized on consolidated statements of financial position as accrued pension cost (liability for pension benefits)	<u>\$ (946,477)</u>	<u>\$ (887,770)</u>
Items not yet recognized as a component of net periodic pension cost:		
Net loss	\$ 967,546	\$ 802,504
Prior service cost	-	-
Pension loss and prior service cost	<u>\$ 967,546</u>	<u>\$ 802,504</u>
Net periodic pension cost recognized in expense	<u>\$ 43,665</u>	<u>\$ 79,728</u>
Accumulated benefit obligation at end of year	<u>\$ 4,084,676</u>	<u>\$ 4,069,205</u>

Assumptions

Weighted-average assumptions used in computing ending obligations:

Discount rate	4.1%	4.0%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used in computing net periodic pension cost:

Discount rate	4.0%	4.0%
Rate of compensation increase	N/A	N/A
Expected long-term rate of return on plan assets	6.0%	7.5%

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H: RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (continued)

Reconciliation of items not yet reflected in net periodic pension cost:

	<u>July 1, 2014</u>	<u>Reclassified as Net Periodic Pension Cost</u>	<u>Amounts Arising During Period</u>	<u>June 30, 2015</u>
Net (gain) or loss	\$ 802,504	\$ (54,752)	\$ 219,794	\$ 967,546

The estimated net loss and prior service costs for the defined benefit pension plan that will be recognized as net periodic benefit cost during the next fiscal year are \$82,217.

The expected long-term rate of return on plan assets assumption of 6.0% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 — Selection of Economic Assumption for Measuring Pension Obligations. Based on United Way’s investment allocation for the retirement plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 3.25% was selected and added to the real rate of return range to arrive at a best estimate range at June 30, 2015 and 2014 of 5.14% - 11.04% and 6.78% - 9.57%, respectively. A rate of 6.0%, which is within the best estimate range, was selected.

Plan Assets by Category as of June 30, 2015

Equity securities	\$ 2,698,000	86.0%
Fixed income securities	<u>440,199</u>	<u>14.0%</u>
	<u>\$ 3,138,199</u>	<u>100.0%</u>

Plan Assets by Category as of June 30, 2014

General Account	\$ 114,976	3.6%
Equity securities	2,508,960	78.9%
Fixed income securities	<u>557,499</u>	<u>17.5%</u>
	<u>\$ 3,181,435</u>	<u>100.0%</u>

United Way’s investment policy is that investment funds will be selected and blended in such a way so as to increase the probability of an enhanced return and reduced risk (volatility). The parameters for the asset mix will be a high of 90% equities/10% bonds and a low of 75% equities/25% bonds. The target mix will be 85% equities and 15% bonds.

To reduce risk, investments may be made on a global basis with emphasis on large, established corporations, many of which have a demonstrated record of dividend payments. Bonds included in the portfolio will be investment grade quality only and weighted in accordance with interest rate levels and inflationary expectations. The investment portfolio is constantly monitored, with a view toward changing market and economic conditions, to ensure that asset class weightings offer the opportunity for above average return.

The strategy employed, the asset mix of the portfolio, and its return are constantly monitored by the Finance and Administration Committee and reported to the Board. The Committee makes a quarterly report to the Board on the status of plan investments, including the asset mix.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H: RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (continued)

Cash Flows for the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Employer contribution	\$ 150,000	\$ 187,500
Pension benefits paid	290,402	136,551

United Way expects to contribute \$150,000 to the plan in the year ended June 30, 2016.

The following benefit payments are expected to be paid:

2016	\$ 201,000
2017	201,000
2018	201,000
2019	227,000
2020	227,000
2021-2025	1,160,000

Plan Curtailment

In November 2006, the Board of Directors approved a curtailment of the plan, which froze benefit accruals as of December 31, 2009.

Defined Contribution Plan

United Way also sponsors a defined contribution plan under which all employees are eligible to participate after completion of minimum service requirements. Employees may defer a portion of their compensation pursuant to Section 401(k) of the Internal Revenue Code. United Way matches 100% of each employee's contribution up to a maximum of 3% of eligible compensation. Additionally, United Way makes a profit sharing contribution equal to 7% of each eligible employee's compensation. United Way contributed \$181,642 and \$187,603 to the plan for the years ended June 30, 2015 and 2014, respectively.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I: NOTE PAYABLE

United Way had a note payable to a financial institution bearing interest at 4%. Payments on the note were \$504 per month, including principal and interest through August 2016. The outstanding balance at June 30, 2014 was \$12,508. The note was paid off during fiscal year 2015.

NOTE J: RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Time restrictions		
Net campaign contributions received for future periods	\$ 444,625	\$ 339,505
Unappropriated endowment earnings	388,031	390,681
Split-interest agreement	1,786,000	1,933,000
Purpose restrictions		
Community services provided by United Way	<u>1,128,444</u>	<u>1,671,987</u>
	<u>\$ 3,747,100</u>	<u>\$ 4,335,173</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of beneficial interest in assets held by others and certain investments.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K: COMMITMENTS AND CONTINGENCIES

United Way leases office space and various office equipment under noncancelable operating lease agreements expiring through June 2020. Future minimum lease payments under these leases are as follows:

<u>Year Ended June 30,</u>	
2016	\$ 161,348
2017	161,348
2018	159,421
2019	8,911
2020	<u>7,797</u>
	<u>\$ 498,825</u>

Rent expense under these leases for the years ended June 30, 2015 and 2014 was \$148,770 and \$159,584, respectively.

Annual campaigns are conducted from September to December, principally to raise support for allocations to member agencies, program services, and general operating expenses. On June 30, 2015, the Board of Directors authorized commitments of \$3,812,985 for allocations to member agencies for the period beginning July 1, 2015 through December 31, 2015. To the extent that these commitments exceed unrestricted and temporarily restricted net assets at June 30, 2015, meeting them is contingent upon the results of the campaign conducted in the fall of 2015.

Restricted grants require the fulfillment of certain conditions specified by the donors. Failure to fulfill the conditions could result in the return of funds to the donors. While that is a possibility, management considers the contingency remote since, by accepting the gifts and grants and their terms, management has accommodated the objectives of United Way to the donor's restrictions.

NOTE L: CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the United Way to concentrations of credit and market risk consist primarily of cash, cash equivalents, and investments.

The United Way maintains its deposited cash balances with two financial institutions. United Way investments, which are maintained in three separate accounts, are held by two brokerage houses. United Way has not experienced any losses on these accounts.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M: FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the United Way 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 a 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's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used by United Way for assets and liabilities measured at fair value:

- **Investments:** Valued at the closing price reported on the active markets on which the individual securities are traded.
- **Contributions Receivable from Split-Interest Agreements:** Valued by calculating the present value of the future distributions expected to be received, using published life expectancy tables and a discount rate of 3.08% (Level 3).
- **Beneficial Interest In Assets Held By Others:** Equities and fixed income funds within the Winston-Salem Foundation (the Foundation) endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded. Although the measurement is based on the unadjusted fair value of trust assets reported by the Foundation, United Way has irrevocably assigned the monies to the Foundation and is only able redeem accumulated income that the Foundation has transferred to the grantable funds account within the endowment. Therefore, United Way considers the measurement of its beneficial interest in assets held by others to be a Level 3 measurement within the fair value hierarchy.
- **Pension Plan Investments:** Valued at the closing price reported on the active markets on which the equity and fixed income securities are traded.
- **Pension Projected Benefit Obligation:** Based upon actuarial assumptions by Mutual of America. The assumptions include a discount rate of 4.1% at June 30, 2015 and 4.0% at June 30, 2014, and further assumptions for retirement age, mortality rates, employee withdrawal rates, social security wage base changes, and post-retirement expense loading charges.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M: FAIR VALUE MEASUREMENTS (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the United Way 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 United Way's assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014:

	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investments								
Money Market and Short-Term Reserve Funds	\$ 29,262	\$ -	\$ -	\$ 29,262	\$ 87,687	\$ -	\$ -	\$ 87,687
Bond Funds								
Inflation protected	289,705	-	-	289,705	306,123	-	-	306,123
Fixed income	1,065,901	-	-	1,065,901	1,103,172	-	-	1,103,172
Short term	663,505	-	-	663,505	653,459	-	-	653,459
Total Bond Funds	2,019,111	-	-	2,019,111	2,062,754	-	-	2,062,754
Equity Funds								
Large growth	892,821	-	-	892,821	844,485	-	-	844,485
Large blend	737,830	-	-	737,830	696,579	-	-	696,579
Mid-cap value	755,858	-	-	755,858	715,991	-	-	715,991
Small value	786,057	-	-	786,057	752,488	-	-	752,488
Energy	245,535	-	-	245,535	357,811	-	-	357,811
Natural resources	579,984	-	-	579,984	606,964	-	-	606,964
Precious metals	39,200	-	-	39,200	48,071	-	-	48,071
Total Equity Funds	4,037,285	-	-	4,037,285	4,022,389	-	-	4,022,389
Foreign Funds								
Emerging markets	527,826	-	-	527,826	547,224	-	-	547,224
Value funds	712,138	-	-	712,138	757,778	-	-	757,778
Large blend	698,267	-	-	698,267	730,852	-	-	730,852
Total Foreign Funds	1,938,231	-	-	1,938,231	2,035,854	-	-	2,035,854
Total Investments	8,023,889	-	-	8,023,889	8,208,684	-	-	8,208,684
Contribution Receivable from Split-Interest Agreement	-	-	1,786,000	1,786,000	-	-	1,933,000	1,933,000
Beneficial Interest in Assets Held by Others	-	-	543,795	543,795	-	-	512,205	512,205
Pension Plan Investments								
Equity securities	2,698,000	-	-	2,698,000	2,508,960	-	-	2,508,960
Fixed income securities	440,199	-	-	440,199	557,499	-	-	557,499
General Account	-	-	-	-	114,976	-	-	114,976
Total Pension Plan Investments	3,138,199	-	-	3,138,199	3,181,435	-	-	3,181,435
Total assets at fair value	\$ 11,162,088	\$ -	\$ 2,329,795	\$ 13,491,883	\$ 11,390,119	\$ -	\$ 2,445,205	\$ 13,835,324
Liabilities:								
Pension Projected Benefit Obligation	\$ -	\$ -	\$ 4,084,676	\$ 4,084,676	\$ -	\$ -	\$ 4,069,205	\$ 4,069,205

Pension plan assets are netted with pension liabilities on the consolidated statements of financial position.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M: FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below set forth a summary of changes in the fair value of the United Way's level 3 assets and liabilities for the years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets:		
Balance, beginning of year	\$ 2,445,205	\$ 445,240
Additions	4,350	2,309,070
Receipts from split interest agreement	(200,000)	-
Discount on split-interest agreement	-	(367,000)
Discount amortization	53,000	-
Unrealized and realized gains	38,402	71,950
Interest and dividend income, net	(5,162)	(4,055)
Distributions	<u>(6,000)</u>	<u>(10,000)</u>
 Balance, end of year	 <u>\$ 2,329,795</u>	 <u>\$ 2,445,205</u>
Liabilities:		
Balance, beginning of year	\$ 4,069,205	\$ 4,039,163
Service and interest cost	177,290	173,649
Increase due to assumption change	103,992	46,703
Actuarial (gain)/loss	34,979	(29,645)
Expense charges	(10,388)	(24,114)
Benefits disbursed	<u>(290,402)</u>	<u>(136,551)</u>
 Balance, end of year	 <u>\$ 4,084,676</u>	 <u>\$ 4,069,205</u>

NOTE N: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosure of cash flow information as of June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Cash Paid During the Year:		
Interest	<u>\$ 166</u>	<u>\$ 627</u>
Noncash Financing Activities:		
Principal payments on note payable made directly by outside party	<u>\$ 10,182</u>	<u>\$ -</u>

NOTE O: PRIOR PERIOD ADJUSTMENTS

Certain errors resulting in the misstatement of previously reported assets, temporarily restricted net assets, and support and revenue were discovered during the current year. Accordingly, an adjustment was made to increase support and revenue and temporarily restricted net assets at June 30, 2014. The effect of the adjustment was a \$90,000 increase in assets, temporarily restricted net assets, and support and revenue as of and for the year ending June 30, 2014.

UNITED WAY OF FORSYTH COUNTY, INC.
SCHEDULE OF FEDERAL AWARDS
For The Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Veteran Affairs:		
Direct Program- Supportive Services for Veteran Families	64.033	\$ 1,009,278
<u>Total U.S. Department of Veteran Affairs</u>		<u>1,009,278</u>
U.S. Department of Housing and Urban Development:		
Pass-through from N.C. Department of Health and Human Services and City of Winston-Salem - Emergency Shelter Grants Program	14.231	181,967
Pass-through from City of Winston-Salem - Continuum of Care Program- Community Intake Center	14.267	57,656
Pass-through from City of Winston-Salem - Continuum of Care Program- Rapid Rehousing Collaborative	14.267	294,518
Pass-through from City of Winston-Salem - Community Development Block Grant- Ten Year Plan to End Chronic Homelessness	14.218	20,750
<u>Total U.S. Department of Housing and Urban Development</u>		<u>554,891</u>
U.S. Department Health and Human Services:		
Administration for Children and Families Office of Community Services Assets for Independence Demonstration Program (IDA)	93.602	22,150
Centers for Medicare and Medicaid Services sub-recipient to MDC, Inc. Navigators in Federally-facilitated and State Partnership Exchanges	93.750	37,749
<u>Total U.S. Department of Health and Human Services</u>		<u>59,899</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 1,624,068</u>

NOTE A: BASIS OF PRESENTATION

This schedule of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Board of Directors
United Way of Forsyth County, Inc.
Winston-Salem, North Carolina

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Forsyth County, Inc. ("United Way"), which comprise the statement of financial position as of June 30, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [DATE].

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way's internal control. Accordingly, we do not express an opinion on the effectiveness of United Way's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winston-Salem, North Carolina

[DATE]

Board of Directors
United Way of Forsyth County, Inc.
Winston-Salem, North Carolina

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited United Way of Forsyth County, Inc.'s ("United Way") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of United Way's major federal programs for the year ended June 30, 2015. United Way's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of United Way's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Way's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on United Way's compliance.

Opinion on Each Major Federal Program

In our opinion, United Way of Forsyth County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of United Way is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Way's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. ***A material weakness in internal control over compliance*** is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. ***A significant deficiency in internal control over compliance*** is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winston-Salem, North Carolina

[DATE]

UNITED WAY OF FORSYTH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of United Way of Forsyth County, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of non-compliance material to the financial statements of United Way of Forsyth County, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for each major federal award program for United Way of Forsyth County, Inc. expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program for United Way of Forsyth County, Inc.
7. The program tested as a major program was: Supportive Services for Veteran Families CFDA#64.033
8. The threshold for distinguishing types A and B programs was \$300,000.
9. United Way of Forsyth County, Inc. did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

UNITED WAY OF FORSYTH COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015

2014-001 – Filing of Data Collection Form and Reporting Package

Condition: The June 30, 2013 data collection form for United Way was not filed within the time period required by OMB Circular A-133.

Criteria: OMB Circular A-133 Section .220 requires that non-federal entities that expend \$500,000 or more in a year in federal awards shall have a single audit conducted and section .320 requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditors' report or nine months after the end of the audit period.

Cause: Internal controls were not properly designed, executed and monitored to ensure a timely submission of the data collection form.

Current Status: Controls are now in place to ensure timely filing of required reports.