

UNITED WAY OF SOUTHEAST ALASKA

Financial Statements
(with Independent Auditor's Report Thereon)

Years Ended August 31, 2016 and 2015

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UNITED WAY OF SOUTHEAST ALASKA

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-13

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Independent Auditor's Report

Members of the Board of Directors
United Way of Southeast Alaska
Juneau, Alaska

We have audited the accompanying financial statements of United Way of Southeast Alaska (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Members of the Board of Directors
United Way of Southeast Alaska

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Southeast Alaska, as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that United Way of Southeast Alaska will continue as a going concern. As discussed in Note VIII to the financial statements, United Way of Southeast Alaska has suffered recurring significant reductions in campaign revenues and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note VIII. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Altman, Rogers & Co.".

Anchorage, Alaska
December 19, 2016

UNITED WAY OF SOUTHEAST ALASKA

Statements of Financial Position

August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 9,026	29,923
Certificates of deposit	82,722	112,985
Pledges receivable	123,599	141,527
Other receivable	44	44
Prepaid expenses	3,355	3,775
Total current assets	<u>218,746</u>	<u>288,254</u>
Non-current:		
Equipment, net of accumulated depreciation of \$7,985 in 2016 and \$7,942 in 2015	<u>-</u>	<u>43</u>
Total assets	<u><u>218,746</u></u>	<u><u>288,297</u></u>
Liabilities:		
Cash overdraft	-	10,763
Accounts payable	20,073	8,777
Designations payable	110,168	125,599
Accrued payroll	12,884	13,040
Deferred revenue	500	500
Total liabilities	<u>143,625</u>	<u>158,679</u>
Net assets:		
Temporarily restricted:		
Literacy Program	36,841	28,982
Disabilities Awareness and Empathy Training	1,956	1,393
Financial Literacy	1,674	5,000
Diversity program	-	5,000
Total temporarily restricted net assets	<u>40,471</u>	<u>40,375</u>
Unrestricted:		
Designated for:		
Property and equipment	-	43
Community impact	-	26,166
Undesignated	34,650	63,034
Total unrestricted net assets	<u>34,650</u>	<u>89,243</u>
Total net assets	<u>75,121</u>	<u>129,618</u>
Total liabilities and net assets	<u>\$ <u>218,746</u></u>	<u><u>288,297</u></u>

See accompanying notes to financial statements.

UNITED WAY OF SOUTHEAST ALASKA

Statements of Activities

Years ended August 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support:						
SHARE campaign	\$ 84,391	-	84,391	82,643	-	82,643
Private campaign	258,514	-	258,514	274,843	-	274,843
Combined federal campaign	32,048	-	32,048	32,969	-	32,969
Total campaign results	374,953	-	374,953	390,455	-	390,455
Less:						
Donor designations	(182,988)	-	(182,988)	(198,924)	-	(198,924)
Provision for uncollectable campaign pledges expense	(2,354)	-	(2,354)	(643)	-	(643)
Net campaign results	189,611	-	189,611	190,888	-	190,888
Collections of prior year campaign contributions greater than amount anticipated	-	-	-	2,265	-	2,265
Non-campaign contributions	-	29,300	29,300	-	30,000	30,000
Miscellaneous income	8,347	-	8,347	12,498	-	12,498
In-kind contributions	62,234	-	62,234	28,789	-	28,789
Program tuition	19,024	-	19,024	43,714	-	43,714
Interest income	473	-	473	684	-	684
Net assets released from restriction	29,204	(29,204)	-	8,189	(8,189)	-
Total revenues and support	308,893	96	308,989	287,027	21,811	308,838
Expenses:						
Program services:						
Fund distributions	9,945	-	9,945	27,826	-	27,826
Community impact	94,044	-	94,044	91,758	-	91,758
Total program services	103,989	-	103,989	119,584	-	119,584
Supporting services:						
Management and general	134,636	-	134,636	145,547	-	145,547
Fundraising	124,861	-	124,861	73,875	-	73,875
Total supporting services	259,497	-	259,497	219,422	-	219,422
Total expenses	363,486	-	363,486	339,006	-	339,006
Change in net assets	(54,593)	96	(54,497)	(51,979)	21,811	(30,168)
Net assets at beginning of year	89,243	40,375	129,618	141,222	18,564	159,786
Net assets at end of year	\$ 34,650	40,471	75,121	89,243	40,375	129,618

See accompanying notes to financial statements.

UNITED WAY OF SOUTHEAST ALASKA

Statements of Functional Expenses

Years ended August 31, 2016 and 2015

		2016						
		Program Services			Supporting Services			
		Fund Distributions	Community Impact	Total	Management and General	Fundraising	Total	Total Program and Supporting Services
Expenses:								
Salaries and benefits	\$	-	28,778	28,778	75,571	23,365	98,936	127,714
Payroll taxes		-	2,589	2,589	8,709	2,104	10,813	13,402
Professional fees		9,945	17,248	27,193	25,303	5,668	30,971	58,164
Office rent		-	13,733	13,733	-	3,530	3,530	17,263
Telephone and Internet		-	-	-	4,467	-	4,467	4,467
Office supplies		-	598	598	3,771	3,150	6,921	7,519
Printing		-	2,533	2,533	-	8,828	8,828	11,361
Postage		-	12	12	383	3,919	4,302	4,314
Advertising		-	1,676	1,676	77	69,256	69,333	71,009
Fees and licenses		-	-	-	4,156	290	4,446	4,446
Bank fees		-	-	-	111	1,614	1,725	1,725
Insurance		-	-	-	3,241	-	3,241	3,241
Events and meetings		-	3,255	3,255	3,344	268	3,612	6,867
Training and development		-	1,135	1,135	931	25	956	2,091
SE travel		-	2,032	2,032	2,091	296	2,387	4,419
Technology operations		-	1,500	1,500	2,198	98	2,296	3,796
Depreciation		-	-	-	43	-	43	43
Recognition awards		-	18,955	18,955	240	2,450	2,690	21,645
Total expenses	\$	9,945	94,044	103,989	134,636	124,861	259,497	363,486

(continued)

UNITED WAY OF SOUTHEAST ALASKA

Statements of Functional Expenses, continued

2015							
	Program Services			Supporting Services			Total Program and Supporting Services
	Fund Distributions	Community Impact	Total	Management and General	Fundraising	Total	
Expenses:							
Salaries and benefits	\$ 14,581	8,868	23,449	71,376	30,323	101,699	125,148
Payroll taxes	1,266	732	1,998	12,874	2,669	15,543	17,541
Professional fees	11,127	21,527	32,654	20,567	2,328	22,895	55,549
Office rent	-	-	-	12,138	-	12,138	12,138
Telephone and Internet	-	-	-	3,137	-	3,137	3,137
Office supplies	-	527	527	3,297	1,342	4,639	5,166
Printing	-	289	289	16	12,360	12,376	12,665
Postage	-	-	-	601	455	1,056	1,056
Advertising	-	9,953	9,953	242	12,979	13,221	23,174
Community relations	-	30,273	30,273	822	-	822	31,095
Fees and licenses	-	-	-	4,576	250	4,826	4,826
Bank fees	-	-	-	159	1,959	2,118	2,118
Insurance	-	-	-	2,904	-	2,904	2,904
Events and meetings	628	19,180	19,808	4,454	860	5,314	25,122
Training and development	-	249	249	-	-	-	249
SE travel	224	30	254	6,023	-	6,023	6,277
Technology operations	-	-	-	735	-	735	735
Depreciation	-	-	-	575	-	575	575
Recognition awards	-	130	130	1,051	8,350	9,401	9,531
Total expenses	\$ <u>27,826</u>	<u>91,758</u>	<u>119,584</u>	<u>145,547</u>	<u>73,875</u>	<u>219,422</u>	<u>339,006</u>

See accompanying notes to financial statements.

UNITED WAY OF SOUTHEAST ALASKA

Statements of Cash Flows

Years Ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from (used) by operating activities:		
Change in net assets	\$ (54,497)	(30,168)
Adjustments to reconcile change in net assets to net cash flows provided (used) by operating activities:		
Depreciation	43	575
(Increase) decrease in:		
Pledges receivable	17,928	(13,032)
Prepaid expenses	420	6,585
(Increase) decrease in:		
Accounts payable	11,296	(19,529)
Designations payable	(15,431)	(4,156)
Accrued payroll	(156)	1,981
Deferred revenue	-	500
Net cash provided (used) by operating activities	<u>(40,397)</u>	<u>(57,244)</u>
Cash flows from (used) by investing activities:		
Purchase of certificates of deposit	<u>30,263</u>	<u>(610)</u>
Increase (decrease) in cash and cash equivalents	(10,134)	(57,854)
Cash and cash equivalents at beginning of year	<u>19,160</u>	<u>77,014</u>
Cash and cash equivalents at end of year	\$ <u><u>9,026</u></u>	<u><u>19,160</u></u>
Cash and cash equivalents are comprised of:		
Cash and cash equivalents	9,026	29,923
Cash overdraft	-	(10,763)
Total cash and cash equivalents	\$ <u><u>9,026</u></u>	<u><u>19,160</u></u>
Supplemental disclosures:		
Noncash transactions -		
In-kind contributions	\$ <u><u>62,234</u></u>	<u><u>28,789</u></u>

See accompanying notes to financial statements.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements

August 31, 2016 and 2015

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. General Organization and Purpose

United Way of Southeast Alaska (UWSEAK) was organized for the purpose of assessing on a continuing basis the need for health and social service programs; to seek solutions to human problems; to assist in the development of United Way member agencies; to promote preventive activities; and to foster cooperation among local, state, and national agencies serving the community. In fulfilling these purposes, UWSEAK receives and distributes both private and public pledges in accordance with the donor wishes through three different fundraising campaigns: the private campaign, SHARE (State of Alaska) Campaign, and the Combined Federal Campaign.

The private campaign is administered by United Way of Southeast Alaska who is responsible for managing the fundraising drives, and collecting and disbursing all moneys received from the annual campaigns. The SHARE campaign is administered by United Way of Anchorage but UWSEAK is responsible for disbursing all pledges per the donor's designation.

B. Basis of Accounting

United Way of Southeast Alaska's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, UWSEAK is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets represent the portion of net assets of UWSEAK that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represents the portion of net assets of UWSEAK whose use is limited by the donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of UWSEAK. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

Permanently restricted net assets represent the portion of net assets from contributions and grants whose use by UWSEAK is limited by the donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of UWSEAK.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, UWSEAK considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

E. Certificates of Deposit

UWSEAK classifies certificates of deposit with a maturity of greater than three months from year end as certificates of deposit.

F. Promises to Give and Donor Designations

Contributions from campaigns are recorded as revenue when United Way is notified in writing of an unconditional pledge. Donor designations are recognized as a receivable and a payable at the time the pledge is made to United Way and are not included in net campaign results.

Annual campaigns are predominantly conducted in the fall. The total results from the annual campaign are reduced by promises to give collected on behalf of others (donor designations) and by a provision for amounts promised but not paid (uncollectible promises to give).

Differences between amounts provided for uncollectible promises to give in each campaign and actual losses are an accounting adjustment in the year following the campaign.

G. Prepaid Expenses

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid expenses.

H. Equipment

Purchased equipment and software are recorded at cost and are depreciated on the straight-line method using useful lives ranging from 3 to 5 years. Acquisitions in excess of \$5,000 are capitalized.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

I. Designations Payable

Designations payable are based on designated amounts pledged during each of the annual campaigns. This is in accordance with the Code of Federal Regulations for the Combined Federal Campaign. Distributions to agencies are made on a quarterly basis, and are paid net of each agency's share of allocable campaign expenses. Combined Federal and Private Campaign expenses are allocated to each agency in proportion to their percentage of designated contributions.

SHARE campaign expenses are deducted by United Way of Anchorage before releasing the pledges to United Way of Southeast Alaska for distribution. Designations payable consist of current year end amounts due from the Fall 2015 and 2014 campaign pledges.

J. Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

K. Advertising

United Way expenses advertising costs as they are incurred. At August 31, 2016 and 2015 advertising costs were \$71,009 and \$23,174, respectively.

L. Income Tax Status

United Way funds qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes has been made. UWSEAK has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Although the Organization is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing U.S. Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Organization's policy is to report interest and penalties associated with uncertain tax positions as interest expense and other expense respectively. Management is not aware of any uncertain tax positions that would require financial statement recognition or disclosure. With few exceptions, the Organization is not subject to audit of its tax returns prior to 2013.

M. Budgets

Budgets are adopted for operations annually and are revised as necessary throughout the year.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

O. Fair Value of Financial Instruments

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

The Organization discloses its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) certificates of deposit, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the statements of financial position for the above financial instruments closely approximate their fair value due to the short-term nature of these assets and liabilities.

P. Donated Goods and Services

Donated services are recognized as contributions in accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In-kind contributions for space, supplies, and professional services are recorded in the statement of activities at market value and recognized as revenue and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

II. CASH AND CASH EQUIVALENTS

The bank accounts are maintained at three financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At August 31, 2016 and 2015, UWSEAK had no uninsured and uncollateralized deposits.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

III. PLEDGES RECEIVABLE

The pledges receivable balance consist of pledges made during the Fall 2015 and 2014 campaigns, less any amounts received from those campaigns prior to August 31, 2016 and 2015, respectively. The amounts due for each campaign are as follows:

	<u>2016</u>	<u>2015</u>
Private Campaign	\$ 64,555	82,507
SHARE Campaign	38,691	38,660
Combined Federal Campaign	<u>20,353</u>	<u>20,360</u>
Total pledges receivable	\$ <u>123,599</u>	<u>141,527</u>

Management has determined all receivables are fully collectible therefore, no allowance for doubtful accounts has been established.

IV. DONATED GOODS AND SERVICES

UWSEAK recorded in-kind contributions at August 31, 2016 and 2015, respectively, as follows:

	<u>2016</u>	<u>2015</u>
Events	\$ 7,634	18,607
Advertising	54,600	8,682
Professional services	<u>-</u>	<u>1,500</u>
	\$ <u>62,234</u>	<u>28,789</u>

All in-kind contributions were used to support program services of UWSEAK.

V. EQUIPMENT

Equipment at August 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 7,985	7,985
Less: accumulated depreciation	<u>(7,985)</u>	<u>(7,942)</u>
Net equipment	\$ <u>-</u>	<u>43</u>

Depreciation expense for fiscal years 2016 and 2015 was \$43 and \$575, respectively.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

VI. DESIGNATIONS PAYABLE

The designations payable consists of the pass-through portion of pledges received during the fall campaign along with the last quarterly distribution of the previous fall pledges received. These previous fall campaign pledges are payable after August 31, 2016 and 2015, respectively. At August 31, 2016 and 2015, the designations payable balances are as follows:

	<u>2016</u>	<u>2015</u>
Private Campaign	\$ 24,034	44,118
SHARE Campaign	58,427	58,502
CFC	<u>27,707</u>	<u>25,979</u>
Total agency	\$ <u>110,168</u>	<u>125,599</u>

VII. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors or contractors. During the years ended August 31, 2016 and 2015, UWSEAK incurred expenses related to the following grants and contributions as required by the donor or grantor:

	<u>2016</u>	<u>2015</u>
Literacy program	\$ 19,642	8,189
Financial Literacy	825	-
Disabilities awareness training	<u>8,737</u>	<u>-</u>
Total	\$ <u>29,204</u>	<u>8,189</u>

VIII. GOING CONCERN

UWSEAK has suffered recurring losses from operations from 2014 through 2016. Continuing operating losses are being assessed by the CEO; however there can be no assurance that they will be successful in accomplishing their objectives. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

IX. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2016, the date which the financial statements were available for issue. No events were identified that would require disclosure in accordance with generally accepted accounting principles.