



# United Way of South Hampton Roads and Affiliates

Consolidated Financial Report

June 30, 2015 and 2014



ASSURANCE, TAX & ADVISORY SERVICES

## TABLE OF CONTENTS

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3-6
Consolidated Statements of Activities	7-10
Consolidated Statements of Functional Expenses	11-12
Consolidated Statements of Cash Flows	13-16
Notes to Consolidated Financial Statements	17-32



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
United Way of South Hampton Roads  
Norfolk, Virginia

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of United Way of South Hampton Roads and Affiliates, 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 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 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 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 consolidated financial statements are free from 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 consolidated financial position of United Way of South Hampton Roads and Affiliates as of June 30, 2015 and 2014, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PBMares, LLP*

Norfolk, Virginia  
October 20, 2015

## **CONSOLIDATED FINANCIAL STATEMENTS**

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Financial Position

June 30, 2015

Assets	Operating Fund	Endowment Fund	CPP, LLC	UWSHR Foundation	Total All Funds
Cash and cash equivalents	\$ 3,262,243	\$ -	\$ 14,841	\$ -	\$ 3,277,084
Investments	7,912,015	-	-	3,309,282	11,221,297
Funds held in trust by others - net	-	1,137,989	-	-	1,137,989
Split interest agreements	57,493	-	-	-	57,493
Pledges receivable - net	5,418,912	-	-	-	5,418,912
Prepaid campaign expenses	31,026	-	-	-	31,026
Other receivables	28,563	-	23,191	-	51,754
Prepaid expenses	97,316	-	1,498	-	98,814
Property and equipment - net	971,253	-	-	-	971,253
Cash surrender value of life insurance	-	-	-	98,306	98,306
Due from (to) other funds	<u>149,451</u>	<u>-</u>	<u>(19,372)</u>	<u>(130,079)</u>	<u>-</u>
Total Assets	<u>\$ 17,928,272</u>	<u>\$ 1,137,989</u>	<u>\$ 20,158</u>	<u>\$ 3,277,509</u>	<u>\$ 22,363,928</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Financial Position

June 30, 2015

Liabilities and Net Assets	Operating Fund	Endowment Fund	CPP, LLC	UWSHR Foundation	Total All Funds
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 191,653	\$ -	\$ 361	\$ -	\$ 192,014
Allocations payable	2,941,747	-	-	-	2,941,747
Capital lease obligation	19,402	-	-	-	19,402
Deferred revenue	6,022	-	-	-	6,022
Due to other UW's, federated agencies and other organizations	<u>3,236,176</u>	-	-	<u>2,498,088</u>	<u>5,734,264</u>
Total Liabilities	<u>6,395,000</u>	-	<u>361</u>	<u>2,498,088</u>	<u>8,893,449</u>
<b>Net Assets</b>					
Unrestricted:					
Designated by board	191,791	-	-	-	191,791
Undesignated	8,125,142	-	19,797	779,421	8,924,360
Temporarily Restricted	3,216,339	-	-	-	3,216,339
Permanently Restricted	<u>-</u>	<u>1,137,989</u>	-	-	<u>1,137,989</u>
Total Net Assets	<u>11,533,272</u>	<u>1,137,989</u>	<u>19,797</u>	<u>779,421</u>	<u>13,470,479</u>
Total Liabilities and Net Assets	<u>\$ 17,928,272</u>	<u>\$ 1,137,989</u>	<u>\$ 20,158</u>	<u>\$ 3,277,509</u>	<u>\$ 22,363,928</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Financial Position

June 30, 2014

Assets	Operating Fund	Endowment Fund	CPP, LLC	UWSHR Foundation	Total All Funds
Cash and cash equivalents	\$ 3,406,320	\$ -	\$ 17,623	\$ -	\$ 3,423,943
Investments	6,898,601	-	-	3,671,896	10,570,497
Funds held in trust by others - net	-	1,163,999	-	-	1,163,999
Split interest agreements	71,051	-	-	-	71,051
Pledges receivable - net	4,729,715	-	-	-	4,729,715
Prepaid campaign expenses	4,117	-	-	-	4,117
Other receivables	5,076	-	39,785	-	44,861
Prepaid expenses	89,212	-	88	-	89,300
Property and equipment - net	1,089,304	-	-	-	1,089,304
Cash surrender value of life insurance	-	-	-	94,682	94,682
Due from (to) other funds	<u>73,938</u>	<u>-</u>	<u>(9,189)</u>	<u>(64,749)</u>	<u>-</u>
Total Assets	<u>\$ 16,367,334</u>	<u>\$ 1,163,999</u>	<u>\$ 48,307</u>	<u>\$ 3,701,829</u>	<u>\$ 21,281,469</u>

See accompanying notes.



**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Financial Position

June 30, 2014

Liabilities and Net Assets	Operating Fund	Endowment Fund	CPP, LLC	UWSHR Foundation	Total All Funds
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 176,436	\$ -	\$ 361	\$ -	\$ 176,797
Allocations payable	2,895,390	-	-	-	2,895,390
Capital lease obligation	29,903	-	-	-	29,903
Deferred revenue	7,930	-	-	-	7,930
Due to other UW's, federated agencies and other organizations	<u>3,028,255</u>	-	-	<u>2,929,626</u>	<u>5,957,881</u>
Total Liabilities	<u>6,137,914</u>	<u>-</u>	<u>361</u>	<u>2,929,626</u>	<u>9,067,901</u>
<b>Net Assets</b>					
Unrestricted:					
Designated by board	292,772	-	-	-	292,772
Undesignated	7,267,574	-	47,946	772,203	8,087,723
Temporarily Restricted	2,669,074	-	-	-	2,669,074
Permanently Restricted	<u>-</u>	<u>1,163,999</u>	<u>-</u>	<u>-</u>	<u>1,163,999</u>
Total Net Assets	<u>10,229,420</u>	<u>1,163,999</u>	<u>47,946</u>	<u>772,203</u>	<u>12,213,568</u>
Total Liabilities and Net Assets	<u>\$ 16,367,334</u>	<u>\$ 1,163,999</u>	<u>\$ 48,307</u>	<u>\$ 3,701,829</u>	<u>\$ 21,281,469</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>			
	<u>Operating</u>	<u>Restricted</u>	<u>Restricted</u>			
<b>Public support and revenues</b>	<b>Fund</b>	<b>Operating</b>	<b>Endowment</b>	<b>CPP,</b>	<b>UWSHR</b>	<b>Total All</b>
		<b>Fund</b>	<b>Fund</b>	<b>LLC</b>	<b>Foundation</b>	<b>Funds</b>
Public Support:						
Contributions:						
United Way of SHR annual campaign	\$ 6,453,269	\$ 6,229,470	\$ -	\$ -	\$ -	\$ 12,682,739
Combined Federal Campaign						
of South Hampton Roads	6,330	3,373,989	-	-	-	3,380,319
South Hampton Roads Commonwealth						
of Virginia Campaign	11,759	70,041	-	-	-	81,800
United Way and Combined Charities						
Campaign	289,727	1,045,152	-	-	-	1,334,879
Other	<u>1,084,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,230</u>	<u>1,199,230</u>
	7,845,085	10,718,652	-	-	115,230	18,678,967
Less: Amounts designated by						
donors for specific organizations	<u>(222,741)</u>	<u>(7,649,805)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,872,546)</u>
Total public support	<u>7,622,344</u>	<u>3,068,847</u>	<u>-</u>	<u>-</u>	<u>115,230</u>	<u>10,806,421</u>
Revenues:						
Program administration fees	632,051	-	-	-	-	632,051
Interest income	3,426	-	-	-	10,733	14,159
Net realized and unrealized gains	(77,689)	-	(26,010)	-	(10,286)	(113,985)
Gains on cash surrender value on life insurance policies	-	-	-	-	3,624	3,624
Change in value of split interest agreements	-	1,442	-	-	-	1,442
Contract fees	-	-	-	105,625	-	105,625
Other	108,404	-	-	-	-	108,404
Administrative fees retained on						
amounts designated by donors for						
specific organizations	76,944	245,656	-	-	-	322,600
Net assets released from restrictions	<u>2,768,680</u>	<u>(2,768,680)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,511,816</u>	<u>(2,521,582)</u>	<u>(26,010)</u>	<u>105,625</u>	<u>4,071</u>	<u>1,073,920</u>
Total public support and revenues	<u>11,134,160</u>	<u>547,265</u>	<u>(26,010)</u>	<u>105,625</u>	<u>119,301</u>	<u>11,880,341</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Activities

Year Ended June 30, 2015

<b>Allocations and expenses</b>	<b>Unrestricted Operating Fund</b>	<b>Temporarily Restricted Operating Fund</b>	<b>Permanently Restricted Endowment Fund</b>	<b>CPP, LLC</b>	<b>UWSHR Foundation</b>	<b>Total All Funds</b>
Allocations:						
Certified agencies	\$ 12,363,168	\$ -	\$ -	\$ -	\$ 46,753	\$ 12,409,921
Payment to unaffiliated agencies	1,087,739	-	-	-	-	1,087,739
Less - allocations funded through donor designations	<u>(6,822,463)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,822,463)</u>
Total allocations	<u>6,628,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,753</u>	<u>6,675,197</u>
Expenses:						
Payments to state and national organizations	143,190	-	-	-	-	143,190
Interest	3,082	-	-	-	-	3,082
Functional expenses:						
Fundraising	1,753,878	-	-	-	-	1,753,878
Program services	1,061,586	-	-	133,774	-	1,195,360
Supporting services	<u>787,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,330</u>	<u>852,723</u>
Total expenses	<u>3,749,129</u>	<u>-</u>	<u>-</u>	<u>133,774</u>	<u>65,330</u>	<u>3,948,233</u>
Total allocations and expenses	<u>10,377,573</u>	<u>-</u>	<u>-</u>	<u>133,774</u>	<u>112,083</u>	<u>10,623,430</u>
Change in net assets	<u>756,587</u>	<u>547,265</u>	<u>(26,010)</u>	<u>(28,149)</u>	<u>7,218</u>	<u>1,256,911</u>
Net assets - beginning of year	<u>7,560,346</u>	<u>2,669,074</u>	<u>1,163,999</u>	<u>47,946</u>	<u>772,203</u>	<u>12,213,568</u>
Net assets - end of the year	<u>\$ 8,316,933</u>	<u>\$ 3,216,339</u>	<u>\$ 1,137,989</u>	<u>\$ 19,797</u>	<u>\$ 779,421</u>	<u>\$ 13,470,479</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Activities

Year Ended June 30, 2014

	<u>Unrestricted</u> <u>Operating</u> <u>Fund</u>	<u>Temporarily</u> <u>Restricted</u> <u>Operating</u> <u>Fund</u>	<u>Permanently</u> <u>Restricted</u> <u>Endowment</u> <u>Fund</u>	<u>CPP,</u> <u>LLC</u>	<u>UWSHR</u> <u>Foundation</u>	<u>Total All</u> <u>Funds</u>
<b>Public support and revenues</b>						
Public Support:						
Contributions:						
United Way of SHR annual campaign	\$ 6,779,674	\$ 5,886,874	\$ -	\$ -	\$ -	\$ 12,666,548
Combined Federal Campaign						
of South Hampton Roads	7,706	4,080,067	-	-	-	4,087,773
South Hampton Roads Commonwealth						
of Virginia Campaign	12,607	69,987	-	-	-	82,594
United Way and Combined Charities						
Campaign	298,500	1,117,333	-	-	-	1,415,833
Other	<u>370,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,375</u>	<u>422,461</u>
	7,468,573	11,154,261	-	-	52,375	18,675,209
Less: Amounts designated by						
donors for specific organizations	<u>(200,524)</u>	<u>(8,485,187)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,685,711)</u>
Total public support	<u>7,268,049</u>	<u>2,669,074</u>	<u>-</u>	<u>-</u>	<u>52,375</u>	<u>9,989,498</u>
Revenues:						
Program administration fees	643,141	-	-	-	-	643,141
Interest income	7,739	-	-	-	9,196	16,935
Net realized and unrealized gains	618,551	-	158,351	-	74,208	851,110
Gains on cash surrender value on life insurance policies	-	-	-	-	7,691	7,691
Change in value of split interest agreements	-	1,654	-	-	-	1,654
Contract fees	-	-	-	171,120	-	171,120
Other	152,313	-	-	-	-	152,313
Administrative fees retained on						
amounts designated by donors for						
specific organizations	195,450	177,445	-	-	-	372,895
Net assets released from restrictions	<u>2,949,736</u>	<u>(2,949,736)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>4,566,930</u>	<u>(2,770,637)</u>	<u>158,351</u>	<u>171,120</u>	<u>91,095</u>	<u>2,216,859</u>
Total public support and revenues	<u>11,834,979</u>	<u>(101,563)</u>	<u>158,351</u>	<u>171,120</u>	<u>143,470</u>	<u>12,206,357</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Activities

Year Ended June 30, 2014

<b>Allocations and expenses</b>	<b>Unrestricted Operating Fund</b>	<b>Temporarily Restricted Operating Fund</b>	<b>Permanently Restricted Endowment Fund</b>	<b>CPP, LLC</b>	<b>UWSHR Foundation</b>	<b>Total All Funds</b>
Allocations:						
Certified agencies	\$ 13,148,036	\$ -	\$ -	\$ -	\$ 26,787	\$ 13,174,823
Payment to unaffiliated agencies	1,356,402	-	-	-	-	1,356,402
Less - allocations funded through donor designations	<u>(7,571,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,571,077)</u>
Total allocations	<u>6,933,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,787</u>	<u>6,960,148</u>
Expenses:						
Payments to state and national organizations	133,574	-	-	-	-	133,574
Interest	4,323	-	-	-	-	4,323
Functional expenses:						
Fundraising	1,760,576	-	-	-	-	1,760,576
Program services	874,244	-	-	185,971	-	1,060,215
Supporting services	<u>701,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,749</u>	<u>766,076</u>
Total expenses	<u>3,474,044</u>	<u>-</u>	<u>-</u>	<u>185,971</u>	<u>64,749</u>	<u>3,724,764</u>
Total allocations and expenses	<u>10,407,405</u>	<u>-</u>	<u>-</u>	<u>185,971</u>	<u>91,536</u>	<u>10,684,912</u>
Change in net assets	<u>1,427,574</u>	<u>(101,563)</u>	<u>158,351</u>	<u>(14,851)</u>	<u>51,934</u>	<u>1,521,445</u>
Net assets - beginning of year	<u>5,661,978</u>	<u>2,770,637</u>	<u>1,476,442</u>	<u>62,797</u>	<u>720,269</u>	<u>10,692,123</u>
Transfer of assets	<u>470,794</u>	<u>-</u>	<u>(470,794)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - end of the year	<u>\$ 7,560,346</u>	<u>\$ 2,669,074</u>	<u>\$ 1,163,999</u>	<u>\$ 47,946</u>	<u>\$ 772,203</u>	<u>\$ 12,213,568</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2015

	<u>Fundraising</u>	<u>Program Services</u>		<u>Supporting</u>	<u>Total</u>
	<u>Fundraising</u>	<u>Allocations</u>		<u>Management</u>	
	<u>Annual</u>	<u>and Community</u>		<u>and</u>	
	<u>Campaigns</u>	<u>CPP, LLC</u>	<u>Agencies</u>	<u>General</u>	
Salaries	\$ 943,999	\$ 88,490	\$ 491,117	\$ 482,728	\$ 2,006,334
Employee benefits and payroll taxes	245,132	18,188	107,958	135,751	507,029
Total salaries and related expenses	1,189,131	106,678	599,075	618,479	2,513,363
Professional fees	22,061	192	35,448	67,922	125,623
Supplies	12,891	74	1,015	5,200	19,180
Telephone	9,966	1,890	1,992	4,357	18,205
Postage	9,668	3,082	827	5,482	19,059
Occupancy	15,335	10,218	42,987	25,505	94,045
Rental and maintenance of equipment	31,296	10	18,527	27,869	77,702
Printing and publications	46,882	1,074	6,948	3,620	58,524
Promotion	52,124	-	-	-	52,124
Travel	21,584	11	1,540	5,900	29,035
Conferences, conventions and training	78,137	166	4,382	16,541	99,226
Personnel recruitment	655	-	55	12,245	12,955
Membership dues	1,050	-	6,536	3,643	11,229
Miscellaneous	26,440	10,379	-	30,685	67,504
Community Impact program expense	-	-	306,050	-	306,050
Combined Federal Campaign of SHR	92,797	-	-	-	92,797
United Way Combined Charities Campaign	68,720	-	-	-	68,720
Total expenses before depreciation and amortization	1,678,737	133,774	1,025,382	827,448	3,665,341
Depreciation and amortization	75,141	-	36,204	25,275	136,620
Total functional expenses	\$ 1,753,878	\$ 133,774	\$ 1,061,586	\$ 852,723	\$ 3,801,961

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2014

	<u>Fundraising</u>	<u>Program Services</u>		<u>Supporting</u>	<u>Total</u>
	<u>Fundraising</u>	<u>Allocations</u>		<u>Management</u>	
	<u>Annual</u>	<u>and Community</u>		<u>and</u>	
	<u>Campaigns</u>	<u>CPP, LLC</u>	<u>Agencies</u>	<u>General</u>	
Salaries	\$ 942,378	\$ 137,308	\$ 444,191	\$ 413,896	\$ 1,937,773
Employee benefits and payroll taxes	232,983	25,718	97,588	111,723	468,012
Total salaries and related expenses	1,175,361	163,026	541,779	525,619	2,405,785
Professional fees	20,986	-	21,438	75,743	118,167
Supplies	27,495	438	3,315	10,684	41,932
Telephone	7,368	1,750	2,816	5,409	17,343
Postage	8,380	3,022	1,350	6,137	18,889
Occupancy	20,180	11,364	33,547	24,462	89,553
Rental and maintenance of equipment	32,329	52	18,068	27,145	77,594
Printing and publications	23,682	2,797	8,419	-	34,898
Promotion	61,010	-	-	-	61,010
Travel	18,273	29	3,330	6,616	28,248
Conferences, conventions and training	78,987	1,596	9,842	9,574	99,999
Personnel recruitment	580	-	-	835	1,415
Membership dues	955	-	-	4,040	4,995
Miscellaneous	28,567	1,897	4,065	39,414	73,943
Community Impact program expense	-	-	183,095	-	183,095
Combined Federal Campaign of SHR	98,290	-	-	-	98,290
United Way Combined Charities Campaign	68,459	-	-	-	68,459
Total expenses before depreciation and amortization	1,670,902	185,971	831,064	735,678	3,423,615
Depreciation and amortization	89,674	-	43,180	30,398	163,252
Total functional expenses	\$ 1,760,576	\$ 185,971	\$ 874,244	\$ 766,076	\$ 3,586,867

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Cash Flows

Year Ended June 30, 2015

	<b>Operating Fund</b>	<b>Endowment Fund</b>	<b>CPP LLC</b>	<b>UWSHR Foundation</b>	<b>Total All Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ 1,303,852	\$ (26,010)	\$ (28,149)	\$ 7,218	\$ 1,256,911
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	136,620	-	-	-	136,620
Provision for uncollectible pledges	(86,753)	-	-	-	(86,753)
Realized and unrealized gains	77,689	26,010	-	10,286	113,985
Changes in assets and liabilities:					
Pledges receivable	(602,444)	-	-	-	(602,444)
Advanced allocations - United Way agencies	-	-	-	-	-
Prepaid campaign expenses	(26,909)	-	-	-	(26,909)
Other receivables	(23,487)	-	16,594	-	(6,893)
Prepaid expenses	(8,104)	-	(1,410)	-	(9,514)
Accounts payables and accrued expenses	15,217	-	-	-	15,217
Allocations payable	46,357	-	-	-	46,357
Deferred revenue	(1,908)	-	-	-	(1,908)
Due to other United Ways, federated agencies and other organizations	207,921	-	-	(431,538)	(223,617)
Due from (to) other funds	<u>(75,513)</u>	<u>-</u>	<u>10,183</u>	<u>65,330</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>962,538</u>	<u>-</u>	<u>(2,782)</u>	<u>(348,704)</u>	<u>611,052</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for the purchase of property and equipment	(18,569)	-	-	-	(18,569)
Increase in cash surrender value of life insurance	-	-	-	(3,624)	(3,624)
Net change in investments	<u>(1,077,545)</u>	<u>-</u>	<u>-</u>	<u>352,328</u>	<u>(725,217)</u>
Net cash provided by (used in) investing activities	<u>(1,096,114)</u>	<u>-</u>	<u>-</u>	<u>348,704</u>	<u>(747,410)</u>

See accompanying notes.



**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Cash Flows

Year Ended June 30, 2015

	<b>Operating Fund</b>	<b>Endowment Fund</b>	<b>CPP LLC</b>	<b>UWSHR Foundation</b>	<b>Total All Funds</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Principal payments on capital lease	\$ (10,501)	\$ -	\$ -	\$ -	\$ (10,501)
Net cash used in financing activities	<u>(10,501)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,501)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(144,077)	-	(2,782)	-	(146,859)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>3,406,320</u>	<u>-</u>	<u>17,623</u>	<u>-</u>	<u>3,423,943</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 3,262,243</u>	<u>\$ -</u>	<u>\$ 14,841</u>	<u>\$ -</u>	<u>\$ 3,277,084</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>					
Cash paid for interest	<u>\$ 3,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,082</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Cash Flows

Year Ended June 30, 2014

	<b>Operating Fund</b>	<b>Endowment Fund</b>	<b>CPP LLC</b>	<b>UWSHR Foundation</b>	<b>Total All Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ 1,326,011	\$ 158,351	\$ (14,851)	\$ 51,934	\$ 1,521,445
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	163,252	-	-	-	163,252
Provision for uncollectible pledges	(4,196)	-	-	-	(4,196)
Realized and unrealized gains	(618,551)	(158,351)	-	(74,208)	(851,110)
Changes in assets and liabilities:					
Pledges receivable	281,844	-	-	-	281,844
Advanced allocations - United Way agencies	(3,857)	-	-	-	(3,857)
Prepaid campaign expenses	3,504	-	-	-	3,504
Other receivables	23,261	-	(33,197)	-	(9,936)
Prepaid expenses	(16,719)	-	(88)	-	(16,807)
Accounts payables and accrued expenses	11,142	-	(116)	-	11,026
Allocations payable	(133,456)	-	-	-	(133,456)
Deferred revenue	7,930	-	-	-	7,930
Due to other United Ways, federated agencies and other organizations	(243,103)	-	-	317,038	73,935
Due from (to) other funds	7,915	-	(72,664)	64,749	-
Net cash provided by (used in) operating activities	<u>804,977</u>	<u>-</u>	<u>(120,916)</u>	<u>359,513</u>	<u>1,043,574</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for the purchase of property and equipment	(28,818)	-	-	-	(28,818)
Increase in cash surrender value of life insurance	-	-	-	(7,691)	(7,691)
Net change in investments	<u>(175,736)</u>	<u>-</u>	<u>-</u>	<u>(351,822)</u>	<u>(527,558)</u>
Net cash used in investing activities	<u>(204,554)</u>	<u>-</u>	<u>-</u>	<u>(359,513)</u>	<u>(564,067)</u>

See accompanying notes.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

Consolidated Statement of Cash Flows

Year Ended June 30, 2014

	<b>Operating Fund</b>	<b>Endowment Fund</b>	<b>CPP LLC</b>	<b>UWSHR Foundation</b>	<b>Total All Funds</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Principal payments on capital lease	\$ (9,260)	\$ -	\$ -	\$ -	\$ (9,260)
Net cash used in financing activities	<u>(9,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,260)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	591,163	-	(120,916)	-	470,247
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>2,815,157</u>	<u>-</u>	<u>138,539</u>	<u>-</u>	<u>2,953,696</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 3,406,320</u>	<u>\$ -</u>	<u>\$ 17,623</u>	<u>\$ -</u>	<u>\$ 3,423,943</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>					
Cash paid for interest	<u>\$ 4,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,323</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES</b>					
Disposal of fully depreciated property and equipment	<u>\$ 40,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,720</u>

See accompanying notes.

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### NOTE 1. ORGANIZATION AND NATURE OF ACTIVITIES

*United Way of South Hampton Roads* (UWSHR) is a nonprofit corporation chartered under the laws of the Commonwealth of Virginia in 1923. UWSHR is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

UWSHR conducts fundraising campaigns, acts as an administrative agent and distributes funds to participating area organizations according to donor designations and fund distribution committee recommendations. UWSHR's mission is to build a stronger South Hampton Roads by mobilizing its communities to improve people's lives.

*United Way of South Hampton Roads Foundation* (Foundation) is a nonprofit corporation chartered under the laws of the Commonwealth of Virginia in 1998. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The purpose of the Foundation is to benefit and carry out the purposes of the United Way of South Hampton Roads by providing a long-term base of financial support for the United Way, its certified agencies and its charitable, social, educational and human service programs, activities and purposes.

*Charitable Pledge Processing, LLC* (CPP, LLC) is a single member limited liability company owned by UWSHR and chartered under the laws of the Commonwealth of Virginia in 2003. CPP, LLC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of CPP, LLC is to provide accurate, cost-effective, timely pledge processing and distribution services to firms and organizations. It is run by an independent board of directors. CPP, LLC does not raise funds or perform resource allocations. All of CPP, LLC's work takes place in Norfolk, Virginia. CPP, LLC has an operating agreement and asset management agreement with UWSHR to conduct business. CPP, LLC uses its own trademarks.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of UWSHR, CPP, LLC and the Foundation (collectively, Organization). All significant intercompany balances and transactions have been eliminated in consolidation.

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Basis of 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; and maintains three groups of funds: operating fund, endowment fund and the Foundation. The management of the Organization believes that this framework ensures the observance of limitations and restrictions placed on the use of available resources. Public support and revenues temporarily restricted when originally received due to donor-imposed stipulations that either expire by the passage of time or use are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions when the restriction expires or is otherwise satisfied.

The accompanying consolidated financial statements do not include the accounts of the United Way agencies, each of which have an independent Board of Directors and conduct independent services programs.

#### *Cash Equivalents*

For purposes of reporting cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Restricted cash balances were \$73,169 and \$236,252 as of June 30, 2015 and 2014, respectively.

#### *Investments*

Investments in equity securities with readily determinable fair values and all debt securities are measured at fair value in the consolidated statements of financial position. Investment income, including gains and losses on investments have been recognized in the consolidated statements of activities as increases or decreases in permanently restricted, temporarily restricted and unrestricted net assets as appropriate. Investment related expenses netted against investment revenues totaled \$35,271 and \$31,820 for 2015 and 2014, respectively.

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Property and Equipment*

Purchased items are stated at cost and donated items at fair market value at the date of the gift. Gains and losses arising from retirements or dispositions are recognized currently. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	33 1/3 years
Office furniture and equipment	5 years
Data processing equipment	5 years
Leasehold improvements	5-10 years
Computer software	5 years
Transportation equipment	5 years

#### *Advertising*

The Organization follows the policy of charging the costs of advertising to expense as incurred and totaled \$79,359 and \$93,856 for 2015 and 2014, respectively.

#### *Estimates*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could vary from those estimates and assumptions.

#### *Allowance for Uncollectible Pledges*

The Organization provides an allowance for uncollectible pledges based upon prior experience and management's assessment of the collectability of existing specific accounts.

#### *Contract Revenue*

Revenue is recognized at the time services are provided. Revenue collected on contracts in advance is deferred and taken into income as services are provided.

#### *Functional Allocation of Expenses*

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities benefited.

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Split Interest Agreements*

Split interest agreement assets are recorded at fair market value on the date of gift and are adjusted to fair market value on a recurring basis.

#### *Fundraising Campaigns*

United Way of South Hampton Roads conducts or participates in the following fundraising campaigns:

##### United Way of South Hampton Roads Campaign:

This is an annual campaign conducted to raise support for allocation to participating agencies. Pledges are reported in the consolidated statements of financial position and allowances are provided for amounts estimated to be uncollectible. All contributions are considered available for unrestricted use unless specifically restricted by the donor. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

##### Combined Federal Campaign of South Hampton Roads (CFC):

This is an annual fundraising campaign for soliciting contributions from federal employees and members of the uniformed services of the United States by approved participating federated agencies. United Way of South Hampton Roads is one of the federated agencies and the fiscal agent for the campaign. All pledges received are recorded in separate accounts until distributed to the participating agencies.

##### South Hampton Roads Commonwealth of Virginia Campaign (CVC):

This is an annual fundraising campaign for soliciting contributions from Virginia State Employees. United Way of South Hampton Roads is one of the federated agencies and the fiscal agent for the campaign. All pledges received are recorded in separate accounts until distributed to the participating agencies.

##### United Way and Combined Charities Campaign (UW/CCC):

This is an annual fundraising campaign for soliciting contributions from city and school employees from the cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach. United Way of South Hampton Roads is the fiscal agent for the campaign. All pledges received are recorded in separate accounts until distributed to the participating agencies.

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

Pledges receivable are reported at estimated net realizable value in the accompanying consolidated statements of financial position.

#### ***Donated Items***

Donated property, materials and equipment are reflected as contributions at their estimated fair market values at date of receipt. No amounts are reflected in the consolidated financial statements for donated services since no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fundraising campaigns.

#### ***Income Taxes***

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of this guidance to its consolidated financial statements. The Organization is not aware of any material uncertain tax positions, and has not accrued the effect of any uncertain tax positions as of June 30, 2015. With few exceptions, the Organization is no longer subject to income tax examinations by federal, state or local tax authorities for years before 2011. The Organization recognizes interest and penalties incurred, if any, related to income tax positions as other interest expense and penalties expense, respectively.

#### ***Reclassifications***

Certain reclassifications were made to the 2014 balances to conform to the 2015 presentation. These reclassifications had no effect on the previously reported change in net assets.



# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

### NOTE 3. ANNUAL CAMPAIGNS AND PLEDGES

Total pledges of \$11,473,678 and \$11,483,198 were received during the 2014/2015 and 2013/2014 United Way of South Hampton Roads Campaigns', respectively. All funds raised as a result of United Way of South Hampton Roads campaign, the CFC, CVC, and the UW CCC are distributed to area United Ways and other organizations in accordance with donor designations and fund distribution committee recommendations.

The annual CFC, the CVC, and UW/CCC, as described in Note 2, are joint campaigns of the local United Ways, and the national and international health/service agencies. All campaign monies are received and distributed by the principal combined fund organization (PCFO) and the community fundraising organization (CFRO) to the participating national and international health/service agencies and the local United Ways (which include Albermarle United Way, the Virginia Peninsula United Way and the United Way of South Hampton Roads). United Way of South Hampton Roads is the PCFO for the CFC, and CFRO for the UW/CCC, and processing agent for the CVC. The 2014/2015 CFC, CVC, and UW/CCC Campaign pledges received totaled \$3,501,950, \$82,283, and \$1,410,369, respectively. The 2013/2014 CFC, CVC, and UW/CCC Campaign pledges received totaled \$3,977,700, \$89,029, and \$1,450,574, respectively.

Pledges receivable in the Operating Fund consist of the following at June 30, 2015:

	Total Receivable	Allowances for Uncollectibles	Net
<b>Current year campaigns:</b>			
United Way of South Hampton Roads	\$ 5,468,656	\$ (708,343)	\$ 4,760,313
Combined Federal Campaign of South Hampton Roads	209,862	(31,162)	178,700
South Hampton Roads Commonwealth of Virginia Campaign	47,743	(3,703)	44,040
United Way and Combined Charities Campaign	447,283	(65,424)	381,859
<b>Prior year campaigns:</b>			
United Way of South Hampton Roads	84,000	(30,000)	54,000
	\$ 6,257,544	\$ (838,632)	\$ 5,418,912

(Continued)

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**  
Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

---

**NOTE 3. ANNUAL CAMPAIGNS AND PLEDGES (Concluded)**

The current campaigns pledges receivable are expected to be collected by December 31, 2016. The prior campaigns' pledges receivable are expected to be collected by December 31, 2015.

Pledges receivable in the Operating Fund consist of the following at June 30, 2014:

	Total Receivable	Allowances for Uncollectibles	Net
Current year campaigns:			
United Way of South Hampton Roads	\$ 4,913,153	\$ (811,809)	\$ 4,101,344
Combined Federal Campaign of South Hampton Roads	186,190	(31,276)	154,914
South Hampton Roads Commonwealth of Virginia Campaign	49,616	(4,006)	45,610
United Way and Combined Charities Campaign	471,141	(63,294)	407,847
Prior year campaigns:			
United Way of South Hampton Roads	35,000	(15,000)	20,000
	\$ 5,655,100	\$ (925,385)	\$ 4,729,715

**NOTE 4. INVESTMENTS AND FUNDS HELD IN TRUST BY OTHERS**

Funds held in trust by others are composed of the following at fair market value as of June 30, 2015 and 2014, respectively:

	<b>2015</b>	2014
	<b>Market Value</b>	Market Value
Community Foundation Endowment Fund	\$ <b>657,822</b>	\$ 642,034
Irrevocable Trusts	<b>480,167</b>	521,965
Total funds held in trust by others	<b>\$ 1,137,989</b>	\$ 1,163,999

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

### NOTE 4. INVESTMENTS AND FUNDS HELD IN TRUST BY OTHERS (Continued)

At June 30, 2015 and 2014, investments in the Operating Fund were composed of the following:

	<b>2015</b>	2014
	<b>Market Value</b>	Market Value
Cash and cash equivalents	\$ 1,077,084	\$ 692,310
Government and corporate bond obligations	2,261,965	2,013,228
Bonds	1,000	3,500
Wells Fargo complementary strategies	382,268	407,801
Marketable equity securities	4,189,697	3,781,762
	\$ 7,912,015	\$ 6,898,601

At June 30, 2015 and 2014, investments in the Foundation were composed of the following:

	<b>2015</b>	2014
	<b>Market Value</b>	Market Value
Cash and cash equivalents	\$ 70,285	\$ 149,639
Government and corporate bond obligations	1,072,077	1,143,212
Wells Fargo complementary strategies	181,179	231,570
Marketable equity securities	1,985,741	2,147,475
	\$ 3,309,282	\$ 3,671,896

The Foundation acts as an investment manager for affiliated agencies who choose to place their money with the Foundation. As such, the Foundation reports no income with respect to affiliated funds; interest, dividends, gains and losses are reported on each affiliates' financial statements.

The Organization follows the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value as 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 and establishes a framework for measuring fair value.

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

### NOTE 4. INVESTMENTS AND FUNDS HELD IN TRUST BY OTHERS (Continued)

FASB ASC Topic 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2015 by the FASB ASC Topic 820 valuation hierarchy defined above:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Investments in certificates of deposits	\$ -	\$ 928,791	\$ -	\$ 928,791
Securities, bonds and money market funds	9,728,058	-	-	9,728,058
Complementary strategies	563,448	-	-	563,448
Funds held in trust by others	480,167	-	657,822	1,137,989
Split interest agreements	-	-	57,493	57,493
State of Israel Bonds	-	1,000	-	1,000
	<u>\$ 10,771,673</u>	<u>\$ 929,791</u>	<u>\$ 715,315</u>	<u>\$ 12,416,779</u>

The following table presents the financial instruments carried at fair value as of June 30, 2014 by the FASB ASC Topic 820 valuation hierarchy defined above:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Investments in certificates of deposits	\$ -	\$ 428,791	\$ -	\$ 428,791
Securities, bonds and money market funds	9,498,835	-	-	9,498,835
Complementary strategies	639,371	-	-	639,371
Funds held in trust by others	521,965	-	642,034	1,163,999
Split interest agreements	-	-	71,051	71,051
State of Israel Bonds	-	3,500	-	3,500
	<u>\$ 10,660,171</u>	<u>\$ 432,291</u>	<u>\$ 713,085</u>	<u>\$ 11,805,547</u>

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### **NOTE 4. INVESTMENTS AND FUNDS HELD IN TRUST BY OTHERS (Continued)**

Following is a description of the Organization's valuation methodologies for assets and liabilities measured at fair value:

Fair value for Level 1 is based upon quoted market prices.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 primarily consists of funds invested in the United Way of South Hampton Roads Endowment Fund managed by the Hampton Roads Community Foundation, the Endowment TEI Fund LP (SF) managed by Wells Fargo as well as the fair value of split interest agreements. These pooled funds consist of equities and other securities that have active markets as well as alternative investments that do not have readily determinable fair values, real assets and private equity investments. Collectively however, UWSHR's investment in the Community Foundation cannot be traded on active markets. The fair values of the alternative investments that do not have readily determinable fair values are determined by the investment managers and are based on audited financial statements provided to the investment managers or are based on historical cost, appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Changes in Level 3 instruments during the year are shown on the following page.

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 Organization 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 estimate of fair value at the reporting date.

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

### NOTE 4. INVESTMENTS AND FUNDS HELD IN TRUST BY OTHERS (Concluded)

The following table summarizes the changes to Level 3 instruments for the year ending June 30, 2015:

	Investment Components			Total
	Funds in the Hampton Roads Community Foundation	Wells Fargo Endowment TEI Fund LP (SF)	Split Interest Agreements	
Fair value, beginning of the year	\$ 642,034	\$ -	\$ 71,051	\$ 713,085
Distributions	-	-	(15,000)	(15,000)
Net sales	-	-	-	-
Net expenses	(4,033)	-	-	(4,033)
Change in value	-	-	1,442	1,442
Net realized and unrealized gains and losses included on the Consolidated Statement of Activities	<u>19,821</u>	<u>-</u>	<u>-</u>	<u>19,821</u>
Fair value, end of the year	<u>\$ 657,822</u>	<u>\$ -</u>	<u>\$ 57,493</u>	<u>\$ 715,315</u>

The following table summarizes the changes to Level 3 instruments for the year ending June 30, 2014:

	Investment Components			Total
	Funds in the Hampton Roads Community Foundation	Wells Fargo Endowment TEI Fund LP (SF)	Split Interest Agreements	
Fair value, beginning of the year	\$ 556,737	\$ 256,049	\$ 84,397	\$ 897,183
Distributions	-	-	(15,000)	(15,000)
Net sales	-	(219,639)	-	(219,639)
Net expenses	(3,810)	-	-	(3,810)
Change in value	-	-	1,654	1,654
Net realized and unrealized gains and losses included on the Consolidated Statement of Activities	<u>89,107</u>	<u>(36,410)</u>	<u>-</u>	<u>52,697</u>
Fair value, end of the year	<u>\$ 642,034</u>	<u>\$ -</u>	<u>\$ 71,051</u>	<u>\$ 713,085</u>

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 186,000	\$ 186,000
Buildings	1,223,844	1,223,844
Office furniture and equipment	258,551	258,551
Data processing equipment	217,070	198,501
Building improvements	274,788	274,788
Computer software	422,766	422,766
Transportation equipment	<u>58,315</u>	<u>58,315</u>
	2,641,334	2,622,765
Less - accumulated depreciation	<u>1,670,081</u>	<u>1,533,461</u>
	<u>\$ 971,253</u>	<u>\$ 1,089,304</u>

### NOTE 6. CAPITAL LEASES

The Organization is the lessee of certain equipment under two capital leases. Amortization is included in depreciation and amortization expense. The costs of equipment were \$50,257 at June 30, 2015 and 2014, respectively. Related accumulated amortization recorded under capital leases at June 30, 2015 and 2014 was \$33,727 and \$23,675, respectively.

Minimum future lease payments as of June 30, 2015 are as follows:

2016	\$ 11,025
2017	5,908
2018	<u>5,415</u>
Total future minimum lease payments	22,348
Less amount representing interest	<u>2,946</u>
Present value of net future minimum lease payments	<u>\$ 19,402</u>

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### NOTE 7. BOARD DESIGNATED FUNDS

The funds designated by the governing Board as of June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Unrestricted fund:		
Equipment and facilities fund	\$ 191,791	\$ 292,772

### NOTE 8. RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The plan allows employees to contribute compensation up to the IRS maximum allowed amount (\$17,500 for both 2015 and 2014, plus an additional \$5,500 for individuals over 50 years of age) on a pre-tax basis. Contributions in excess of the maximum are allowed by the plan on an after-tax basis. The Organization currently makes a matching contribution of 50% of each employee's contribution up to an 8% employee contribution. The Organization also contributes 7% of compensation (9% of compensation if eligible, age 40 and completed 10 years of service on August 1, 1993) for employees after completing a year of service. Total expense for employer contributions was \$171,501 and \$153,205 for 2015 and 2014, respectively.

### NOTE 9. LEASES

The United Way of South Hampton Roads leases part of its office space, computer equipment, and office equipment pursuant to operating leases. Future obligations for future minimum payments under the leases are as follows:

2016	\$ 1,752
2017	1,752
2018	1,752
2019	1,752
2020	584

Total rent expense for office space, furniture and equipment was \$2,337 and \$11,982 for 2015 and 2014, respectively.



# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### **NOTE 10. CONCENTRATIONS**

At June 30, 2015 and 2014, and at various times during those years, UWSHR had cash and cash equivalents at a financial institution in excess of insured limits.

In addition, the UWSHR also had balances greater than \$500,000 with local offices of national brokers, in money market and investment funds, including various debt and equity instruments of public corporations, the United States government, and the State of Israel, which is in excess of the limit insured by Securities Investor Protection Corporation (SIPC) as of June 30, 2015 and 2014.

Credit risks with respect to pledges receivable is subject to the inherent nature of such receivables, but is limited due to the large number of donors comprising the Organization's donor base. The donors are concentrated to the Hampton Roads geographic area.

### **NOTE 11. FUNDS HELD IN TRUST BY OTHERS**

Funds held in trust by others consist of various irrevocable trusts and an endowment fund held by a local community foundation. UWSHR and the Foundation have been named beneficiaries of these funds.

The irrevocable trusts' provide that the greater of the trusts' annual income or 5% of the total fair market value of the assets of the trust (based on a three year market value average) be paid to the Organization annually. The Organization is a shared beneficiary of the trusts. SunTrust Bank serves as the trustee and directs the investment of the trusts' assets. Trust assets in excess of the amounts distributable are permanently restricted. A lawsuit, filed by another beneficiary against the Trustee, related to one of the trust's assets was settled in 2014 and the value of those assets were distributed to the trust beneficiaries outright and free of trust. The Organization received \$470,794 of its share of the trust assets in 2014. The termination of the trust resulted in the release of the permanent restriction of those funds. The Organization transferred those funds to the United Way of South Hampton Roads Foundation for the long term benefit of the community.

(Continued)

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### **NOTE 11. FUNDS HELD IN TRUST BY OTHERS (Concluded)**

The Organization is also designated as the sole beneficiary of a permanent endowment fund held by a local community foundation as a component trust. Pursuant to the agreement related to this fund, the Organization receives an annual distribution of 5% of the value of the assets in the endowment fund. The local community foundation directs the investment of the endowment fund's assets. Assets in this endowment fund in excess of the amounts distributable are permanently restricted.

Spending policies related to the above funds are determined by the related agreements as described above. Investment policies related to these funds are determined by the trustee of the trusts and by the local community foundation for the endowment fund it holds. Funds held in trust by others are reported at fair market value in the accompanying consolidated statements of financial position. Realized and unrealized gains and losses and other earnings are reported as permanently restricted in the accompanying consolidated statements of activities to the extent they exceed the annual amounts distributable as described above. Amounts received as annual income distributions from these funds are unrestricted and reported as income from funds held in trust by others in the accompanying consolidated statements of activities.

### **NOTE 12. SPLIT INTEREST AGREEMENTS**

#### *Charitable Lead Trust*

The UWSHR is named as a beneficiary of a charitable lead trust. Under the terms of the trust agreement, the UWSHR receives current annual benefits over the term of the trust with the remaining trust assets being distributed to a third party upon termination of the trust. The UWSHR is not the trustee of the trust, and thus, the assets of the trust are classified as temporarily restricted and carried at fair market value in the consolidated statements of financial position based on the present value of amounts expected to be received over the term of the agreement. The lead trust assets are valued using a discount rate of 1.63% and has a remaining term of four years. Changes in the value of this gift are included in the consolidated statements of activities.

# UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

---

### NOTE 13. NET ASSETS

Temporarily restricted net assets represent amounts restricted by donors for future periods.

Permanently restricted net assets consist of funds held in trust by others as described in Note 11. Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

For the year ended June 30, 2015:

Endowment net assets, beginning of year	\$ 1,163,999
Realized and unrealized gains (losses)	(26,010)
Additions	-
Distributions	-
Expenses, valuation allowance	-
Endowment net assets, end of year	<u>\$ 1,137,989</u>

For the year ended June 30, 2014:

Endowment net assets, beginning of year	\$ 1,476,442
Realized and unrealized gains (losses)	158,351
Additions	-
Distributions	(470,794)
Expenses, valuation allowance	-
Endowment net assets, end of year	<u>\$ 1,163,999</u>

### NOTE 14. SUBSEQUENT EVENTS

The Organization has evaluated all events subsequent to June 30, 2015 through October 20, 2015, which is the date these financial statements were available to be issued.