

An Open Letter to Accompany our FY16 Financials:

Dear Rappahannock United Way Supporters,

July 2016

We are pleased to post our audited financial statements for Fiscal Year 2016 (FY16) which ended on June 30, 2016. We hope you will take the time to read this memo in conjunction with your review of our FY16 Audit.

During FY16, we are happy to report that Rappahannock United Way received an “unqualified” opinion. Our Financial Statement reflects a strategically planned loss by the Rappahannock United Way Board of Directors to draw down our reserves and put more money back into the community. As a result we reported a Net Loss of (\$139,721). If we had not chosen to spend down our reserves, Rappahannock United Way would have shown a Net Profit of \$55,417 (See reconciliation below).

Net Loss on Audited Financial Statements	\$	(139,721)
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Reserve Spending:

Additional money granted to Agency Programs during Citizen Review	99,063
Capacity Building Grants to Pilot Programs	59,000
A.L.I.C.E. Project for State of Virginia	25,000
Education, Income and Health Sponsorships	8,400
Board Match for Community Give Initiative	<u>3,675</u>

Net Income (Without Reserve Spending)	\$	<u>55,417</u>
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Rappahannock United Way seized this opportunity to increase our role in supporting Education, Income and Health initiatives throughout our community in FY16. We gave out \$1,101,128 to member agency programs during our Citizen Review process. We piloted newer programs to help get them off the ground. We sponsored community events around Education, Income and Health, and we collaborated and united all of the United Ways in Virginia around the upcoming A.L.I.C.E. project which will launch in FY17.

We could not have done all of this to move the needle on Education, Income, and Health in our community without you! We are committed to delivering the best results to you, our supporters, and to do so with the utmost transparency and integrity. We are excited about our future and are poised to make even bigger contributions to our community going forward.

With sincere appreciation for your support,



Janel S. Donohue
President

RAPPAHANNOCK UNITED WAY, INC.
FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

RAPPAHANNOCK UNITED WAY, INC.
FINANCIAL REPORT
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
RAPPAHANNOCK UNITED WAY, INC.
FREDERICKSBURG, VIRGINIA

We have audited the accompanying financial statements of Rappahannock United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rappahannock United Way, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
September 26, 2016

- Financial Statements -

RAPPAHANNOCK UNITED WAY, INC.

Statements of Financial Position
At June 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 1,217,171	\$ 1,150,448
Certificates of deposit	583,751	579,854
Pledges receivable, net	1,571,420	1,744,983
Other receivables	4,310	4,310
Prepaid expenses	21,863	19,598
Total current assets	<u>\$ 3,398,515</u>	<u>\$ 3,499,193</u>
Property and Equipment:		
Land	\$ 82,161	\$ 82,161
Buildings and improvements	1,164,888	1,164,888
Furniture and equipment	207,435	191,567
Sub-total	<u>\$ 1,454,484</u>	<u>\$ 1,438,616</u>
Accumulated depreciation	(417,789)	(370,480)
Total property and equipment, net	<u>\$ 1,036,695</u>	<u>\$ 1,068,136</u>
Other assets:		
Debt issuance costs, net of accumulated amortization of \$18,119 for 2016 and \$15,500 for 2015	<u>\$ 1,088</u>	<u>\$ 3,707</u>
Total assets	<u><u>\$ 4,436,298</u></u>	<u><u>\$ 4,571,036</u></u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 59,263	\$ 56,064
Allocation and grants payable, net	2,436,753	2,397,493
Long-term debt - current maturities	38,955	37,631
Total current liabilities	<u>\$ 2,534,971</u>	<u>\$ 2,491,188</u>
Noncurrent liabilities:		
Long-term debt, net of current maturities	<u>\$ 303,676</u>	<u>\$ 342,476</u>
Total liabilities	<u>\$ 2,838,647</u>	<u>\$ 2,833,664</u>
Net assets:		
Unrestricted	\$ 1,580,911	\$ 1,720,261
Temporarily restricted	16,740	17,111
Total net assets	<u>\$ 1,597,651</u>	<u>\$ 1,737,372</u>
Total liabilities and net assets	<u><u>\$ 4,436,298</u></u>	<u><u>\$ 4,571,036</u></u>

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK UNITED WAY, INC.

Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Gross campaign results - 2015/2016	\$ 3,498,414	\$ -	\$ 3,498,414
Less: Donor designations	(1,546,470)	-	(1,546,470)
Less: Provision for uncollectible pledges	(131,691)	-	(131,691)
Net campaign revenue - 2015/2016	<u>\$ 1,820,253</u>	<u>\$ -</u>	<u>\$ 1,820,253</u>
Gross campaign results - 2016/2017	\$ -	\$ 10,348	\$ 10,348
Net campaign revenue - 2016/2017	<u>\$ -</u>	<u>\$ 10,348</u>	<u>\$ 10,348</u>
Sponsorships and special events	48,728	-	48,728
Less: Direct Costs	(32,338)	-	(32,338)
Service fees	81,958	-	81,958
Grants and contracts	85,942	28,156	114,098
Investment income	4,831	3	4,834
In-kind program revenue	59,070	-	59,070
Miscellaneous income	24,196	-	24,196
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>38,878</u>	<u>(38,878)</u>	<u>-</u>
Total public support and revenue	<u>\$ 2,131,518</u>	<u>\$ (371)</u>	<u>\$ 2,131,147</u>
Expenses:			
Program services:			
Gross funds awarded/distributed	\$ 2,647,598	\$ -	\$ 2,647,598
Less: Donor designations	(1,546,470)	-	(1,546,470)
Net funds awards/distributed	<u>\$ 1,101,128</u>	<u>\$ -</u>	<u>\$ 1,101,128</u>
Other program services	588,373	-	588,373
Total program services	<u>\$ 1,689,501</u>	<u>\$ -</u>	<u>\$ 1,689,501</u>
Supporting services:			
Management and general	\$ 315,014	\$ -	\$ 315,014
Fundraising	266,353	-	266,353
Total supporting services	<u>\$ 581,367</u>	<u>\$ -</u>	<u>\$ 581,367</u>
Total expenses	<u>\$ 2,270,868</u>	<u>\$ -</u>	<u>\$ 2,270,868</u>
Change in net assets	\$ (139,350)	\$ (371)	\$ (139,721)
Net assets, beginning of year	<u>1,720,261</u>	<u>17,111</u>	<u>1,737,372</u>
Net assets, end of year	<u>\$ 1,580,911</u>	<u>\$ 16,740</u>	<u>\$ 1,597,651</u>

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK UNITED WAY, INC.

Statement of Activities
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Gross campaign results - 2014/2015	\$ 3,689,944	\$ -	\$ 3,689,944
Less: Donor designations	(1,695,684)	-	(1,695,684)
Less: Provision for uncollectible pledges	(172,441)	-	(172,441)
Net campaign revenue - 2014/2015	<u>\$ 1,821,819</u>	<u>\$ -</u>	<u>\$ 1,821,819</u>
Gross campaign results - 2015/2016	\$ -	\$ 6,140	\$ 6,140
Net campaign revenue - 2015/2016	<u>\$ -</u>	<u>\$ 6,140</u>	<u>\$ 6,140</u>
Sponsorships and special events	53,696	-	53,696
Less: Direct Costs	(26,115)	-	(26,115)
Service fees	100,095	-	100,095
Grants and contracts	108,629	26,065	134,694
Investment income	2,324	13	2,337
In-kind program revenue	36,712	-	36,712
Miscellaneous income	18,775	-	18,775
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>79,380</u>	<u>(79,380)</u>	<u>-</u>
Total public support and revenue	<u>\$ 2,195,315</u>	<u>\$ (47,162)</u>	<u>\$ 2,148,153</u>
Expenses:			
Program services:			
Gross funds awarded/distributed	\$ 2,772,951	\$ -	\$ 2,772,951
Less: Donor designations	(1,695,684)	-	(1,695,684)
Net funds awards/distributed	<u>\$ 1,077,267</u>	<u>\$ -</u>	<u>\$ 1,077,267</u>
Other program services	479,242	-	479,242
Total program services	<u>\$ 1,556,509</u>	<u>\$ -</u>	<u>\$ 1,556,509</u>
Supporting services:			
Management and general	\$ 339,773	\$ -	\$ 339,773
Fundraising	252,886	-	252,886
Total supporting services	<u>\$ 592,659</u>	<u>\$ -</u>	<u>\$ 592,659</u>
Total expenses	<u>\$ 2,149,168</u>	<u>\$ -</u>	<u>\$ 2,149,168</u>
Change in net assets	\$ 46,147	\$ (47,162)	\$ (1,015)
Net assets, beginning of year	<u>1,674,114</u>	<u>64,273</u>	<u>1,738,387</u>
Net assets, end of year	<u>\$ 1,720,261</u>	<u>\$ 17,111</u>	<u>\$ 1,737,372</u>

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK UNITED WAY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services		
	Grant Making Services	All Other Programs	Total
Allocations/Awards	\$ 2,647,598	\$ -	\$ 2,647,598
Less: Donor designations	(1,546,470)	-	(1,546,470)
Total allocations/awards	<u>\$ 1,101,128</u>	<u>\$ -</u>	<u>\$ 1,101,128</u>
Salaries	\$ -	\$ 306,533	\$ 306,533
Payroll taxes	-	22,366	22,366
Employee benefits	-	16,897	16,897
Total salaries, taxes, and benefits	<u>\$ -</u>	<u>\$ 345,796</u>	<u>\$ 345,796</u>
Supplies	-	24,303	24,303
Telephone	-	3,934	3,934
Postage and shipping	-	1,126	1,126
Occupancy	-	14,927	14,927
Equipment rental	-	4,879	4,879
Printing	-	9,604	9,604
Travel	-	6,165	6,165
Conferences, conventions, and meetings	-	2,514	2,514
Insurance	-	1,676	1,676
Training	-	323	323
Dues and subscriptions	-	13,524	13,524
Advertising	-	28,017	28,017
Repairs and maintenance	-	11,541	11,541
Awards	-	1,864	1,864
Professional fees	-	34,031	34,031
Miscellaneous	-	3,107	3,107
In-kind program expense	-	59,070	59,070
Depreciation and amortization	-	21,972	21,972
Total expenses	<u>\$ 1,101,128</u>	<u>\$ 588,373</u>	<u>\$ 1,689,501</u>

The accompanying notes to financial statements are an integral part of this statement.

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,647,598
-	-	-	(1,546,470)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,101,128</u>
\$ 202,144	\$ 139,054	\$ 341,198	\$ 647,731
14,113	10,351	24,464	46,830
21,720	13,893	35,613	52,510
<u>\$ 237,977</u>	<u>\$ 163,298</u>	<u>\$ 401,275</u>	<u>\$ 747,071</u>
2,800	27,103	29,903	54,206
2,683	1,749	4,432	8,366
489	3,143	3,632	4,758
17,718	7,553	25,271	40,198
1,776	3,597	5,373	10,252
1,343	896	2,239	11,843
3,932	5,742	9,674	15,839
275	468	743	3,257
1,708	927	2,635	4,311
1,498	1,682	3,180	3,503
10,416	10,765	21,181	34,705
1,457	5,888	7,345	35,362
6,481	8,752	15,233	26,774
490	1,404	1,894	3,758
5,218	8,620	13,838	47,869
3,993	1,570	5,563	8,670
-	-	-	59,070
14,760	13,196	27,956	49,928
<u>\$ 315,014</u>	<u>\$ 266,353</u>	<u>\$ 581,367</u>	<u>\$ 2,270,868</u>

RAPPAHANNOCK UNITED WAY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services		
	Grant Making Services	All Other Programs	Total
Allocations/Awards	\$ 2,772,951	\$ -	\$ 2,772,951
Less: Donor designations	(1,695,684)	-	(1,695,684)
Total allocations/awards	<u>\$ 1,077,267</u>	<u>\$ -</u>	<u>\$ 1,077,267</u>
Salaries	\$ -	\$ 254,588	\$ 254,588
Payroll taxes	-	18,560	18,560
Employee benefits	-	21,105	21,105
Total salaries, taxes, and benefits	<u>\$ -</u>	<u>\$ 294,253</u>	<u>\$ 294,253</u>
Supplies	-	18,741	18,741
Telephone	-	3,529	3,529
Postage and shipping	-	1,268	1,268
Occupancy	-	18,547	18,547
Equipment rental	-	4,195	4,195
Printing	-	4,606	4,606
Travel	-	4,464	4,464
Conferences, conventions, and meetings	-	1,737	1,737
Insurance	-	1,882	1,882
Training	-	6,276	6,276
Dues and subscriptions	-	1,055	1,055
Advertising	-	37,663	37,663
Repairs and maintenance	-	11,706	11,706
Awards	-	1,980	1,980
Professional fees	-	3,512	3,512
Miscellaneous	-	3,511	3,511
In-kind program expense	-	36,712	36,712
Depreciation and amortization	-	23,605	23,605
Total expenses	<u>\$ 1,077,267</u>	<u>\$ 479,242</u>	<u>\$ 1,556,509</u>

The accompanying notes to financial statements are an integral part of this statement.

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,772,951
-	-	-	(1,695,684)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,077,267</u>
\$ 203,384	\$ 140,095	\$ 343,479	\$ 598,067
14,297	9,554	23,851	42,411
15,104	8,811	23,915	45,020
<u>\$ 232,785</u>	<u>\$ 158,460</u>	<u>\$ 391,245</u>	<u>\$ 685,498</u>
2,505	29,895	32,400	51,141
1,773	1,941	3,714	7,243
479	2,817	3,296	4,564
16,477	9,522	25,999	44,546
1,888	3,443	5,331	9,526
383	312	695	5,301
3,481	6,949	10,430	14,894
3,748	787	4,535	6,272
1,965	1,087	3,052	4,934
5,678	84	5,762	12,038
24,753	3,059	27,812	28,867
663	1,118	1,781	39,444
4,739	9,049	13,788	25,494
5,670	2,752	8,422	10,402
16,985	5,627	22,612	26,124
4,360	1,319	5,679	9,190
-	-	-	36,712
11,441	14,665	26,106	49,711
<u>\$ 339,773</u>	<u>\$ 252,886</u>	<u>\$ 592,659</u>	<u>\$ 2,149,168</u>

RAPPAHANNOCK UNITED WAY, INC.

Statements of Cash Flows
For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (139,721)	\$ (1,015)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	49,928	49,711
(Increase) decrease in:		
Pledges receivable	173,563	(45,741)
Prepaid expenses	(2,265)	(1,914)
Increase (decrease) in:		
Accounts payable and accrued expenses	3,199	3,803
Allocation and grants payable	39,260	254,578
Net cash provided by (used for) operating activities	<u>\$ 123,964</u>	<u>\$ 259,422</u>
Cash flows from investing activities:		
Sale (purchase) of property and equipment	\$ (15,868)	\$ (46,026)
Redemption (purchase) of certificates of deposit	<u>(3,897)</u>	<u>(1,548)</u>
Net cash provided by (used for) investing activities	<u>\$ (19,765)</u>	<u>\$ (47,574)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	\$ <u>(37,476)</u>	\$ <u>(36,257)</u>
Net cash provided by (used for) financing activities	<u>\$ (37,476)</u>	<u>\$ (36,257)</u>
Net increase (decrease) in cash and cash equivalents	\$ 66,723	\$ 175,591
Cash and cash equivalents, beginning of year	<u>1,150,448</u>	<u>974,857</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,217,171</u></u>	<u><u>\$ 1,150,448</u></u>
Supplemental disclosure of cash flows information:		
Interest paid	<u><u>\$ 12,451</u></u>	<u><u>\$ 13,668</u></u>

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK UNITED WAY, INC.

**Notes to Financial Statements
At June 30, 2016 and 2015**

Note 1 - Nature of Organization:

Rappahannock United Way, Inc. (the Organization) is a not-for-profit organization working to advance the common good by focusing on education, income, and health.

The Organization conducted an annual fundraising campaign which supported 36 programs and 31 member agencies in addition to other community based nonprofit organizations that provide health and human service programs. The Organization's campaign also supported Community Impact initiatives which work to solve complex social issues.

The Organization serves the City of Fredericksburg and the counties of Caroline, King George, Spotsylvania, and Stafford.

Note 2 - Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized in the period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

Financial Statement Presentation:

The financial statements include the accounts of the Organization and the activities of the Potomac Combined Federal Campaign (CFC) and the Local Government Campaign (the LGC). The CFC is an unincorporated entity regulated by the Office of Personnel Management (OPM) and designed solely to solicit charitable donations from military and federal employees in the Potomac CFC region. The LGC is an unincorporated entity regulated by the City of Fredericksburg and counties of Stafford, Spotsylvania, King George, and Caroline, in partnership to provide a framework for charitable solicitation of local government employees. The Organization has been designated as the principal combined fund Organization for the CFC and the Fiscal Agent/Campaign Consultant of the LGC, and, as such, manages the charitable campaigns of the CFC and LGC.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets:

Net assets not subject to donor-imposed restrictions. At June 30, 2016 and 2015, the Organization had unrestricted net assets of \$1,580,911 and \$1,720,261, respectively.

Temporarily Restricted Net Assets:

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. At June 30, 2016 and 2015, the Organization had temporarily restricted net assets of \$16,740 and \$17,111, respectively.

RAPPAHANNOCK UNITED WAY, INC.

**Notes to Financial Statements
At June 30, 2016 and 2015 (Continued)**

Note 2 - Summary of Significant Accounting Policies: (Continued)

Financial Statement Presentation: (Continued)

Permanently Restricted Net Assets:

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At June 30, 2016 and 2015, the Organization did not have any permanently restricted net assets.

Contributions:

Contributions, including pledges, are considered to be unrestricted unless specifically indicated as temporarily or permanently restricted by the donor.

When the donor-stipulated time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. Contributions for which restrictions are satisfied in the same year as received are recognized as restricted and released.

Allowance for Uncollectible Accounts:

An allowance for uncollectible pledges is established for each campaign and reduces pledges receivable in the statement of financial position and is deducted from contributions in the statement of activities. Pledges outstanding one year after the close of the campaign are deemed uncollectible and the provision for uncollectible pledges is adjusted for the uncollected amounts. Any subsequent collection of previously charged off accounts is recorded through the provision for uncollectible pledges.

Gifts in-kind and Contributed Services:

Non-cash donations of equipment, materials, supplies, or other items that benefit the operations of the Organization are included as unrestricted support in the period in which the benefit applies, at estimated fair value. Donated services of a specialized nature which would otherwise be purchased by the Organization are recognized in the same manner. Current year in-kind revenue and expenses are a calculated three-year average of allocated media airtime donated from United Way Worldwide to the Organization.

Thousands of hours, for which no value has been assigned or recognized, were volunteered throughout the year in specific assistance programs, campaign solicitations, and fund-raising activities.

Cash and Cash Equivalents:

The Organization considers highly liquid investments with original maturities of less than three months when purchased to be cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation insured limits of \$250,000.

RAPPAHANNOCK UNITED WAY, INC.

**Notes to Financial Statements
At June 30, 2016 and 2015 (Continued)**

Note 2 - Summary of Significant Accounting Policies: (Continued)

Property and Equipment:

It is the Organization's policy to capitalize additions to property and equipment that exceed \$500. Property and equipment are stated at cost (if purchased) or at fair value at the date of donation (if donated). Depreciation is provided by the straight-line method based on the estimated useful lives of the assets as follows:

Buildings and improvements	5-40 years
Equipment	3-7 years

Depreciation expense for the year ended June 30, 2016 and 2015 was \$47,309 and \$46,848, respectively.

Debt Issuance Costs:

Debt issuance costs are amortized over the term of 7 years. Amortization expense for the years ended June 30, 2016 and 2015 was \$2,619 and \$2,863, respectively.

Designations:

Rappahannock United Way honors designations made to each member organization and other 501(c)3 organizations by distributing a proportionate share of receipts based on donor designations to each organization. Designations include pass-through amounts held for others. These amounts are included in annual campaign revenues and are offset by the amount of support raised on behalf of others.

Functional Allocation of Expenses:

Program and administrative costs have been summarized on a functional basis in the statement of activities. Indirect costs have been allocated to programs and supporting services on the basis of the activity benefited.

Advertising:

Advertising costs are expensed as incurred and totaled \$35,362 and \$39,444 for the years ended June 30, 2016 and 2015, respectively.

Income Taxes:

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision has been made for income tax expense. Management has evaluated the Organization's tax positions, as required by the Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, and has determined that there are no uncertain tax positions that require adjustment to or disclosure in the financial statements. The Organization files Form 990, Return of Organization Exempt from Income Tax, annually with the United States Department of the Treasury.

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements
At June 30, 2016 and 2015 (Continued)

Note 2 - Summary of Significant Accounting Policies: (Continued)

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 that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting periods. Actual results could differ from those estimates. Estimates include the allowance for uncollectible pledges and allowance for designation provisions calculated in each year's campaign.

Note 3 - Pledges Receivable:

Pledges receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 1,800,420	\$ 1,985,983
Less allowance for uncollectible pledges	<u>(229,000)</u>	<u>(241,000)</u>
Total pledges receivable	<u>\$ 1,571,420</u>	<u>\$ 1,744,983</u>

Note 4 - Note Payable:

Long-term debt at June 30, 2016 and 2015 consists of a note payable to Virginia Partners Bank. The loan was refinanced on April 18, 2014. The agreement allows the Organization to fix the rate at 3.375% for a period of 10 years. The loan is collateralized by a lien on the Organization's property and had an outstanding balance of \$342,631 and \$380,107 at June 30, 2016 and 2015, respectively.

Annual maturities required on long-term debt at June 30, 2016 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 38,955	\$ 10,971
2018	40,293	9,633
2019	41,676	8,250
2020	43,088	6,838
2021	44,585	5,341
2022-2024	<u>134,034</u>	<u>6,489</u>
Total maturities of long-term debt	<u>\$ 342,631</u>	<u>\$ 47,522</u>

RAPPAHANNOCK UNITED WAY, INC.

Notes to Financial Statements
At June 30, 2016 and 2015 (Continued)

Note 5 - Board Designated Net Assets:

Included in unrestricted net assets are amounts designated by the Organization's Board of Directors for the following purposes as of June 30:

	<u>2016</u>	<u>2015</u>
Operating reserves	\$ 600,000	\$ 600,000
Community Impact	98,595	124,219
FY2015 Community Review	-	99,063
Total board designated net assets	<u>\$ 698,595</u>	<u>\$ 823,282</u>

Note 6 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2016</u>	<u>2015</u>
Barbara C. Terry Emergency Assistance Fund	\$ 5,336	\$ 10,971
Link2Feed Software	1,056	-
Future campaigns	10,348	6,140
Total	<u>\$ 16,740</u>	<u>\$ 17,111</u>

Net assets were released through satisfaction of the following program restrictions during the years ended June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Barbara C. Terry Emergency Assistance Fund	\$ 22,738	\$ 57,355
Lawrence Davies Fund	10,000	20,000
Future campaigns	6,140	2,025
Total	<u>\$ 38,878</u>	<u>\$ 79,380</u>

Note 7 - Retirement Plan:

The Organization offers a retirement plan under IRC Section 403(b) to all of its full-time employees. This plan allows employees to make voluntary contributions to a tax deferred annuity contract. The employer does not make contributions to the plan.

Note 8 - Subsequent Events:

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2016, the date the financial statements were available to be issued.