

**CAPE AND ISLANDS UNITED WAY, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**WITH INDEPENDENT AUDITOR'S REPORT**

**CAPE AND ISLANDS UNITED WAY, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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Lynch, Malloy, Marini, LLP

*Certified Public Accountants & Advisors*

www.lmmepas.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Cape and Islands United Way, Inc.

We have audited the accompanying financial statements of Cape and Islands United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cape and Islands United Way, Inc. as of December 31, 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.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lynch Malloy Marini LLP*

Brewster, Massachusetts  
May 19, 2016

**CAPE AND ISLANDS UNITED WAY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	290,011
Investments		489,301
Accounts receivable		148
Pledges receivable		51,873
Prepaid expenses		12,352
Total current assets		843,685

**Property and Equipment**

Office equipment		35,289
Accumulated depreciation		(26,650)
Total property and equipment		8,639

**Intangible Assets**

Website		4,500
Amortization		(450)
Total intangible assets		4,050

Total assets	\$	856,374
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$	1,552
Funds awarded payable		305,110
Accrued expenses		8,283
Deferred income		11,850
Total current liabilities		326,795

**Net Assets**

Unrestricted		529,579
Total net assets		529,579

Total liabilities and net assets	\$	856,374
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The accompanying notes are an integral part of these financial statements.

**CAPE AND ISLANDS UNITED WAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
<b>Revenues and other support:</b>				
Contributions	\$ 814,136	\$ 60,510	\$	\$ 874,646
In-kind donation	11,544			11,544
Special events	259,517			259,517
Investment income	15,121			15,121
Net assets released from restrictions	<u>116,186</u>	<u>(116,186)</u>		
<b>Total revenues and support</b>	<b>1,216,504</b>	<b>(55,676)</b>		<b>1,160,828</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Funds awarded to agencies	634,033			634,033
Donor designations	<u>116,186</u>			<u>116,186</u>
Net funds awarded	750,219			750,219
Other program services	<u>151,369</u>			<u>151,369</u>
<b>Total program services</b>	<b>901,588</b>			<b>901,588</b>
Management and general	67,303			67,303
Fundraising	<u>215,817</u>			<u>215,817</u>
<b>Total expenses</b>	<b><u>1,184,708</u></b>			<b><u>1,184,708</u></b>
<b>Revenues and other support over (under) expenses</b>	<b><u>31,796</u></b>	<b><u>(55,676)</u></b>		<b><u>(23,880)</u></b>
<b>Other changes in net assets</b>				
Net unrealized (loss) on investment	<u>(27,311)</u>			<u>(27,311)</u>
<b>Change in net assets</b>	<b>4,485</b>	<b>(55,676)</b>		<b>(51,191)</b>
<b>Net assets at beginning of year</b>	<b><u>525,094</u></b>	<b><u>55,676</u></b>		<b><u>580,770</u></b>
<b>Net assets at end of year</b>	<b><u>\$ 529,579</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$ 529,579</u></b>

The accompanying notes are an integral part of these financial statements.

**CAPE AND ISLANDS UNITED WAY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ (51,191)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities	
Depreciation /amortization	4,085
Unrealized losses on investment	27,311
Decrease in accounts receivable	200
(Increase) in pledges receivable	(17,780)
(Increase) in prepaid expenses	(5,221)
(Decrease) in accounts payable and accrued benefits	(3,239)
Increase in funds awarded payables	305,110
Increase in deferred revenue	<u>11,850</u>
Net cash and cash equivalents provided by operating activities	271,125
<b>Cash flows from investing activities</b>	
Purchase of intangible assets	(4,500)
Investment activity, net	<u>(205,170)</u>
Net cash used in investing activities	(209,670)
Net increase in cash and cash equivalents	61,455
Cash and cash equivalents, at beginning of the year	<u>228,556</u>
Cash and cash equivalents, at end of the year	<u>\$ 290,011</u>

The accompanying notes are an integral part of these financial statements.

**CAPE AND ISLANDS UNITED WAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**Note 1. Organization and History**

Cape and Islands United Way, Inc. (the Company), located in Hyannis, Massachusetts, was formed in 1959, as a non-profit corporation under Chapter 180 of the General Laws of the Commonwealth of Massachusetts to receive donor designations and provide funding for other charitable organizations located on the Cape and Islands.

The Company is a non-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code. As such, the Company is exempt from federal and the Commonwealth of Massachusetts income taxes under section 501(c)(3) of the Internal Revenue Code.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Accounting and Presentation**

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) and are prepared on the accrual basis of accounting which recognizes income when earned and expenses when goods are received and services are rendered.

**Net Asset Classification**

The financial statements are presented in accordance with FASB ASC Paragraph 958-205, Not-for-Profit Entities – Presentation of Financial Statements. Under ASC 958-205, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted, depending on the existence and nature of any donor restrictions.

Unrestricted net assets are the portion of expendable, unrestricted net assets available for support of operations and continuing charitable purposes of the Company, including assets held in trust. Gifts of assets are recorded as unrestricted support unless explicit donor stipulations specify how the assets must be used.

Temporarily restricted net assets are net assets restricted by the donor for a particular purpose or for a period of time. When a donor restriction is accomplished or when a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. The Company reports no temporarily restricted net assets at December 31, 2015.

Permanently restricted net assets provide for the perpetual support of the Company and its programs. Such funds are those in which donors require that the principal be held in perpetuity. The Company reports no permanently restricted net assets at December 31, 2015.

**Concentration of Risk**

The Company receives the majority of its funding from individual and corporate donations. Individual and corporate nonrecurring donations could significantly impact the Company's ability to start new programs or to continue existing programs, respectively.



**CAPE AND ISLANDS UNITED WAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**Note 2. Summary of Significant Accounting Policies-Continued**

**Advertising**

Advertising costs are charged to operations when the advertising first takes place. The total advertising expense for 2015 was \$11,080.

**Funds Awarded to Agencies**

Allocations of the contributions received from donors are made to several local agencies located throughout the Cape and surrounding Islands. To help foster their mission, which is increasing the organized capacity for people to care for one another and improve the human condition of the region. The Board of Directors approved \$634,033 in allocations for the year ended December 31, 2015. During fiscal year 2015 the Company changed the way allocations are paid out. Historically, the allocations were paid out in lump sums each year. Beginning in June of 2015 these allocations will be paid out in 12 month installments.

**Compensated Absences**

Full-time and part-time employees accrue vacation leave. Accrued leave for the year ended December 31, 2015 is approximately \$4,100.

**Property and Equipment**

Acquisitions of property and equipment are recorded at cost except for donated assets which are recorded at fair market value at the date of donation. The Company follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is calculated on the straight-line method over the estimated useful lives.

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during that period. Actual results will differ from those estimates.

**Public Support and Revenue**

Donations, including unconditional promises to give are recognized when received. Donations are reported as increases in unrestricted, temporarily or permanently restricted net assets depending on the nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets. Conditional promises to give are not included as support until the conditions are substantially met. Interest and fee income is recognized when earned.

**Cash, Cash Equivalents and Investments**

The Company considers highly liquid, short-term investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash deposits in a noninterest bearing checking account and savings account. From time to time, cash balances in these accounts may exceed federally insured limits. To date, the Company has not experienced any losses in these cash accounts and believes it is not exposed to any significant credit risk on its cash and equivalents.

**CAPE AND ISLANDS UNITED WAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**Note 2. Summary of Significant Accounting Policies-Continued**

The Company has adopted the Financial Accounting Standards Board's method for accounting for certain investments, which requires that certain investments be reported at fair market value with gains or losses and investment expenses included in the statement of activities as investment earnings. The fair market value of securities is based on quoted market prices. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Company.

**Pledges Receivable**

The Company conducts an annual campaign each year for the purpose of raising funds to support human needs on Cape Cod, Martha's Vineyard and Nantucket. Pledges receivable are due within one year and are considered unrestricted unless specifically restricted by the donor. As management expects to fully collect the balance there is no allowance made for uncollectible accounts.

**Funds Awarded Payable**

Funds awarded are a major source of expenditures for the Company. Funds awarded payable represent the amounts due to various charitable organizations throughout the Cape and Islands.

**Contributed Services**

Services are performed on the United Way's behalf by its board of directors who provide management with direction and oversight and receive no compensation for their efforts. GAAP allows recognition of contributed services only if (a) the services create or enhance non-financial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

**Income Taxes**

The Company is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Tax may apply to activities outside of the organizations exempt purpose (unrelated business income), although no such activity has been reported.

The Company believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. As of December 31, 2015, the tax years 2014, 2013, and 2012 were still open for examination by taxing authorities.

**Note 3. Cash and Cash Equivalents**

The Company maintains accounts at Bank of America and UBS Financial Services. At December 31, 2015, deposits totaled \$262,483, of which \$250,000 was covered by depository insurance. The carrying amount of cash, cash equivalents, and term deposits at December 31, 2015, was \$290,011. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

**CAPE AND ISLANDS UNITED WAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**Note 4. Investments**

The Company applies the provision of accounting principles generally accepted in the United States of America which establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), a lower priority to significant other observable inputs (Level 2 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Basis of Fair Value Measurement**

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

The asset or liability's measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2015, are as follows:

**CAPE AND ISLANDS UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015

<u>Investment Type</u>	<u>(Level 1) Fair Market Value</u>	<u>(Level 2) Fair Market Value</u>	<u>(Level 3) Fair Market Value</u>
Mutual funds:			
Fixed income	\$108,869	\$ -	\$ -
Equities	106,714		
Other	<u>273,718</u>		
Total investments	<u>\$489,301</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 5. Pledges Receivable**

Pledges receivable consist of the following at December 31, 2015:

Out of area campaign	\$47,352
Designated in from other United Way's	<u>4,521</u>
Total pledges receivable	<u>\$51,873</u>

**Note 6. Property and Equipment**

As of December 31, 2015 property and equipment consisted of the following:

	<u>Equipment</u>	<u>Furniture</u>	<u>Total</u>
Cost			
January 1, 2015	\$28,354	\$6,935	\$35,289
Additions	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2015	<u>\$28,354</u>	<u>\$ 6,935</u>	<u>\$35,289</u>
Accumulated depreciation			
January 1, 2015	\$22,321	\$ 694	\$23,015
Additions	<u>2,248</u>	<u>1,387</u>	<u>3,635</u>
December 31, 2015	<u>\$24,569</u>	<u>\$ 2,081</u>	<u>\$26,650</u>

**Note 7. Intangible Assets**

As of December 31, 2015 intangible assets consisted of the following:

	<u>Website</u>
Cost	
January 1, 2015	\$ -
Additions	<u>4,500</u>
December 31, 2015	<u>\$4,500</u>
Accumulated amortization	
January 1, 2015	\$ -
Additions	<u>405</u>
December 31, 2015	<u>\$ 405</u>

**CAPE AND ISLANDS UNITED WAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**Note 8. Operating Lease**

The Cape & Islands United Way, Inc. occupies office space as a tenant at will. The United Way signed a new lease effective September 1, 2014 continuing as a tenant for \$1,400 per month for three years with the option for a renewal at the end of the current lease. Rent expense for the year was \$16,800.

**Note 9. Retirement Plan**

The United Way has a contributory simple IRA Plan for the exclusion benefit of the employees who are eligible to participate. The Plan expense for the year ended December 31, 2015 was \$4,034.

**Note 10. Functional Allocation of Expenses**

The costs of providing the various programs and activities of the Company have been summarized on a functional basis in the schedule of functional expenses.

**Note 11. Cape Cod Volunteers**

The Company entered into a purchase of asset sale with another non-profit organization, the Cape Cod Volunteers, Inc. during fiscal year 2015. Total cash received on April 11, 2016 amounted to \$148 and total office equipment received on October 1, 2015 amounted to \$544 for a total amount of \$692. The dissolution process of the Cape Cod Volunteers, Inc. with the Attorney General's Office of Massachusetts remains open as of December 31, 2015.

**Note 12. Subsequent Events**

The Organization has evaluated subsequent events through May 19, 2016, the date which the financial statements were available to be issued.

**CAPE AND ISLANDS UNITED WAY, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total</u>
<b>Expenses:</b>				
Net funds awarded	750,219			750,219
Audit	3,750	3,750		7,500
Awards			302	302
Bookkeeping	7,510	7,510		15,020
Campaign cost			138,117	138,117
Depreciation	2,043	1,021	1,021	4,085
Dues	12,394			12,394
Insurance	2,078	1,040	1,040	4,158
Miscellaneous	2,230	1,115	1,115	4,460
Occupancy	10,069	5,035	5,035	20,139
Office expense	2,925	1,462	1,462	5,849
Salaries, taxes and benefits	103,913	44,141	65,496	213,550
Technology support	2,983	1,491	1,491	5,965
Telecommunication expense	1,474	738	738	2,950
	<u>1,474</u>	<u>738</u>	<u>738</u>	<u>2,950</u>
<b>Total Expenses</b>	<u><u>\$ 901,588</u></u>	<u><u>\$ 67,303</u></u>	<u><u>\$ 215,817</u></u>	<u><u>\$ 1,184,708</u></u>

See Independent Auditor's Report.