

**CAPE AND ISLANDS UNITED WAY, INC.
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016**

CAPE AND ISLANDS UNITED WAY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Cape and Islands United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses 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 the Cape and Islands United Way, Inc. as of December 31, 2016, and the changes in its statement of activities, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Brewster, Massachusetts
March 22, 2017

CAPE AND ISLANDS UNITED WAY, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 443,764
Pledges receivable	46,371
Prepaid expenses	<u>3,500</u>
Total current assets	493,635

Long-term investments	525,095
Property and equipment, net of accumulated depreciation	<u>7,652</u>

Total assets	<u>\$ 1,026,382</u>
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LIABILITIES

Current Liabilities

Accounts payable	\$ 1,157
Accrued expenses	12,198
Deferred income	16,575
Funds awarded payable	<u>297,319</u>
Total current liabilities	327,249

NET ASSETS

Unrestricted net assets	<u>699,133</u>
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Total liabilities and net assets	<u>\$ 1,026,382</u>
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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, 2016

Unrestricted

Revenues and support:	
Contributions	\$ 1,084,113
Special events	<u>228,583</u>
Total revenues and support	<u>1,312,696</u>
Expenses:	
Program services	914,061
General and administrative	53,066
Fundraising	<u>211,907</u>
Total expenses	<u>1,179,034</u>
Revenues and other support over (under) expenses	<u>133,662</u>
Other changes in unrestricted net assets	
Investment income	16,680
Net unrealized gain on investment	<u>19,212</u>
Total other changes in unrestricted net assets	<u>35,892</u>
Change in unrestricted net assets	169,554
Unrestricted net assets at beginning of year	<u>529,579</u>
Unrestricted net assets at end of year	<u>\$ 699,133</u>

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, 2016

Cash flows from operating activities	
Change in net assets	\$ 169,554
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation /amortization	4,047
Realized (gains) on investments	(98,054)
Donated stock	(115,015)
Proceeds from sales of donated stock	213,069
Changes in assets and liabilities:	
Decrease in accounts receivable	148
Decrease in pledges receivable	5,502
Decrease in prepaid expenses	8,852
(Decrease) in accounts payable	(395)
Increase in accrued expenses	3,915
Increase in deferred revenue	4,725
(Decrease) in funds awarded payable	<u>(7,791)</u>
Net cash provided by operating activities	<u>188,557</u>
Cash flows from investing activities	
Purchase of long-term investments	(16,582)
Unrealized (gains) on investments	(19,212)
Aquisition/disposition of property and equipment - other	<u>990</u>
Net cash (used) by investing activities	<u>(34,804)</u>
Net increase in cash and cash equivalents	153,753
Cash and cash equivalents, at beginning of the year	<u>290,011</u>
Cash and cash equivalents, at end of the year	<u>\$ 443,764</u>

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

CAPE AND ISLANDS UNITED WAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Advertising	\$	\$	\$ 4,432	\$ 4,432
Audit	3,750	3,750		7,500
Bookkeeping	7,500	7,500		15,000
Campaign cost			105,921	105,921
Credit card fees			4,930	4,930
Depreciation/amortization	2,024	1,012	1,011	4,047
Dues	14,915			14,915
Donor designations	76,000			76,000
Funds awarded	644,268			644,268
Insurance	2,538	1,269	1,268	5,075
Occupancy	9,976	4,988	4,987	19,951
Office expense	2,675	1,337	1,337	5,349
Salaries, taxes and benefits	141,742	28,873	83,686	254,301
Staff development	2,750	1,375	1,375	5,500
Technology support	4,435	2,218	2,217	8,870
Telecommunication expense	1,488	744	743	2,975
Total expenses	<u>\$ 914,061</u>	<u>\$ 53,066</u>	<u>\$ 211,907</u>	<u>\$ 1,179,034</u>

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

CAPE AND ISLANDS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 1. Nature of Activities and Significant Accounting Policies

Organization

Cape and Islands United Way, Inc. (the Company), located in Hyannis, Massachusetts, was formed in 1959, as a nonprofit 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. Donors may deduct contributions made to the Company pursuant to Internal Revenue code regulations.

Significant Accounting Policies

The significant accounting policies followed by the Company are as summarized below:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly, reflects all significant receivables, payables and other liabilities.

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.

Net Asset Classification

The financial statements are presented in accordance with FASB Accounting Standards Codification Paragraph 958-205, Presentation of Financial Statements of Not-for-Profit Entities. The Company 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.

Unrestricted Net Assets are the portion of expendable, unrestricted net assets available for support of Company's operations and continuing charitable purpose. In accordance with accounting standards, all revenue sources are recorded as unrestricted, except for donations of cash and other assets which have explicit donor stipulations specifying how the assets are to be used. The Board of Directors may designate unrestricted net assets for specific purposes.

Temporarily Restricted Net Assets represent gifts of cash and other assets that are received with donor stipulations that limit the use of the assets for a particular purpose or for a period of time. When a stipulated time restriction ends or if the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. If an elapsing restriction meets the requirements of donor restrictions and board designated funds, donor restrictions will be released prior to board designated funds. The Company reports no temporarily restricted net assets at December 31, 2016.

CAPE AND ISLANDS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Permanently Restricted Net Assets includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained in perpetuity, but permits the Company to expend part or all of the income derived from the donated assets. The Company reports no permanently restricted net assets at December 31, 2016.

Financial Instruments and Fair Value

The Company's significant financial instruments are cash and cash equivalents, pledges receivable, other short term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Investments are reported at fair value based on 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).

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.

CAPE AND ISLANDS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Company considers all demand, savings accounts and highly liquid, short-term investments with an original maturity of three months or less to be cash and cash equivalents.

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 at December 31, 2016.

Property and Equipment

Acquisitions of property and equipment are recorded at cost except for donated property 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.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent present obligations incurred in the operating cycle for the acquisition of goods, services, and accruals for salaries/wages.

Public Support, Revenue and Expense Allocation

Contributions and grants, including unconditional promises to give are recognized as revenue when received or unconditionally committed. Revenues 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.

The Company has the policy that all donors that restrict their funds must sign a donor advised fund agreement. This agreement states that all undistributed income and principal shall be under the control of the Company at the end of the year. All contributions received with these donor-imposed restrictions are satisfied within the same reporting period and reported as unrestricted support in that period.

The Company allocates its expenses on a functional basis. Expenses are charged directly to the corresponding functional category, based upon the purpose for which they are incurred. Certain categories of expenses that are attributable to one or more program or supporting functions of the Company are allocated based on management's estimate of time and effort utilized. The Company presents three major categories of expenses, program services, general and administrative and fundraising expenses.

Contributed Services

The Board of Directors and a substantial number of volunteers provide significant amounts of time to the company's program services and to its fund-raising campaigns. No amounts have been recognized in the statement of activities since time contributed by volunteers do not fall within the criteria established by the Financial Accounting Standards Board (FASB).

CAPE AND ISLANDS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 1. Nature of Activities and Significant Accounting Policies (continued)

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.

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 Company's exempt purpose (unrelated business income), although no such activity exists.

The Company has analyzed tax positions taken for filings with the Internal Revenue Service and the Commonwealth of Massachusetts. The Company believes that tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect upon the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016. Currently, there are no tax examinations in progress for prior years. The Company believes it is no longer subject to income tax examination for years prior to 2015, 2014, and 2013.

Note 2. Cash and Cash Equivalents

The Company maintains deposits at multiple financial institutions, which are insured under the provisions of the Federal Depository Insurance Corporation (FDIC), which, at times, may exceed insured limits. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned. To date, the Company has not experienced any losses and believes they are not exposed to significant credit risk. At December 31, 2016, deposits totaled \$443,314 and had a carrying amount of \$443,764. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit. No deposits at December 31, 2016 were exposed to custodial credit risk as all amounts were covered by depository insurance.

Note 3. Pledges Receivable

Pledges receivable consist of the following at December 31, 2016:

Out of area campaign	\$41,111
Designated in from other United Way's	<u>5,260</u>
Total pledges receivable	<u>\$46,371</u>

CAPE AND ISLANDS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 4. Investments

As of December 31, 2016 investments reported at fair value on a recurring basis are as follows:

<u>Investment Type</u>	<u>(Level 1) Fair Value</u>
Fixed income	\$ 108,374
Equities	113,947
Mutual funds	<u>302,774</u>
Total investments	<u>\$ 525,095</u>

Management considers all investments to be long term, with the exception of donated investments which are considered short term. Interest and dividend income for the year ended December 31, 2016 was \$16,680. The related investment expenses of \$435 are included in the general and administrative expenses on the statement of activities. The realized gains for the year ended December 31, 2016 was \$98,054.

Note 5. Property and Equipment

As of December 31, 2016 property and equipment consisted of the following:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Equipment	\$ 28,354	\$ 2,160	\$ -	\$ 30,514
Furniture	<u>6,935</u>	-	-	<u>6,935</u>
Sub-total	35,289	2,160		37,449
Less accumulated depreciation:				
Equipment	24,569	1,760		26,329
Furniture	<u>2,081</u>	<u>1,387</u>	-	<u>3,468</u>
Property and equipment, net	<u>\$ 8,639</u>	<u>\$ (987)</u>	<u>\$ -</u>	<u>\$ 7,652</u>

Note 6. Deferred Income

The Company reports deferred income that have donor-imposed restrictions. These funds are received during the year, with the instructions that they are to be spent in the next fiscal year. At December 31, 2016 there were \$16,575 in deferred income that have been reported on the statement of financial position.

Note 7. Commitments

The Company awards grants to numerous local agencies located throughout the Cape and surrounding Islands on an annual basis, based upon the contributions received from donors. The Board of Directors approved \$564,525 in grants, plus an additional \$35,475 for Martha's Vineyard and strategic initiatives. At December 31, 2016 there were \$297,319 in funds awarded payable yet to be paid out and this liability is reported on the statement of financial position at December 31, 2016.

CAPE AND ISLANDS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 8. Donations of Stock

The Company received donations of stock from several donors during the year. During fiscal year 2016, the Company received donated stock in the amount of \$115,015 and received \$213,069 in proceeds from those sales. The realized gains from these stock sales in the amount of \$98,054 have been included in contribution revenue on the statement of activities.

Note 9. Advertising

Advertising costs are charged to operations when the advertising first takes place. The total advertising expense for 2016 was \$4,432.

Note 10. Operating Lease

The Company leases office space under a three (3) year lease ending August 31, 2017 with the option for a three (3) year renewal at the end of the current lease. The annual rent expense for the year ended December 31, 2016 totaled \$16,800.

Note 11. Retirement Plan

The Company offers a contributory simple IRA Plan for the exclusive benefit of the employees who are eligible to participate. The Plan expense for the year ended December 31, 2016 was \$4,763.

Note 12. Subsequent Events

The Company has evaluated subsequent events through March 22, 2017, the date which the financial statements were available to be issued.