

MAUI UNITED WAY

**AUDITED FINANCIAL STATEMENTS
(With Independent Auditor's Report)**

**FOR THE YEAR ENDED
JUNE 30, 2016**

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Maui United Way
Wailuku, Maui, Hawaii

We have audited the accompanying financial statements of Maui United Way (a Hawaii Non-Profit Corporation), which comprise of the statement of financial position as of June 30, 2016, and the related statement of activities and changes in net assets and statement of 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 Maui United Way as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity 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 6 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.

This report is intended for the information of the board of trustees and management of Maui United Way and is not intended to be and should not be used by anyone other than these specified parties.

Melanie Devereux, CPA, LLC

Makawao, Hawaii
March 30, 2017

MAUI UNITED WAY

Statement of Financial Position
For the Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 292,313	\$ 14,032
Certificates of Deposits	-	181,127
Accounts Receivable	1,913	-
Pledges Receivable	224,096	327,587
Allowance for Uncollectible Pledges	(56,000)	(65,000)
Prepaid Expenses	<u>4,304</u>	<u>8,562</u>
Total Current Assets	466,626	466,308
FIXED ASSETS (Note 2)		
Building	258,484	258,484
Furniture & Equipment	55,985	55,985
Leasehold Improvements	<u>29,514</u>	<u>29,514</u>
Total Fixed Assets	343,983	343,983
Less Accumulated Depreciation	<u>(162,093)</u>	<u>(151,415)</u>
Net Fixed Assets	181,890	192,568
OTHER ASSETS		
Investments (Note 4)	<u>1,592,236</u>	<u>1,617,005</u>
Total Other Assets	<u>1,592,236</u>	<u>1,617,005</u>
TOTAL ASSETS	<u>\$ 2,240,752</u>	<u>\$ 2,275,881</u>

The accompanying notes and independent auditor's report
are an integral part of these financial statements.

MAUI UNITED WAY

Statement of Financial Position (Continued)
For the Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 3,782	\$ 30,875
Payroll Liabilities	<u>3,115</u>	<u>7,033</u>
Total Current Liabilities	6,897	37,908
TOTAL LIABILITIES	6,897	37,908
NET ASSETS (Note 3)		
Unrestricted Net Assets	362,200	429,260
Temporarily Restricted Net Assets	912,932	849,990
Permanently Restricted Net Assets	<u>958,723</u>	<u>958,723</u>
Total Net Assets	<u>2,233,855</u>	<u>2,237,973</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,240,752</u>	<u>\$ 2,275,881</u>

The accompanying notes and independent auditor's report
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MAUI UNITED WAY

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE					
Campaign Contributions	\$ -	\$ 941,938	\$ -	\$ 941,938	\$ 907,348
Less Provision for Uncollectible Pledges	-	(29,006)	-	(29,006)	(57,358)
Net Campaign Contributions	-	912,932	-	912,932	849,990
Realized (Loss) Gain on Investments	(3,538)	-	-	(3,538)	125,708
Unrealized (Loss) on Investments	(47,668)	-	-	(47,668)	(152,111)
Investment Income	40,355	-	-	40,355	62,316
In Kind Donations	460	-	-	460	1,135
Other Income	3,153	-	-	3,153	1,669
Net Assets Released from Restrictions	849,990	(849,990)	-	-	-
Total Support and Revenue	842,752	62,942	-	905,694	888,707
EXPENSES					
Campaign and Program Services	703,015	-	-	703,015	869,876
Management and General	122,365	-	-	122,365	139,689
Fundraising	84,432	-	-	84,432	63,356
Total Expenses	909,812	-	-	909,812	1,072,921
CHANGE IN NET ASSETS	(67,060)	62,942	-	(4,118)	(184,214)
NET ASSETS, BEGINNING OF YEAR	429,260	849,990	958,723	2,237,973	2,422,187
NET ASSETS, END OF YEAR	\$ 362,200	\$ 912,932	\$ 958,723	\$ 2,233,855	\$ 2,237,973

The accompanying notes and independent auditor's report are an integral part of these financial statements.

MAUI UNITED WAY

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

(With Comparative Totals for the Year Ended June 30, 2015)

	2016				2015 Total
	Campaign and Program	Management and General	Fundraising	Total	
Salaries and Wages	\$ 150,432	\$ 35,683	\$ 9,796	\$ 195,911	\$ 180,535
Employee Benefits	37,763	10,070	2,518	50,351	55,252
Payroll Taxes	11,665	3,111	777	15,553	14,670
Allocations to Agencies	425,813	-	-	425,813	570,777
Labor Community Services	37,285	-	-	37,285	70,360
Professional Fees	2,764	23,490	1,382	27,636	26,185
Dues and Subscriptions	12,858	918	4,592	18,368	22,400
Campaign Events	-	-	52,407	52,407	29,281
Investment Management Fees	-	13,511	-	13,511	15,431
Depreciation	3,203	5,339	2,136	10,678	10,948
Equipment	4,097	6,829	2,732	13,658	13,993
Occupancy	4,285	7,142	2,856	14,283	14,992
Printing	142	1,138	142	1,422	15,518
Telephone	2,603	3,254	650	6,507	6,004
Advertising	5,136	-	-	5,136	1,359
Travel and Entertainment	281	2,244	281	2,806	4,318
Electricity	1,762	1,762	881	4,405	4,015
Postage and Supplies	670	2,010	670	3,350	5,115
Conference and Meetings	495	413	743	1,651	3,472
Insurance	303	2,578	152	3,033	2,917
Bank and Merchant Fees	-	2,623	-	2,623	2,754
General Excise Tax	-	-	1,291	1,291	438
Real Property Tax	150	250	100	500	500
Miscellaneous	1,308	-	326	1,634	1,687
	<u>\$ 703,015</u>	<u>\$ 122,365</u>	<u>\$ 84,432</u>	<u>\$ 909,812</u>	<u>\$1,072,921</u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.

MAUI UNITED WAY
Statement of Cash Flows
For the Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Campaign Contributions	\$ 1,005,510	\$ 864,881
Cash Received From Investment Income	40,355	62,316
Cash Received From Other Income	3,153	1,669
Cash Used From Losses on Investments	(51,206)	(26,403)
Cash Paid to Employees and Vendors	<u>(925,427)</u>	<u>(1,032,134)</u>
 Net Cash (Used) Provided by Operating Activities (Note 6)	 72,385	 (129,671)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Certificates of Deposit	181,127	(224)
Change in Investment Accounts	<u>24,769</u>	<u>124,741</u>
 Net Cash Provided (Used) by Investing Activities	 <u>205,896</u>	 <u>124,517</u>
 NET (DECREASE) CASH	 <u>278,281</u>	 <u>(5,154)</u>
 CASH BALANCE, BEGINNING OF YEAR	 <u>14,032</u>	 <u>19,186</u>
 CASH BALANCE, END OF YEAR	 <u>\$ 292,313</u>	 <u>\$ 14,032</u>

The accompanying notes and independent auditor's report
are an integral part of these financial statements.

MAUI UNITED WAY

Notes to the Financial Statements For the Year Ended June 30, 2016

1. ORGANIZATION

Maui United Way (the Organization) is a nonprofit organization established in 1944. The Organization is guided by a locally based board of directors implementing policies unique to its community's needs. The Organization is a member of the United Way Statewide Association of Hawaii, a cooperative effort among the various United Way Organizations in Hawaii to improve lives by mobilizing the caring power of the communities. The Organization is also a member of The United Way of America, a trade organization that supports local United Ways nationwide.

The Organization receives its financial support principally through an annual fundraising campaign. Contributions are primarily received from companies, foundations and individuals through payroll deductions plans. The funds raised, after deducting support services costs, are distributed on a monthly basis to the Organization's member agencies based on the recommendation of the Organization's allocation committee and approved by the Organization's board of directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accrual basis of accounting is used for financial and income tax reporting purposes. Under this method of accounting, revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Not-for-Profit Entities Presentation of Financial Statement*. Under ASC 958-205, the Organization is required to report 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.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

MAUI UNITED WAY

Notes to the Financial Statements For the Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Furniture, fixtures and equipment are stated at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment that have a useful life for a year or more. The fair value of donated fixed assets is similarly capitalized when a clearly measurable and objective basis for determining the value is available. Such donations are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided on a straight-line basis over the estimated useful life of each asset.

Income Taxes

The Organization has been granted a tax-exempt status as a nonprivate foundation under Internal Revenue Code Section 501(c)(3) and by the Hawaii Revised Statutes Sections 237-23(b). Contributions to the organization are tax deductible. Accordingly, no provision for income taxes has been recorded in the statements of activity and financial position. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Donated Services

The Organization receives services donated by the general public in carrying out its purpose. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition under ASC 958-605 *Not-for-Profit Entities Revenue Recognition*.

MAUI UNITED WAY

Notes to the Financial Statements For the Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. There are no unconditional promises to give beyond the subsequent year.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises to give.

Functional Allocation of Expenses

ASC 958-205 requires that not-for-profit organizations group their expenses by functional classifications: Program Services, Supporting Services, and Fundraising. Expenses are charged directly to program services, supporting services or fundraising based on specific identification. Other expenses such as payroll, payroll taxes, employee benefits and occupancy related costs are allocated based on estimated usage.

Advertising Costs

The Organization expenses non-direct response advertising costs as they are incurred and no direct-response advertising costs were incurred.

MAUI UNITED WAY

Notes to the Financial Statements For the Year Ended June 30, 2016

3. NET ASSETS

The Organization has conformed to ASC 958-210-45-9 “Not-for-Profit Entities, Classification of Net Assets.” Accordingly, the Organization is required to report 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 represent those assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets represent those 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization’s temporarily restricted net assets consist of the current year net campaign contributions to be utilized in fiscal year ended June 30, 2017.

Permanently restricted net assets represent those net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

4. INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, based on quoted prices in active markets with gains or losses included in the statements of activities. Interest and dividend income and net realized and unrealized gains or losses are reported in the period earned as increases, or decreases to unrestricted net assets.

ASC FASB 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

MAUI UNITED WAY

Notes to the Financial Statements For the Year Ended June 30, 2016

4. INVESTMENTS (Continued)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value.

Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly and include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances.

For the year ended June 30, 2016, the Organization engaged solely in level 1 inputs.

The Organization held the following investments at June 30, 2016:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized (Loss) Gain</u>
Money market funds	\$ 33,273	\$ 33,273	\$ -
Mutual funds - Fixed income	242,274	243,617	1,343
Equity securities	482,442	478,460	(3,982)
Mutual funds - equity securities	761,529	846,544	85,015
Unsettled purchases/ sales	-	(9,658)	(9,658)
	<u>\$ 1,519,518</u>	<u>\$ 1,592,236</u>	<u>\$ 72,718</u>

5. COMMITMENT TO MEMBER AGENCIES

Current allocations to member agencies are paid out subsequent to the end of the previous year's campaign. Allocations for the 2014-2015 campaign year, made in the year ended June 30, 2016, amounted to \$419,178. The Organization is committed to fund member agencies \$423,475 from the 2015-2016 campaign.

MAUI UNITED WAY

Notes to the Financial Statements
For the Year Ended June 30, 2016

6. RECONCILIATION OF (DEFICIT) OF SUPPORT AND REVENUE OVER EXPENSES WITH NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	<u>2016</u>	<u>2015</u> <u>Comparative</u>
(Deficit) of support and revenue over expenses	\$ (4,118)	\$ (184,214)
Adjustment to reconcile (deficit) of support and revenue over expenses to net cash provided (used) by operating activities:		
Depreciation	10,678	10,948
Decrease in accounts receivable	101,578	14,891
(Increase) in allowance for uncollectible pledges	(9,000)	-
Decrease (increase) in prepaid expenses	4,258	(1,500)
(Decrease) increase in accounts payables	(27,093)	27,801
(Decrease) increase in payroll liabilities	<u>(3,918)</u>	<u>2,403</u>
Net cash provided (used) by operating activities	<u>\$ 72,385</u>	<u>\$ (129,671)</u>

7. LEASE OBLIGATIONS

The Organization has entered into several five year lease agreements for office equipment for the Wailuku office. The leases were signed in 2011 and 2012 and minimum monthly payments are \$260 and \$303, respectively. Future minimum lease payments for years ended June 30 are:

2017	\$ 4,936
2018	<u>909</u>
 Total	 <u>\$ 5,845</u>

8. RETIREMENT PLAN

The Organization adopted a Simple Retirement Plan, which provides for a contribution of 6% of qualifying employees' compensation. The Organization's contribution for the year ended June 30, 2016 amounted to \$11,669.

MAUI UNITED WAY

Notes to the Financial Statements
For the Year Ended June 30, 2016

9. ALLOCATION TO MEMBER AGENCIES

The Organization has designated allocations to agency partners during the year ended June 30, 2016 as follows:

Aloha House	\$ 18,000
Alzheimer's Association	5,000
American Red Cross	12,000
Best Buddies	12,500
Big Brothers / Big Sisters	17,917
Book Trust	1,812
Boy Scouts of America	6,932
Catholic Charities	6,502
Child and Family Services	15,000
Credit Counseling	14,498
Community Clinic	16,500
Feed My Sheet	19,500
Girl Scouts Council of Hawaii	3,000
Habitat for Humanity	14,342
Hospice Maui	17,430
IMUA Family Services Camp	4,000
IMUA Family Services- Childhood	10,000
Ka Hale A Ke Ola	3,321
Lahaina Arts Association	7,000
Malama Family Recovery Center	19,060
Maui Adult Day Care Center	19,711
Maui Family Support Services	20,004
Maui Family YMCA	1,500
Maui Farm	10,538
Maui Youth and Family Services	12,000
Mediation Services of Maui	16,000
Mental Health Association	20,111
Mental Health Kokua	15,752
Ohana Makamae	11,000
PACT	4,000
Planned Parenthood	4,363
PATCH - People Attentive to Children	2,000

MAUI UNITED WAY

Notes to the Financial Statements
For the Year Ended June 30, 2016

9. ALLOCATION TO MEMBER AGENCIES (Continued)

Salvation Army	10,000
Special Olympics Hawaii, Maui	5,000
Women Helping Women	20,885
Partner of the Year Award	1,000
Boys and Girls Clubs of Maui	9,000
Paia Youth Council, Inc.	12,000
Non-Partner Agencies	6,635
	<u>\$ 425,813</u>

10. MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2017. There are no subsequent events that would have a material effect on the financial statements and this is the date the financial statements were available to be issued.