

UNITED WAY OF LAPEER COUNTY

**FINANCIAL STATEMENTS
FOR YEARS ENDED
JUNE 30, 2017 AND 2016**

UNITED WAY OF LAPEER COUNTY

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Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
United Way of Lapeer County
Lapeer, MI 48446

We have reviewed the accompanying financial statements of United Way of Lapeer County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Mattina, Kent & Gibbons, P.C.

Mattina, Kent & Gibbons, P.C.
Certified Public Accountants
Lapeer, Michigan

November 30, 2017

FINANCIAL STATEMENTS

UNITED WAY OF LAPEER COUNTY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

<u>ASSETS</u>		
	2017	2016
CURRENT ASSETS		
Cash	\$ 73,104	\$ 35,133
Pledges Receivable (Less Allowance for Uncollectible Pledges of \$11,171 and \$9,841)	47,515	54,742
Special Events Receivables	-	750
Prepaid Expenses	-	158
TOTAL CURRENT ASSETS	120,619	90,783
FIXED ASSETS		
Computers	6,490	6,490
Less: Accumulated Depreciation	(4,209)	(2,911)
TOTAL FIXED ASSETS	2,281	3,579
OTHER ASSETS		
Investments at Community Foundation	1,310	1,162
TOTAL OTHER ASSETS	1,310	1,162
TOTAL ASSETS	\$ 124,210	\$ 95,524
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,768	\$ 71
Accrued Payroll and Liabilities	3,890	3,645
Deferred Revenue	3,784	4,035
TOTAL CURRENT LIABILITIES	10,442	7,751
NET ASSETS		
Unrestricted	66,253	33,031
Temporarily Restricted	47,515	54,742
TOTAL NET ASSETS	113,768	87,773
TOTAL LIABILITIES AND NET ASSETS	\$ 124,210	\$ 95,524

See Independent Accountant's Review Report and Accompanying Notes.

**UNITED WAY OF LAPEER COUNTY
STATEMENTS OF ACTIVITIES
FOR YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE AND SUPPORT						
Public Support						
Annual Campaign	\$ 79,168	\$ 47,515	\$ 126,683	\$ 55,146	\$ 54,742	\$ 109,888
Contributions	25,873	-	25,873	31,006	-	31,006
Grant Income	9,589	-	9,589	7,802	-	7,802
Total Public Support	<u>114,630</u>	<u>47,515</u>	<u>162,145</u>	<u>93,954</u>	<u>54,742</u>	<u>148,696</u>
Fundraising (Net of Direct Expenses \$2,867 and \$4,280)	2,993	-	2,993	7,486	-	7,486
Interest	18	-	18	44	-	44
Miscellaneous Income	4,484	-	4,484	3,862	-	3,862
Realized Gain (Loss) on Investment	(18)	-	(18)	4	-	4
Net Assets Released from Restriction	54,742	(54,742)	-	50,140	(50,140)	-
Total Revenue	<u>62,219</u>	<u>(54,742)</u>	<u>7,477</u>	<u>61,536</u>	<u>(50,140)</u>	<u>11,396</u>
TOTAL REVENUE AND SUPPORT	<u>176,849</u>	<u>(7,227)</u>	<u>169,622</u>	<u>155,490</u>	<u>4,602</u>	<u>160,092</u>
FUNCTIONAL EXPENSES						
Program Services	70,751	-	70,751	37,679	-	37,679
Management and General	15,000	-	15,000	35,241	-	35,241
Fundraising	7,081	-	7,081	25,145	-	25,145
Total Functional Expenses	<u>92,832</u>	<u>-</u>	<u>92,832</u>	<u>98,065</u>	<u>-</u>	<u>98,065</u>

See Independent Accountant's Review Report and Accompanying Notes.

**UNITED WAY OF LAPEER COUNTY
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
ALLOCATIONS						
Funds Allocated to Agencies	\$ 49,295	\$ -	\$ 49,295	\$ 50,000	\$ -	\$ 50,000
Payments to National Organization	1,500	-	1,500	1,027	-	1,027
Total Allocations	50,795	-	50,795	51,027	-	51,027
 TOTAL EXPENSES AND ALLOCATIONS	 143,627	 -	 143,627	 149,092	 -	 149,092
 CHANGE IN NET ASSETS	 33,222	 (7,227)	 25,995	 6,398	 4,602	 11,000
 NET ASSETS - BEGINNING OF YEAR	 33,031	 54,742	 87,773	 26,633	 50,140	 76,773
 NET ASSETS - END OF YEAR	 \$ 66,253	 \$ 47,515	 \$ 113,768	 \$ 33,031	 \$ 54,742	 \$ 87,773

See Independent Accountant's Review Report and Accompanying Notes.

**UNITED WAY OF LAPEER COUNTY
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 25,995	\$ 11,000
Adjustment to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	1,298	1,267
Realized (Gain) Loss on Investment	18	(4)
(Increase) Decrease in Current Assets:		
Pledges Receivable	7,227	(4,602)
Special Events Receivables	750	(750)
Prepaid Expenses	158	81
Increase (Decrease) in Current Liabilities:		
Accounts Payable	2,697	(3,928)
Accrued Payroll and Liabilities	245	1,762
Deferred Revenue	(251)	4,035
	<u>38,137</u>	<u>8,861</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(235)	(300)
Investment Fees Paid	69	33
	<u>(166)</u>	<u>(267)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,971	8,594
CASH – BEGINNING OF YEAR	<u>35,133</u>	<u>26,539</u>
CASH – END OF YEAR	<u><u>\$ 73,104</u></u>	<u><u>\$ 35,133</u></u>

See Independent Accountant's Review Report and Accompanying Notes.

**UNITED WAY OF LAPEER COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR YEARS ENDED JUNE 30, 2017 AND 2016**

FUNCTIONAL EXPENSES	2017				2016			
	MANAGEMENT			TOTAL	MANAGEMENT			TOTAL
	PROGRAM	AND GENERAL	FUND-RAISING		PROGRAM	AND GENERAL	FUND-RAISING	
Director's Salary	\$ 34,961	\$ 2,596	\$ 2,596	\$ 40,153	\$ 18,740	\$ 10,702	\$ 10,865	\$ 40,307
Staff Salary	20,196	2,430	2,430	25,056	10,209	7,188	7,635	25,032
Payroll Taxes	4,203	383	383	4,969	2,139	1,321	1,366	4,826
Accounting	-	3,100	-	3,100	-	6,000	-	6,000
Administration Fees	-	3,507	-	3,507	-	2,964	-	2,964
Contracted Services	395	-	-	395	-	495	-	495
Depreciation	-	1,298	-	1,298	-	1,267	-	1,267
Dues and Subscriptions	581	67	197	845	437	394	216	1,047
Insurance	1,644	205	205	2,054	745	646	745	2,136
Media Public Information	257	-	-	257	78	-	940	1,018
Meetings and Workshops	7	-	-	7	27	4	52	83
Miscellaneous	792	156	-	948	1,227	986	-	2,213
Office Supplies	-	443	448	891	335	152	185	672
Postage	146	-	47	193	174	89	194	457
Printing	435	-	-	435	73	73	88	234
Rent	5,760	720	720	7,200	2,680	2,260	2,260	7,200
Repairs and Maintenance	165	60	-	225	-	195	-	195
Telephone	1,209	35	35	1,279	784	483	483	1,750
Travel/Auto	-	-	20	20	31	22	116	169
TOTAL FUNCTIONAL EXPENSES	\$ 70,751	\$ 15,000	\$ 7,081	\$ 92,832	\$ 37,679	\$ 35,241	\$ 25,145	\$ 98,065

See Independent Accountant's Review Report and Accompanying Notes.

NOTES TO THE FINANCIAL STATEMENTS

UNITED WAY OF LAPEER COUNTY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

United Way of Lapeer County, Inc. (the “Organization”) is a nonprofit organization, whose purpose is to provide financial support for philanthropic health and social, education and community organizations within Lapeer County through a public campaign for funds. The Organization also provides volunteer and information services directly to the public. The Organization receives contributions from individuals and businesses located in the Lapeer County geographic region.

The accounting policies of the Organization conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the Organization.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Under accounting standards, The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of The Organization and/or the passage of time.

Permanently Restricted net Assets – 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 related investments for general or specific purposes

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Accounting 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 certain assets and liabilities and disclosures.

UNITED WAY OF LAPEER COUNTY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Accounting Estimates (continued)

Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization's cash is deposited in one financial institution. Cash accounts at banks are insured by the FDIC for up to \$250,000. There were no amounts in excess of insured limits at June 30, 2017 and 2016.

Pledges Receivables

The calculation of allowance for uncollectible pledges is based on the historical collection experience for pledges receivable outstanding. Pledges receivable, net of the allowance for uncollectible pledges, were \$47,515 and \$54,742 as of June 30, 2017 and 2016. This entire net amount is expected to be collected within the next year.

Special Events Receivables

Special events receivable are deemed to be fully collectible by management. Accordingly, no allowance for doubtful accounts is required for special events receivables and it is expected that all receivables will be collected within one year.

Property, Equipment, and Related Depreciation

Property and equipment are recorded at cost when purchased and at fair market value when donated. Depreciation is provided using straight-line over the estimated useful lives of the related assets. When assets are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized currently. Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a temporary 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.

Contributions with donor-imposed restrictions that are met in the same year as the contributions are received are reported as revenue of the unrestricted net asset class.

UNITED WAY OF LAPEER COUNTY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest Held by Third Party

Agency funds are those funds for which the Lapeer County Community Foundation is holding assets for investment purposes on behalf of the beneficiary. Since the Community Foundation is holding and investing these funds on behalf of the beneficiary, the fair value of the endowment investments are recorded as an asset of the beneficiary. The Organization currently has one fund (non-endowed) at the Community Foundation that is accounted for in this manner. This fund allows for distribution of principal and income to be spent at the Organization's discretion. As of June 30, 2017 and 2016, the fair value of this investment was \$1,310 and \$1,162 respectively.

The following schedule summarizes activity within the non-endowed fund:

	2017	2016
	Unrestricted Non-endowed Fund	Unrestricted Non-endowed Fund
Beginning balance	\$ 1,162	\$ 891
Revenues		
Net Investment Income	36	30
Realized Gains (Losses)	(18)	7
Market Adjustment	98	(3)
Contributions	100	300
Total Revenues	216	334
Expenses		
Investment Fees	7	6
Administrative Fees	61	57
Total Expenses	68	63
Net Change	148	271
Ending Balance	\$ 1,310	\$ 1,162

Other Endowment Funds

The Lapeer County Community Foundation also holds other assets that are intended for the benefit of the United Way of Lapeer County. Since the Community Foundation has variance power over these funds, they are not reported on the financial statements of the Organization. The endowed funds require principal to be maintained in perpetuity and provides for distribution of investment earnings on an annual basis. The endowment fund balance was \$138,591 and \$133,922, as of June 30, 2017 and 2016, respectively.

UNITED WAY OF LAPEER COUNTY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials, Equipment, and Services

GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. GAAP also requires contributions of tangible assets to be recognized at fair value when received and the value of donated services to be recorded as contributions in the period the services are rendered.

The amounts reflected in the financial statements as in-kind contributions will be offset by like amounts included in expenses. The Organization did not receive contributed materials, equipment, or services during the fiscal years ended June 30, 2017 and 2016 meeting the recognition criteria.

Functional Expenses

Expenses identified as applying to a specific program or supporting service are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or supporting service are allocated between service areas based upon the cumulative results of staff time studies and management estimates.

Income Tax Status

The Organization is a nonprofit organization, as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal and state income taxes.

In preparation of information returns, tax positions are taken based on interpretation of federal and state tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties ultimately due or owed. No amounts have been identified, or recorded as uncertain positions.

The Organization's informational returns are subject to examination, generally for three years after the filing date. Open audit periods are 2014 to 2016.

Subsequent Events

The Organization has evaluated subsequent events through November 30, 2017 the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENT

A hierarchy has been established by GAAP that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy under GAAP are described below.

Level 1: Quoted prices in active markets for identical securities.

UNITED WAY OF LAPEER COUNTY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENT (Continued)

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The following is a market value summary by the level of inputs used, as of June 30, 2017 and 2016, in evaluating the Organization's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Valued on a Recurring Basis Investments at Community Foundation	\$ -	\$ -	\$ 1,310	\$ 1,310
	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Valued on a Recurring Basis Investments at Community Foundation	\$ -	\$ -	\$ 1,162	\$ 1,162

Fair Values for the investments at the Lapeer County Community Foundation are determined by the Foundation. Changes in level 3 inputs are disclosed in Note 1.

NOTE 3 - RELIANCE ON FUNDING SOURCES

The Organization receives a substantial amount of its support from private grants and pledges. A substantial number of the pledges originate from residents and businesses located in Lapeer County, Michigan. A significant reduction in the level of this support, if it were to occur, would have an effect on the Organization's programs and activities.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of campaign pledges of \$47,515 and \$54,742 as of June 30, 2017 and 2016, respectively. This consists of campaign pledges for general operations to be received in the future and grant revenue not yet spent.

UNITED WAY OF LAPEER COUNTY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - UNCERTAINTY IN INCOME TAXES

Federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (Code). The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties.

As an exempt organization as described in Section 501(c)(3) of the Code that has been classified as other than a private foundation, the Organization is only subject to tax on unrelated business income as defined by Section 509(a)(1) of the Code. The Organization has no unrelated business income for the years ended June 30, 2017 and 2016. Accordingly, a provision for income taxes has not been made on the financial statements.

The amount of income tax benefit that may be disallowed by the Internal Revenue Service (IRS), if any, cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

Interest and/or penalties on an amount of income taxes deemed underpaid, if any, will be classified as income taxes in the financial statements. The Organization has not recognized any interest or penalties payable in the Statement of Financial Position as of June 30, 2017 and 2016, or interest or penalties expense in the Statement of Activities for the years then ended.

The Organization is subject to IRS and state examinations for a period of at least three (3) years after the Form 990 has been filed.

NOTE 6 – DEFERRED REVENUE

As of June 30, 2017 and 2016, deferred revenue was comprised of:

	2017	2016
Dolly Parton Imagination Library	\$ -	\$ 2,060
EFSP Grant	2,884	-
Advance of Funds for Community Color Run	900	1,975
	\$ 3,784	\$ 4,035

NOTE 7 – PREPAID EXPENSES

Certain expenses are routinely paid that cover more than the current fiscal period. As of June 30, 2017, there were no prepaid expenses. At June 30, 2016, prepaid expenses consisted of expenses for upcoming Community Color Run.

NOTE 8 – UNEMPLOYMENT INSURANCE

The Organization has withdrawn from the State of Michigan-Unemployment Agency for unemployment claims. The Organization has become a member of The 501 Alliance, which facilitates the payments of unemployment claims to the State Unemployment Agency. They are required to make periodic contributions to fund such payments. The contributions are maintained in a custodial account on behalf of the Organization. Should unemployment claims exceed the amount in the custodial account, the Organization will be responsible to reimburse The 501 Alliance the excess amount plus interest. As of June 30, 2017 and 2016, the custodial account had an outstanding balance of \$700 and \$180, respectively.