



WEINLANDER FITZHUGH

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
MT. PLEASANT, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2017

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

December 5, 2017

Board of Directors
United Way of Gratiot and Isabella Counties
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of United Way of Gratiot and Isabella Counties (Organization), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 Organization'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 Organization'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 United Way of Gratiot and Isabella Counties as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Weinlander Fitzhugh

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UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Statement of Financial Position
June 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 330,769
Pledges receivable:	
Payroll deductions	227,937
Total current assets	<u>558,706</u>

Property and Equipment

Land and land improvements	46,100
Buildings and improvements	822,469
Equipment and office furniture	76,937
	<u>945,506</u>
Less allowance for depreciation	(304,628)
Total property and equipment	<u>640,878</u>

Other Assets

Lease deposit	850
Beneficial interest in endowment funds	135,030
Total other assets	<u>135,880</u>

Total Assets	<u><u>\$1,335,464</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 3,918
Accrued payroll taxes and withholding	4,795
Donor designations	47,768
Deferred revenue	3,317
Due to others	15,736
Total current liabilities	<u>75,534</u>

Net Assets

Unrestricted:	
Investment in property and equipment	640,878
Designated for endowment	135,030
Undesignated	402,675
	<u>1,178,583</u>
Temporarily restricted	81,347
Total net assets	<u>1,259,930</u>

Total Liabilities and Net Assets	<u><u>\$1,335,464</u></u>
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See accompanying notes to financial statements.

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
<u>Public Support and Revenues</u>			
Public support:			
Annual campaign	\$ 662,714	\$ 70,207	\$ 732,921
Less: uncollectible pledges	(53,455)	0	(53,455)
	609,259	70,207	679,466
Revenues:			
In-kind contributions	26,276	0	26,276
Rental income	75,267	0	75,267
Knock Out Hunger	4,926	0	4,926
Adopt-A-Family	6,305	0	6,305
Community leaders conference	11,029	0	11,029
Administrative income from designations	7,159	0	7,159
Golf outing	3,300	0	3,300
Stuff the Bus	33,706	11,140	44,846
Miscellaneous	2,300	0	2,300
Interest income	439	0	439
Net unrealized gain on investments	7,008	0	7,008
Net assets released from restrictions:			
Satisfaction of program restrictions	146,601	(146,601)	0
	933,575	(65,254)	868,321
<u>Expenses</u>			
Program services	670,774	0	670,774
Management and general	52,686	0	52,686
Fundraising	109,871	0	109,871
Total expenses	833,331	0	833,331
Change in net assets	100,244	(65,254)	34,990
Net assets at beginning of year	1,078,339	146,601	1,224,940
Net assets at end of year	\$ 1,178,583	\$ 81,347	\$ 1,259,930

See accompanying notes to financial statements.

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services			
	Building Development	Allocations Services	Community Impact	Sub- Total
Agency allocations	\$ 0	\$274,678	\$ 0	\$ 274,678
Salaries and wages	5,725	42,432	70,124	118,281
Payroll taxes	419	3,030	5,116	8,565
Employee benefits	13	374	910	1,297
	<u>6,157</u>	<u>45,836</u>	<u>76,150</u>	<u>128,143</u>
Grants	0	57,835	0	57,835
Stuff the Bus	0	0	47,741	47,741
Marketing	0	0	10,139	10,139
Utilities	20,455	338	828	21,621
Telephone and internet	9,770	853	4,118	14,741
Professional services	0	0	0	0
Repairs and maintenance	11,559	0	0	11,559
United Way 2-1-1 grant	0	0	10,800	10,800
Rent	1,470	1,785	3,780	7,035
Knock Out Hunger	0	0	9,910	9,910
Recognition and awards	21	1,607	4,707	6,335
Equipment rent and maintenance	1,582	1,435	3,184	6,201
Insurance	4,937	644	1,466	7,047
Printed materials	67	1,174	2,981	4,222
Golf outing	0	0	0	0
Adopt-A-Family sponsorship	0	0	5,969	5,969
Software	532	684	3,091	4,307
Membership dues and subscriptions	362	763	1,944	3,069
Professional development	26	686	2,120	2,832
Purchased services	4,187	0	0	4,187
Other	0	0	3,325	3,325
Conferences and meetings	68	427	1,719	2,214
Supplies	1,418	209	744	2,371
Bank charges	0	0	0	0
Postage	211	354	917	1,482
Legal fees	0	165	403	568
Travel and transportation	0	65	166	231
	<u>56,665</u>	<u>69,024</u>	<u>120,052</u>	<u>245,741</u>
Total before depreciation	62,822	389,538	196,202	648,562
Depreciation	0	6,151	16,061	22,212
Total expenses	<u>\$ 62,822</u>	<u>\$395,689</u>	<u>\$212,263</u>	<u>\$ 670,774</u>

See accompanying notes to financial statements.

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>	<u>Sub- Total</u>	<u>Total</u>
\$ 0	\$ 0	\$ 0	\$ 274,678
21,088	58,520	79,608	197,889
4,380	4,286	8,666	17,231
266	549	815	2,112
<u>25,734</u>	<u>63,355</u>	<u>89,089</u>	<u>217,232</u>
0	0	0	57,835
0	0	0	47,741
0	14,173	14,173	24,312
199	491	690	22,311
372	1,328	1,700	16,441
16,073	0	16,073	16,073
0	0	0	11,559
0	0	0	10,800
735	2,730	3,465	10,500
0	0	0	9,910
889	2,323	3,212	9,547
589	2,109	2,698	8,899
254	1,046	1,300	8,347
848	1,732	2,580	6,802
0	6,409	6,409	6,409
0	0	0	5,969
298	1,052	1,350	5,657
528	1,163	1,691	4,760
366	996	1,362	4,194
0	0	0	4,187
0	0	0	3,325
209	573	782	2,996
119	308	427	2,798
2,292	0	2,292	2,292
281	521	802	2,284
130	242	372	940
36	94	130	361
<u>24,218</u>	<u>37,290</u>	<u>61,508</u>	<u>307,249</u>
49,952	100,645	150,597	799,159
<u>2,734</u>	<u>9,226</u>	<u>11,960</u>	<u>34,172</u>
<u>\$ 52,686</u>	<u>\$ 109,871</u>	<u>\$ 162,557</u>	<u>\$ 833,331</u>

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash Flows From Operating Activities

Change in net assets	\$ 34,990
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	34,172
Net unrealized gain on investments	(7,008)
Changes in operating assets and liabilities:	
Payroll deductions receivable	13,491
Accounts receivable	1,156
Prepaid expenses	919
Accounts payable	(9,902)
Accrued payroll taxes and withholdings	310
Donor designations	(72,765)
Deferred revenue	486
Due to others	10,603
Net cash flows from operating activities	6,452

Cash Flows From Investing Activities

Purchase of fixed assets	(4,342)
Net cash flows from investing activities	(4,342)

Net change in cash	2,110
Cash at beginning of year	328,659
Cash at end of year	\$ 330,769

See accompanying notes to financial statements.

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES

Notes to Financial Statements For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The United Way of Gratiot and Isabella Counties (Organization) was formed July 1, 2016 with the merging of the United Way of Gratiot County and the United Way of Isabella County. The Organization is governed by a board of local volunteers, is a not-for-profit community organization, which raises resources for local human care agencies. Resources are raised through an annual campaign conducted throughout Gratiot and Isabella Counties. Local human care agencies are allocated available resources after critical review and evaluation of their needs by the Board of Directors and a community volunteer funds distribution committee.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

The Organization 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. No permanently restricted assets were held during the year ended June 30, 2017, and accordingly, these financial statements do not reflect any activity related to this class of net assets for this year.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in the future are recorded at fair value, which is measure at the present value of future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Services and Materials

Amounts that have been reported in the financial statements for voluntary donations of services are those services that create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated materials are recorded at fair market value at the date of the gift and reflected as in-kind contributions. The value of donated materials was \$26,276.

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

No amounts have been reflected in the statements for volunteer services. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations and various committee assignments.

Property and Equipment

Purchases of land, buildings and equipment having a unit cost of \$1,000 or more and an estimated useful life of more than three years are capitalized at cost. Donated assets are capitalized at the estimated fair market value at time of receipt. Certain donated services are capitalized as improvements when those services enhance the value of assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	10 years
Buildings and improvements	5-40 years
Equipment and office furniture	3-7 years

Cash and Equivalents

The Organization maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Cash Flow Information

For purposes of the statement of cash flows, cash includes checking, savings and money market funds. Cash paid for interest was \$0 and for income taxes was \$0.

Allocations to Agencies

Allocations to agencies are reported as expenses when unconditionally committed to the recipient by the Organization.

Donor Designations Payable

The Organization receives pledges from donors designating the resources to specified agencies. The Organization collects these resources and disburses the funds to the designated agencies. Designated pledges are excluded from contribution revenue, and the related disbursements to specified agencies are excluded from allocations in the statement of activities. Unpaid amounts at June 30, 2017, are recorded as a liability in the statement of financial position.

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to Others

The Organization acts as a fiduciary for other organizations, typically while those organizations are attempting to gain 501(c)(3) status. When the Organization receive fund on behalf of another organization, it is recorded as a liability "due to others". When the Organization makes payments on behalf of those same Organizations, those charges are also applied to the liability. The balance remaining in the account is owed back the original organization.

Accounts Receivable

Accounts receivable represents amounts due from tenants of the Wilcox Building, and at times, other miscellaneous amounts due to the Organization. These amounts have been deemed fully collectible, and therefore, no allowance for doubtful accounts has been established. There is no accounts receivable as of June 30, 2017.

Pledges Receivable

Pledges receivable consisted of the following for the year ended June 30, 2017:

Gross pledges receivable - due in less than one year	\$ 254,937
Less allowance for estimated uncollectible amounts	<u>(27,000)</u>
Net pledges receivable	<u>\$ 227,937</u>

Pledges receivable are periodically evaluated for collectability based on past history with donors and their current financial condition. Provisions for uncollectible pledges receivable are determined on the basis of loss experience, known and inherent risks and current economic conditions.

Allocated Expenses

Expenses by function have been allocated between program and supporting services classifications on the basis of estimates made by the Organization's management.

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 - INCOME TAXES

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. As of June 30, 2017, the Organization's federal returns generally remain open for the last three years.

NOTE 3 - ENDOWMENT FUND WITH MT. PLEASANT AREA COMMUNITY FOUNDATION AND GRATIOT COUNT COMMUNITY FOUNDATION

The Organization is the beneficiary under endowment fund agreements with the Mt. Pleasant Area Community Foundation and the Gratiot County Community Foundation (Foundations). A portion of the assets, \$135,030 is included in the statement of financial position of the Organization. The remaining portion, \$41,541 is included on the statement of financial position of the Mt. Pleasant Area Community Foundation. The Organization does not exercise any control over the principal of the funds but, based on a formula, certain amounts of the funds may be distributed to and expended by the Organization.

Variance power has been granted to the Foundations for the assets in the endowment funds. If the Organization ceases to exist or no longer performs its functions under the provisions of the agreement, the Foundations shall continue to administer and disburse fund assets in a manner deemed appropriate.

The endowment funds includes funds designated by the Organization. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based on the existence or absence of donor-imposed restriction.

Investment and spending policies are determined by the Mt. Pleasant Area Community Foundation and the Gratiot County Community Foundation.

Endowment Net Asset Composition by Type of Fund as of June 30, 2017

	<u>Unrestricted</u>
Board designated	
endowment funds	<u>\$ 135,030</u>

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Notes to Financial Statements
For the Year Ended June 30, 2017

**NOTE 3 - ENDOWMENT FUND WITH MT. PLEASANT AREA COMMUNITY FOUNDATION AND
GRATIOT COUNTY COMMUNITY FOUNDATION (CONTINUED)**

Changes in Endowment Net Assets for the Year Ended June 30, 2017

	<u>Unrestricted</u>
Endowment net assets, beginning of year	<u>\$ 128,021</u>
Investment return:	
Investment income	3,221
Net appreciation (realized and unrealized)	<u>10,051</u>
Total investment return	<u>13,272</u>
Appropriation of endowment assets for expenditure:	
Administrative and investment fees	(1,812)
Distribution from Fund	<u>(4,451)</u>
Total expenditures	<u>(6,263)</u>
Endowment net assets, end of the year	<u><u>\$ 135,030</u></u>

NOTE 4 - OPERATING LEASES AND RENTAL INCOME

The Organization leases office space and a copier under operating leases expiring on May 31, 2018 and March 31, 2018, respectively. Minimum future rental payments under the non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2017 are as follows:

2018	<u>\$ 12,448</u>
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The Organization leases office space in the Wilcox Non-Profit Center to tenants, including both affiliated and unaffiliated agencies, under non-cancellable operating leases with varying terms. Collections from the leases are recorded as rental income. Essentially all of the Organizations property and equipment are used in leasing activities.

The following is a schedule of future minimum rental under the leases:

2018	<u>\$ 43,178</u>
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UNITED WAY OF GRATIOT AND ISABELLA COUNTIES
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

2017 annual campaign	\$ 70,207
Stuff the bus	<u>11,140</u>
	<u>\$ 81,347</u>

NOTE 6 – SUBSEQUENT EVENTS

On September 9, 2017, the Organization entered into a three-year lease agreement for a building in which it will utilize as a Nonprofit Service Center. The Organization will manage the facility and sublease portions of the building to other nonprofit organizations. The Organization will be responsible for annual installments of \$60,000 per year for the term of the lease. The Organization has also paid consideration of \$50,000 for the option to purchase the building at the end of the lease. Sublease agreements have been signed with four separate nonprofit organizations that will cover the annual installment payments for the next three years.

UNITED WAY OF GRATIOT AND ISABELLA COUNTIES

Notes to Financial Statements For the Year Ended June 30, 2017

NOTE 7 – MERGER OF OPERATIONS

On July 1, 2016, United Way of Gratiot County (UWGC) and United Way of Isabella County (UWIC) completed a merger of their operations. Both UWGC and UWIC raised resources for local human care agencies through an annual campaign conducted in the counties. The local human care agencies were allocated available resources after review and evaluation by each Board of Directors and a funds distribution committee made up of community volunteers. As a result of the merger, the combine organization has been renamed United Way of Gratiot and Isabella Counties. Through their merger, the organization seek to further their common mission by improving heir programs and achieving economies of scale through integrating their services.

As of July 1, 2016 the major classes of assets, liabilities and net asset of UWGC and UWIC are as follows:

	United Way of Gratiot County	United Way of Isabella County	Total United Way of Gratiot and Isabella Counties
<u>Assets:</u>			
Cash	\$ 233,073	\$ 95,586	\$ 328,659
Accounts receivable	1,156	0	1,156
Pledges receivable	85,489	155,939	241,428
Prepaid expenses	919	0	919
Property and equipment, net	670,708	0	670,708
Lease deposit	0	850	850
Beneficial interest in endowment fund	59,702	68,319	128,021
Total assets	\$ 1,051,047	\$ 320,694	\$ 1,371,741
<u>Liabilities:</u>			
Checks written against future deposits	\$ 11,552	\$ 0	\$ 11,552
Accounts payable	0	2,268	2,268
Accrued expenses	246	4,239	4,485
Designations payable	42,306	78,226	120,532
Deferred revenue	2,831	0	2,831
Due to others	5,133	0	5,133
Total liabilities	62,068	84,733	146,801
<u>Net assets:</u>			
Temporarily restricted	130,884	15,717	146,601
Unrestricted	858,095	220,244	1,078,339
Total net assets	988,979	235,961	1,224,940
Total liabilities and net assets	\$ 1,051,047	\$ 320,694	\$ 1,371,741