

**United Way of Lapeer County  
Lapeer, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2015**

United Way of Lapeer County

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
United Way of Lapeer County  
Lapeer, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Lapeer County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 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 United Way of Lapeer County as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 8, 2015

United Way of Lapeer County  
STATEMENT OF FINANCIAL POSITION  
June 30, 2015

<b>ASSETS</b>	
Current assets	
Cash	\$ 26,539
Pledges receivable (less allowance for uncollectible pledges of \$9,347)	50,140
Prepaid expense	<u>239</u>
Total current assets	76,918
Investments at Community Foundation	891
Fixed assets, at cost less accumulated depreciation of \$6,639	<u>4,846</u>
TOTAL ASSETS	<u><u>\$ 82,655</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 3,999
Accrued payroll and liabilities	<u>1,883</u>
TOTAL LIABILITIES	5,882
NET ASSETS	
Unrestricted	26,633
Temporarily restricted	<u>50,140</u>
TOTAL NET ASSETS	<u>76,773</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 82,655</u></u>

See accompanying notes to financial statements.

United Way of Lapeer County  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Annual campaign	\$ 56,452	\$ 50,140	\$ 106,592
Contributions	43,152	-	43,152
Fees for service	669	-	669
Grant income	22,075	-	22,075
	<u>122,348</u>	<u>50,140</u>	<u>172,488</u>
Total public support	122,348	50,140	172,488
Fundraising	7,657	-	7,657
Interest	304	-	304
Miscellaneous income	1,655	-	1,655
Realized (loss) on investment	(26)	-	(26)
Net assets released from restriction	45,850	(45,850)	-0-
	<u>177,788</u>	<u>4,290</u>	<u>182,078</u>
TOTAL SUPPORT AND REVENUE	177,788	4,290	182,078
<b>EXPENSES</b>			
Program services	63,787	-	63,787
Supporting services			
Management and general	38,946	-	38,946
Fundraising	34,582	-	34,582
	<u>73,528</u>	<u>-0-</u>	<u>73,528</u>
Total supporting services	73,528	-0-	73,528
TOTAL EXPENSES	137,315	-0-	137,315
Funds allocated to agencies	60,440	-	60,440
Payments to national organization	925	-	925
	<u>61,365</u>	<u>-0-</u>	<u>61,365</u>
Total allocations	61,365	-0-	61,365
TOTAL EXPENSES AND ALLOCATIONS	198,680	-0-	198,680
CHANGE IN NET ASSETS	(20,892)	4,290	(16,602)
Net assets, beginning of year	47,525	45,850	93,375
Net assets, end of year	<u>\$ 26,633</u>	<u>\$ 50,140</u>	<u>\$ 76,773</u>

See accompanying notes to financial statements.

United Way of Lapeer County

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

	Supporting Services			Total Supporting Services	Total
	Program Services	Management and General	Fundraising		
Director's salary	\$ 11,089	\$ 9,784	\$ 10,759	\$ 20,543	\$ 31,632
Staff salary	9,359	10,924	9,733	20,657	30,016
Payroll taxes	1,564	1,584	1,568	3,152	4,716
Benefits	3,639	764	764	1,528	5,167
Accounting	3,233	1,783	1,783	3,566	6,799
Office supplies	164	210	322	532	696
Telephone	1,089	1,054	1,004	2,058	3,147
Postage	84	114	253	367	451
Rent	3,400	2,400	2,400	4,800	8,200
Printing	760	743	793	1,536	2,296
Travel/auto	151	103	435	538	689
Contracted services	-	5,332	3,503	8,835	8,835
Due and subscriptions	178	468	214	682	860
Insurance	806	806	806	1,612	2,418
Meeting and workshops	65	106	8	114	179
Repairs and maintenance	216	266	216	482	698
Media public information	-	-	21	21	21
Program	27,543	-	-	-0-	27,543
Depreciation	-	1,225	-	1,225	1,225
Miscellaneous	447	1,280	-	1,280	1,727
	<u>63,787</u>	<u>38,946</u>	<u>34,582</u>	<u>73,528</u>	<u>137,315</u>
Total expenses	<u>\$ 63,787</u>	<u>\$ 38,946</u>	<u>\$ 34,582</u>	<u>\$ 73,528</u>	<u>\$ 137,315</u>

See accompanying notes to financial statements.

United Way of Lapeer County  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (16,602)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	1,225
Realized loss on investments	26
Changes in assets and liabilities	
(Increase) Decrease in:	
Pledges receivable	1,652
Prepaid expenses	(239)
Increase (Decrease) in:	
Accounts payable	1,289
Accrued payroll and liabilities	(2,570)
Deferred revenue	<u>(18,137)</u>
NET CASH USED BY OPERATING ACTIVITIES	(33,356)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of software	(5,325)
Purchase of investments	(5,776)
Sale of investments	9,281
Investment fees paid	<u>(195)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,015)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,371)
Cash, beginning of year	<u>61,910</u>
Cash, end of year	<u><u>\$ 26,539</u></u>

See accompanying notes to financial statements.

United Way of Lapeer County

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

United Way of Lapeer County, Inc. (Organization) is a nonprofit organization, whose purpose is to provide financial support for philanthropic, health and social, educational 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 Presentation - In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

GAAP also require contributions received to be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 restriction. During the current year, the Organization recognized temporarily restricted revenue of \$50,140.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of the Organization are accounted for using the accrual basis of accounting in accordance with generally accepted accounting principles for nonprofit organizations.

Cash - Cash consists of demand deposits in banks and cash on hand.

Beneficial Interest Held by Third Party - The Organization has beneficial interest in a non-endowed fund held by the Lapeer County Community Foundation (the Community Foundation). In accordance with accounting principles generally accepted in the United States of America, these funds held by the Community Foundation for the benefit of the United Way of Lapeer County are classified as liabilities by the Community Foundation.

Agency funds are those funds for which the 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, 2015, the fair value of this investment was \$891.

United Way of Lapeer County  
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Beneficial Interest Held by Third Party - continued

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

	Unrestricted Non-endowed Fund
Beginning balance	\$ 4,227
Revenues	
Net investment income	275
Realized gains (losses)	241
Market adjustment	(267)
Contributions	550
Transfer	5,226
Total revenues	6,025
Expenses	
Grants and scholarships	9,281
Investment fees	42
Administrative fees	38
Total expenses	9,361
Net change	(3,336)
Ending balance	\$ 891

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 \$138,488, as of June 30, 2015.

Receivables - Receivables consist of accounts and pledges receivables.

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

An allowance for doubtful accounts is based on pledges receivable outstanding for more than one year. Pledges receivable, net of the allowance for doubtful accounts, were \$50,140 as of June 30, 2015. This entire net amount is expected to be collected within the next year.

Fixed Assets - Equipment acquired by the Organization is stated at cost, if purchased, or at fair value, if donated, with items having a life expectancy of one year or more being capitalized. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. There is no written capitalization threshold. Depreciation is provided using the straight-line method over the useful lives of the respective assets, which range from 3 to 5 years. The costs of normal maintenance that do not add to the value of assets or materially extend the asset lives are not capitalized.

United Way of Lapeer County

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

Contributed Materials, Equipment, and Services - GAAP require 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 require 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, 2015, 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.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes - The Organization is a publicly supported organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization is not classified as a private foundation.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 8, 2015, the date the financial statements were available to be issued.

**NOTE B: CONCENTRATION OF CREDIT RISK**

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and receivables.

The Organization places its cash and cash equivalents in high quality financial institutions. In the opinion of management, all investments were subject to minimal risk. As of June 30, 2015, the Organization's accounts were fully insured by the Federal Deposit Insurance Corporation for \$27,755.

Credit risk with respect to receivables is minimized due to the receivables being dispersed across different Organizations and/or geographic areas.

United Way of Lapeer County  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE C: 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.

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, 2015, 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.

	Level 1	Level 2	Level 3	Total
Valued on a recurring basis:				
Investments at Community Foundation	\$ -	\$ -	\$ 891	\$ 891

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 A.

**NOTE D: FIXED ASSETS**

The following is a summary of the changes in fixed assets for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Office furniture, equipment and software	\$ 9,361	\$ 5,325	\$ (3,201)	\$ 11,485
Less: accumulated depreciation	(8,615)	(1,225)	3,201	(6,639)
	\$ 746	\$ 4,100	\$ -0-	\$ 4,846

**NOTE E: 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.

United Way of Lapeer County

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of campaign pledges and grant income of \$50,140 as of June 30, 2015. This consists of campaign pledges for general operations to be received in the future and grant revenue not yet spent.

**NOTE G: 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 year ended June 30, 2015. 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, 2015, or interest or penalties expense in the Statement of Activities for the year 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.