United Way of the Eastern Upper Peninsula

FINANCIAL STATEMENTS

June 30, 2017

UNITED WAY OF THE EASTERN UPPER PENINSULA
BOARD OF DIRECTORS
2016 - 2017

Mary Lynch	President
Greg Rathje	President – Elect
Don Gerrie	Treasurer
Tom Ewing	Secretary
Richard Crofton	Director
Barry Davis	Director
Michelle Walk	Director
Mark Savoie	Director
Marielle St. Onge	Director
Angeline Boulley	Director
Paul Olson	Director
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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL
PHILLIP J. WOLF, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
United Way of the Eastern Upper Peninsula
P.O. Box 451
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the United Way of the Eastern Upper Peninsula (a Michigan Nonprofit Corporation) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

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To the Board of Directors of the
United Way of the Eastern Upper Peninsula

Report on Summarized Comparative Information

We have previously audited the United Way of the Eastern Upper Peninsula's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of the Eastern Upper Peninsula as of June 30, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses and schedule of agency allocations on pages 14 and 15, respectively, are presented for purposes of additional analysis and are 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 prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with the 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.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

December 22, 2017

Financial Statements

Statements of Financial Position
as of June 30, 2017
with Comparative Totals

	2017 Total	2016 Total
ASSETS:		
Current assets:		
Cash and equivalents	$ 212,929	$ 253,591
Pledges receivable (net of allowance for uncollectible pledges)	55,773	66,696
Prepaid expenses	1,333	1,833
Total current assets	270,035	322,120
Noncurrent assets:		
Furniture and equipment (net of accumulated depreciation)	2,216	3,621
Other asset:		
Beneficial interest in assets held by others	167,203	152,686
TOTAL ASSETS	$ 439,454	$ 478,427
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Allocations and designations payable	76,110	125,614
Accounts payable	11,489	3,944
Due to CFC	-	10,237
Deferred revenue	4,558	1,350
Accrued wages and taxes	1,973	3,375
Accrued liability for vacation	4,939	-
Total current liabilities	99,069	144,520
Net Assets:		
Unrestricted		
Unappropriated	94,740	114,426
Board appropriated	78,442	66,795
Permanently Restricted	167,203	152,686
Total net assets	340,385	333,907
TOTAL LIABILITIES AND NET ASSETS	$ 439,454	$ 478,427

See accompanying notes to financial statements.

Statements of Activities
For the Year Ended June 30, 2017
with Comparative Totals

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
PUBLIC SUPPORT AND REVENUE:					
Gross campaign results	$ 413,049	$ -	$ -	$ 413,049	$ 458,352
(Less donor designations)	(15,199)	-	-	(15,199)	(34,987)
Net campaign revenue	397,850	-	-	397,850	423,365
Service fees	2,400	-	-	2,400	3,379
Special events	18,260	6,421	-	24,681	23,548
Other contributions	14,872	1,088	-	15,960	14,393
Grants and contracts	-	-	-	-	6,668
Investment income	307	-	21,454	21,761	350
Miscellaneous income	2,229	-	-	2,229	4,208
Net assets restrictions	14,446	(7,509)	(6,937)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	450,364	-	14,517	464,881	475,911
EXPENSES:					
Program Services					
Gross funds awarded/distributed	68,255	-	-	68,255	125,614
(Less donor designations)	(15,199)	-	-	(15,199)	(34,987)
Net funds awarded/distributed	53,056	-	-	53,056	90,627
Other program services	286,465	-	-	286,465	297,464
Total Program Services	339,521	-	-	339,521	388,091
Supporting Services					
Organizational administration	49,889	-	-	49,889	46,830
Fundraising	67,493	-	-	67,493	58,613
Unallocated payment to United Way Worldwide	1,500	-	-	1,500	1,560
Total Supporting Services	118,882	-	-	118,882	107,003
TOTAL EXPENSES	458,403	-	-	458,403	495,094
INCREASE (DECREASE) IN NET ASSETS	(8,039)	-	14,517	6,478	(19,183)
NET ASSETS - BEGINNING OF YEAR	181,221	-	152,686	333,907	353,090
NET ASSETS - END OF YEAR	$ 173,182	$ -	$ 167,203	$ 340,385	$ 333,907

See accompanying notes to financial statements.

Statements of Cash Flows
For the Year Ended June 30, 2017
with Comapriative Totals

	2017 Total	2016 Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 6,478	$ (19,183)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,405	1,405
Prior Period Adjustment	-	149,720
Allowance for uncollectible	1,785	(1,216)
(Increase) decrease in operating assets:		
Pledges receivable	9,138	6,032
Prepaid expenses	500	500
(Decrease) increase in operating liabilities:		
Allocations and designations payable	(49,504)	29,502
Accounts payable	7,545	(4,302)
Due to CFC	(10,237)	5,086
Deferred revenue	3,208	1,023
Accrued expenses	3,537	2,701
Total adjustments	(32,623)	190,451
Net cash provided (used) by operating activities	(26,145)	171,268
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from beneficial interest	6,937	-
Earnings from beneficial interest	(21,454)	(152,686)
Net cash (used) by investing activities	(14,517)	(152,686)
Net increase (decrease) in cash and equivalents	(40,662)	18,582
Cash and equivalents, beginning of year	253,591	235,009
Cash and equivalents, end of year	$ 212,929	$ 253,591

NONCASH TRANSACTIONS:

During fiscal year 2017, the United way received an in-kind donation of rent for office space in the amount of $14,872. This amount was $14,393 in fiscal year 2016.

Notes to Financial Statements

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Description of Organization

United Way of the Eastern Upper Peninsula (the "Organization") is a Michigan nonprofit corporation established on November 2, 1979 that administers an annual fundraising campaign in Chippewa County and surrounding areas, and uses those funds to support a variety of human services programs in Chippewa County and the surrounding areas. The Organization is governed by a 13 member volunteer board. United Way of the Eastern Upper Peninsula has obtained approval from the US Office of Personnel Management to participate in the Combined Federal Campaign (CFC), and it also participates in workplace giving campaigns with corporations as well as state and local governments.

United Way of the Eastern Upper Peninsula changes lives and builds a stronger community by helping people create solutions to important health and human service issues. Through fundraising, volunteerism and increasing community sufficiency, the Organization makes Chippewa, Luce and Mackinac Counties a better place to live, work and raise a family.

The Organization's goals are to:

- Focus on the most critical needs in Chippewa, Luce and Mackinac Counties.
- Multiply the impact of donor contributions.
- Deliver results that are made possible through investment of donors' time, talent and financial support.

b. Basis of Accounting

The Organization maintains its accounting records on the accrual basis, in accordance with U.S. generally accepted accounting principles. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

c. Prior Period Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

d. Combined Federal Campaign

CFC contracts with the Organization to manage the campaign and administer the funds of CFC. In accordance with United Way Worldwide's revised *Financial Statement Standards (Membership Standard H)*, campaign results of CFC are included in the gross campaign results of the Organization.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

e. Cash

The Organization places its cash with high quality credit financial institutions. Cash balances include amounts held in checking, savings, and money market accounts.

f. Campaign Pledges and Appropriations

The Organization's receivables consist of pledge receivables.

Pledge receivables are associated with the annual fundraising campaign for United Way of the Eastern Upper Peninsula and other partnering organizations. A provision for uncollectible pledges is estimated based on an assessment of the prior year annual campaign pledges, which remain unpaid, and current market observations. All amounts deemed uncollectible are charged against the provision for uncollectible pledges in the period that determination is made.

Donor designated pledges may be assessed a processing fee of 10% based upon historical costs of fundraising and operations in accordance with United Way Worldwide membership standards as outlined in their publication titled *United Way Worldwide Implementation Requirements for Membership Standard M (Cost deduction for Designated Funds)*.

g. Furniture and Equipment

The Organization's furniture and equipment are carried at cost when purchased or fair market value if donated, less accumulated depreciation. The Organization capitalizes assets with a life of one year or more and a cost/fair-market value greater than $500. The current year's depreciation is computed according to the straight-line method over the following estimated useful lives:

Furniture and Equipment	3-5 years

h. Classification of Net Assets

Net assets of United Way of the Eastern Upper Peninsula are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

i. Board-designated Net Assets

Board-designated net assets are unrestricted net assets designated by the board for various purposes. These designations are based on board actions, which can be altered or revoked at a future time by the board of directors.

As of June 30, 2017, the Board has designated two reserves – Operating and Agency Stabilization. The operating reserve is funded at two months of expenses for the next fiscal year and the Agency stabilization reserve is funded at two months of Agency allocations for the next fiscal year.

j. Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Annual campaigns, grants, and other contributions and bequests are revenue items reported on the statement of activities using these revenue recognition principles.

Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed time or purpose restrictions are reported as temporarily or permanently restricted support. Restricted contributions are reported as restricted support and restricted net assets when received and reclassified to unrestricted net assets when the restrictions expire.

k. Agent Transactions

The Organization follows standards for accounting for transfers of assets to a non-for-profit organization that raises or holds contributions for others. These standards affect transactions in which the Organization accepts contributions from a donor and transfers those assets to another entity that is specified by the donor. The Organization refers to such funds as donor designations. Agency transactions are reported as an obligation to the specified beneficiary, rather than annual campaign revenue to the Organization. Amounts due to beneficiary organizations are included in allocations and designations payable on the statement of financial position.

l. Contributed Services

No amounts have been reflected in the statements for contributed services. The Organization generally pays for services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fundraising campaigns, but these services do not meet the criteria for recognition as contributed services.

m. Contributed Facilities, Property and Equipment

Contributed facilities, property and equipment are recorded at fair value at the date of donation.

Beginning March 2017, the organization entered into a two year cancellable lease with a local bank for the use of office space, which expires February 28, 2019. Rent for the period July 1, 2017 through February 28, 2017, was under the prior lease at a monthly rate of $2,750 of which all but $275 per month was donated. Monthly rent under the new lease is $2,832 of which all but $282 per month is donated. The fair market value of these facilities, as established by the donor, was set at $12 per square foot at the onset of the lease with a 3% annual increase for inflation. The Organization rents 1,161 square feet and shares this space (50%) with another nonprofit organization. The total fair market rent for the year is recorded as rent expense with an offset of unrestricted support in the amount of $14,872.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

n. Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

o. Accrued Vacation

Employees accrue vacation time based upon longevity with the Organization. Accumulated vacation time is paid out upon terminating employment with the Organization. This amount is reflected on the Statemen of Financial Position as accrued liability for vacation.

p. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from federal income tax on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue code section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Organization did not have any unrelated business income.

q. Subsequent Events

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 December 22, 2017.

NOTE 2 - CASH:

The Organization's composition of cash as of June 30, 2017 and 2016 are summarized as follows:

	Deposit Composition	
	2017	2016
Checking and Savings	$ 6,668	$ 2,603
Money Market	206,261	250,988
	$ 212,929	$ 253,591

The bank balance of the Organization's deposits at June 30, 2017 was $214,557, of which 100% was covered by federal depository insurance. $250,000 of deposits were insured for fiscal year 2016.

The Board of the Organization has designated cash in the amount of $30,000 for use as a reserve fund.

NOTE 3 - PLEDGES RECEIVABLE:

Pledges receivable is made up of unconditional promises to give generated from the annual campaign. Pledges receivable are as follows:

	2017	2016
Undesignated	$ 61,468	$ 70,606
Less Allowance for Uncollectable	(5,695)	(3,910)
Pledges Receivable	$ 55,773	$ 66,696
Amounts due in less than one year	$ 61,468	$ 70,606

NOTE 4 - FURNITURE AND EQUIPMENT:

A summary of furniture and equipment as of June 30, 2017 and 2016 are as follows:

	2017	2016
Furniture and equipment	$ 40,242	$ 44,737
Less: Accumulated depreciation	(38,026)	(41,116)
Furniture and equipment, net	$ 2,216	$ 3,621

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to $1,405 and $1,405, respectively.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

Beneficial interest in assets held by others represents assets transferred to the Chippewa County Community Foundation (CCCF) to establish an agency endowment fund plus accumulated investment earnings. Under the terms of the agreement with CCCF, the Board of Directors of the Organization may recommend or request distribution from the fund in amounts limited by the distribution policies of CCCF. At the time of the transfer of assets, the Organization granted variance power to CCCF. CCCF expects to follow the recommendation, but reserves the right to accept or reject the Organization's recommendations. Variance power also gives CCCF the right to distribute the spendable portion of the fund to another nonprofit of its choice if the Organization ceases to exist and the Board of CCCF determines that support of the Organization is no longer necessary or is inconsistent with the mission or purpose of the funds or the needs of the community. The balance of funds held at CCCF at June 30, 2017 is as follows:

Balance a July 1, 2016	$ 152,686
Share of appreciation of fund	25,927
Fees charged	(4,473)
Distributions received	(6,937)
Balance at June 30, 2017	$ 167,203

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS: (Continued)

The United Way of the EUP and it's Volunteer Center is the subrecipient of two CCCF endowment funds. The endowment balances as of June 30, 2017, are $29,313 and $4,462. Up to 5% of funds in the excess of their basis can be remitted each year. $1,088 was granted to the Organization during the year. Earnings are available for distribution to the Organization at the discretion of the CCCF; therefore, interest and principal balance are not reflected in the financial statements.

NOTE 6 - FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2017 and 2016 and the valuation techniques used to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The following is a summary of assets held at fair value:

At June 30, 2017:

		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Assets Held at The Chippewa County Community Foundation	$ 167,203	$ -	$ -	$ 167,203

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

At June 30, 2016:

		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Assets Held at The Chippewa County Community Foundation	$ 152,686	$ -	$ -	$ 152,686

The Organization measures the beneficial interest in funds held at the CCCF at fair value on a recurring basis. The fair value of the beneficial interest was determined primarily based on Level 3 inputs. The Organization estimated the fair value of these investments based upon it's relative share of assets held and reported by the CCCF, unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2017 is as follows:

Balance at July 1 2016	$ 152,686
Distributions	(6,937)
Net change in value	21,454
Balance at June 30, 2017	$ 167,203

The net change in value of the beneficial interest is recognized in the statement of activities and changes in net assets.

NOTE 7 - NET ASSETS:

The components of net assets were as follows at June 30, 2017 and 2016:

	2017	2016
Unrestricted:		
Board Appropriated - Operational Reserves	$ 67,066	$ 45,859
- Agency Stabilization	11,376	20,936
Total Board Appropriated	78,442	66,795
Unappropriated	94,740	114,426
Total Unrestricted	173,182	181,221
Permanently Restricted Endowment	167,203	152,686
Total Net Assets	$ 340,385	$ 333,907

NOTE 8 - RETIREMENT PLAN:

In January 2003, the board instituted a SIMPLE Retirement Incentive Match plan for the Organization's full time employees. The Organization will match employee's contributions up to 3% of compensation. Contributions to this plan were $2,364 and $2,486 and eligible wages were $78,800 and $82,867 for fiscal years 2017 and 2016, respectively.

NOTE 9 - UNITED WAY WORLDWIDE:

United Way of the Eastern Upper Peninsula pays annual dues for use of the trademark, nationwide marketing, and training services to United Way Worldwide (UWW), which is a separate and autonomous organization from United Way of the Eastern Upper Peninsula. The annual dues are based on the preceding year's campaign and are payable during the next calendar year. As of June 30, 2017 and 2016, $1,500 and $1,560, respectively, was paid to UWW based on the respective campaigns.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and pledges receivable. The Organization places its cash with high quality financial institutions and limits the amount of credit exposure through FDIC insurance. Concentrations of credit with respect to pledges receivables are limited due to the large number of pledges comprising the Organization's donor base and their dispersion across different industries and geographic locations.

NOTE 11 - RELATED PARTIES:

Various members of the Board of Directors are also involved with participating agencies providing volunteer services and donations.

United Way of the Eastern Upper Peninsula has a fiscal agent relationship with the U.P. North Michigan Area Combined Federal Campaign which is subject to annual renewal and was renewed in 2014 for a period of three years. Amounts due to CFC at June 30, 2016 and June 30, 2017 were $10,237 and zero respectively.

Supplementary Information

Statement of Functional Expenses
As of June 30, 2017

EXPENSES	Program Services	Organizational Administration	Fundraising	Total
Allocations/Awards	$ 68,255	$ -	$ -	$ 68,255
(Less donor designations)	(15,199)	-	-	(15,199)
Sub-total	53,056	-	-	53,056
Salaries and fringes	42,226	22,520	29,088	93,834
Combined Federal Campaign	204,055	-	-	204,055
Other Allocations/Awards	8,407	-	-	8,407
Supplies	289	2,459	19,333	22,081
Professional services	2,933	2,933	-	5,866
Occupancy	-	16,539	-	16,539
Insurance	-	2,282	-	2,282
Telephone	210	42	168	420
Postage	4,454	1,114	-	5,568
Training and travel	1,448	-	945	2,393
Events	-	-	6,927	6,927
Bank charges and credit card fees	-	-	344	344
Bad debts	6,620	-	-	6,620
Dues and subscriptions	1,475	-	1,475	2,950
Volunteer luncheon	2,717	-	-	2,717
Office expense	2,956	595	9,213	12,764
Volunteer	8,675	-	-	8,675
Depreciation expense	-	1,405	-	1,405
Sub-total	244,239	27,369	38,405	310,013
Unallocated payment to United Way of America	-	1,500	-	1,500
TOTAL FUNCTIONAL EXPENSES	$ 339,521	$ 51,389	$ 67,493	$ 458,403

Schedule of Agency Allocations
For the Year Ended June 30, 2017

	Total	Designated	Net
Community Health Access Coalition	$ 164	$ 164	$ -
Northstar Habitat For Humanity	117	117	-
Salvation Army	13,000	842	12,158
Alzheimer's Association	512	512	-
Sault Housing Safe Haven	9,000	-	9,000
Feeding America	4,500	1,612	2,888
Great Lakes Recovery/New Hope House	211	211	-
Diane Peppler Resource Center	6,000	2,594	3,406
Hearthside Assisted Living	14,000	41	13,959
HOME	11,000	94	10,906
Hospice of the EUP	5,954	5,954	-
Girl Scouts of NW Great Lakes	1,000	262	738
Child & Family Services	651	650	1
Boy Scouts - Bay Lakes Council	717	717	-
Meals on Wheels	1,429	1,429	-
Total Allocations	$ 68,255	$ 15,199	$ 53,056

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors of the
United Way of the Eastern Upper Peninsula
P.O. Box 451
Sault Ste. Marie, MI 49783

We have audited the financial statements of the United Way of the Eastern Upper Peninsula for the year ended June 30, 2017, and have issued our report thereon dated December 22, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 2, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on October 2, 2017.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the United Way of the Eastern Upper Peninsula are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of allowance for uncollectible pledges is based on management's estimates of actual collections for the six month period after June 30, 2017. We evaluated the key factors and assumptions used to develop the allowance for uncollectible pledges in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of depreciation expense is based on the estimated useful life of the depreciable asset. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of functional expense allocations is based on percent of usage and time studies. We evaluated the key factors and assumption used to develop functional expense allocations in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

Prepaid Insurance (Prior Year)

The Organization currently pays most insurance on an annual basis. Because of this circumstance, an amount of prepaid expense should be recorded since the policy periods extend into the next fiscal year. It is recommended that the Organization review these insurance policies and record prepaid insurance as appropriate.

Status: Uncorrected.

Bank Reconciliation (Prior Year)

On the June 2016 bank reconciliation, there are two items shown as outstanding items, which represent transactions that occurred in May. Since these items have cleared the bank (one is interest earned and the other is a transfer between funds) there should be no reason this is an outstanding item. Although the amount is immaterial, it is recommended that the organization review the bank reconciliation to account for cleared items properly.

Status: Corrected.

Payroll Accrual (Prior Year)

The calculation for accrued payroll has been done using a payroll that had been paid during the fiscal year, which is not an appropriate way to calculate accrued payroll. The difference is immaterial in the current year; however, it is recommended that the Organization review the proper method for payroll accrual.

Status: Corrected.

Accounting (Prior Year)

During the audit, we reviewed the underlying support for two of the major fundraising events. It was noted that the net amount raised after expenses, was taken out of the revenue line item and recorded as a payment out to the endowment fund. This understates the amount recorded as fundraising revenue in the Organization's financial statements. Generally accepted accounting principles should be reviewed.

Status: Corrected.

Capital Assets (Prior Year)

During the audit it was noted that an item was run through campaign supply expense that should have been listed as a capital asset. It is recommended that the Organization review their capitalization policy and make sure items such as this are recorded properly or adjusted by year end.

Status: Corrected.

Year End Cutoff (Prior Year)

Year end cutoff of receipts and disbursements are tested as part of the audit procedures. It was found that the last couple days of cash receipts coming in were recorded in the next fiscal year. One item was found in fiscal year 2017 expenses that should have been recorded as a payable in fiscal year 2017. It is recommended that the Organization follow proper year end procedures to ensure items are recorded in the proper fiscal year so as to reflect revenues and expenses properly.

Status: Corrected.

Inventory (Prior Year)

Inventory of promotional items is not currently taken at the end of the fiscal year. Several items remained at the end of the current fiscal year. Although the amount was not material in the current year, it is recommended that the Organization review these types of items at year end and record on the financial statements as necessary.

Status: Partially corrected – inventory taken, but not recorded in the financial statements.

In-kind Donations (Prior Year)

Generally accepted accounting principles require that in-kind donations be recorded as income in the financial statements. Currently the Organization does not record in-kind donations, such as silent auction items. It was also noted that the billing for the golf tournament included a discount in the bill representing the vendor's sponsorship was also not included in income. It is recommended that the Organization review these accounting principles to ensure all items of revenue and expense are recorded at their respective gross (not net) amounts.

Status: Corrected.

Form 941

During the year, a payroll error was caught and corrected in the following month. Due to the error being corrected in the following month, which was in the next quarter, the 941 reported inaccurate wages. The second quarter 2017 941 report should be amended, which will require an additional tax payment.

Gift Card Tracking

The organization has begun using Walmart gift cards in some of the program activities. At year end, there were 57 of these $10 gift cards remaining. In order to strengthen controls over the gift cards, it is recommended that the organization utilize a tracking sheet to reflect gift card purchases and uses. This tracking sheet should show the date, a description of the use, the number of cards used and should be initialed by the employee taking them out of inventory. As an additional control, the recipient of the gift card could also sign off upon acceptance of the card.

Employee Paperwork

One new employee was selected and it was found that their new hire paperwork lacked all of the required documents. Forms I-9, Michigan New Hire and Michigan W-4 were missing. It is recommended that each employee have all required paperwork on file.

Fundraising Start-Up Cash

Currently the start up cash for fundraising events is included in both the income and expense of that event. Since this is simply a cash transaction, it is recommended that the organization set up a temporary cash account in the general leger to properly reflect the use and subsequent re-deposit of these funds.

Upcoming Accounting Changes

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contact. The new guidance will be effective for the Organization's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods.

In February 2016, the FASB issued ASU No. 2016-02, *Leases,* which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization year ending September 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period present.

The FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending September 30, 2019 and thereafter and must be applied on a retrospective basis.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed for the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

This information is intended solely for the use of the Board of Directors and management of the United Way of the Eastern Upper Peninsula and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that our staff, for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

December 22, 2017