United Way of the Eastern Upper Peninsula

FINANCIAL STATEMENTS

June 30, 2016

UNITED WAY OF THE EASTERN UPPER PENINSULA
BOARD OF DIRECTORS
2015 - 2016

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

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SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
JON D. SWANSON, CPA

MEMBER AICPA
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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, 2016 and 2015, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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, 2016 and 2015, 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 12 and 13, 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

November 11, 2016

Financial Statements

United Way of the Eastern Upper Peninsula

Statements of Financial Position
as of June 30, 2016
with Comparative Totals

	2016 Total	2015 Total
ASSETS:		
Current assets:		
Cash and equivalents - unrestricted	$ 223,591	$ 212,509
Cash and equivalents - restricted	30,000	22,500
Prepaid expenses	1,833	2,333
Pledges receivable		
(Less allowance for uncollectible of $3,910 and $5,126, respectively)	66,696	71,512
Total current assets	322,120	308,854
Noncurrent assets:		
Furniture and equipment (less accumulated depreciation)	3,621	5,026
Other asset:		
Endowment	152,686	-
TOTAL ASSETS	$ 478,427	$ 313,880
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Allocations and designations payable	125,614	96,112
Accounts payable	3,944	8,246
Due to CFC	10,237	5,151
Deferred revenue	1,350	327
Accrued expenses	3,375	674
Total current liabilities	144,520	110,510
Net Assets:		
Unrestricted		
Unappropriated	114,426	145,604
Board appropriated	66,795	57,766
Permanently Restricted	152,686	-
Total net assets	333,907	203,370
TOTAL LIABILITIES AND NETS ASSETS	$ 478,427	$ 313,880

See accompanying notes to financial statements.

Statements of Activities
For the Year Ended June 30, 2016
with Comparative Totals

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
PUBLIC SUPPORT AND REVENUE:					
Gross campaign results	$ 458,352	$ -	$ -	$ 458,352	$ 343,092
(Less donor designations)	(34,987)	-	-	(34,987)	(35,994)
Net campaign revenue	423,365	-	-	423,365	307,098
Service fees	3,379	-	-	3,379	6,704
Special events	23,548	-	-	23,548	21,247
Other contributions	14,393	-	-	14,393	25,498
Grants and contracts	-	6,668	-	6,668	2,902
Investment income	350	-	-	350	279
Gain/(loss) on asset sale	-	-	-	-	(429)
Miscellaneous income	4,208	-	-	4,208	10,632
Net assets restrictions	3,702	(6,668)	2,966	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	472,945	-	2,966	475,911	373,931
EXPENSES:					
Program Services					
Gross funds awarded/distributed	125,614	-	-	125,614	96,112
(Less donor designations)	(34,987)	-	-	(34,987)	(35,994)
Net funds awarded/distributed	90,627	-	-	90,627	60,118
Other program services	297,464	-	-	297,464	190,052
Total Program Services	388,091	-	-	388,091	250,170
Supporting Services					
Organizational administration	46,830	-	-	46,830	40,482
Fundraising	58,613	-	-	58,613	61,732
Unallocated payment to United Way Worldwide	1,560	-	-	1,560	1,718
Total Supporting Services	107,003	-	-	107,003	103,932
TOTAL EXPENSES	495,094	-	-	495,094	354,102
INCREASE (DECREASE) IN NET ASSETS	(22,149)	-	2,966	(19,183)	19,829
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	203,370	-	149,720	353,090	183,541
NET ASSETS - END OF YEAR	$ 181,221	$ -	$ 152,686	$ 333,907	$ 203,370

See accompanying notes to financial statements.

Statements of Cash Flows
For the Year Ended June 30, 2016
with Comparitive Totals

	2016 Total	2015 Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ (19,183)	$ 19,829
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,405	2,224
Prior Period Adjustment	149,720	-
Proceeds from sale of assets	-	2,500
Loss on sale of assets	-	429
Allowance for uncollectible	(1,216)	2,611
(Increase) decrease in operating assets:		
Pledges receivable	6,032	(8,408)
Other receivables	-	320
Prepaid expenses	500	(2,333)
(Decrease) increase in operating liabilities:		
Allocations and designations payable	29,502	10,526
Accounts payable	(4,302)	1,555
Due to CFC	5,086	5,151
Deferred revenue	1,023	(424)
Accrued expenses	2,701	(1,943)
Total adjustments	190,451	12,208
Net cash provided (used) by operating activities	171,268	32,037
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment Asset	(152,686)	-
Net cash (used) by investing activities	(152,686)	-
Net increase (decrease) in cash and equivalents	18,582	32,037
Cash and equivalents, beginning of year	235,009	202,972
Cash and equivalents, end of year	$ 253,591	$ 235,009
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

NONCASH TRANSACTIONS:

During fiscal year 2016, the United way received an in-kind donation of rent for office space in the amount of $14,393. This amount was $13,991 in fiscal year 2015.

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Nature of Activities

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, 2015, 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

e. Cash and Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all cash held in checking and savings accounts to be cash and cash equivalents.

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)*. However, the United Way of the Eastern Upper Peninsula did not assess a processing fee during the years ended June 30, 2016 and 2015.

g. Furniture and Fixtures

The Organization's furniture and fixtures 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 Fixtures	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 - 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, 2016, 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. 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.

l. Contributed Facilities, Property and Equipment

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

Beginning March 2015, the organization entered into a two year cancellable lease with a local bank for the use of office space, which expires February 28, 2017. Rent for the period March 1, 2015 through February 28, 2016, is at a monthly rate of $2,482, of which all but $250 per month is donated. In March 2016, the monthly rent increased to $2,750 of which all but $275 per month was 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 $14,393.

m. 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.

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

n. 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.

o. 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 November 11, 2016.

NOTE 2 - CASH AND EQUIVALENTS:

The Organization's composition of cash and equivalents as of June 30, 2016 and 2015 are summarized as follows:

Use Composition	2016	2015	Deposit Composition	2016	2015
Unrestricted	$ 223,591	$ 212,509	Checking Savings and Money		
Restricted	30,000	22,500	Market	$ 253,591	$ 253,591
Totals	$ 253,591	$ 235,009		$ 253,591	$ 235,009

The bank balance of the Organization’s deposits is $253,958, of which $250,000 is covered by federal depository insurance. $235,958 of deposits were insured for fiscal year 2015.

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

NOTE 3 - PLEDGES RECEIVABLE:

Pledges Receivable is made up of the following unconditional promises and allowance for uncollectible accounts:

	2016 Unrestricted	Receivable Expected ≤ 1 year	1-5 years	≥ 5 years
Undesignated	$ 70,606	$ 70,606	$ -	$ -
Less Allowance for Uncollectible	(3,910)			
Pledges Receivable	$ 66,696			

NOTE 4 - FURNITURE AND FIXTURES:

A summary of furniture and fixtures as of June 30, 2016 and 2015 are as follows:

	2016	2015
Furniture and fixtures	$ 44,737	$ 44,737
Less: Accumulated depreciation	(41,116)	(39,711)
Furniture and fixtures, net	$ 3,621	$ 5,026

Depreciation expense for the years ended June 30, 2016 and 2015 amounted to $1,405 and $2,224, respectively.

NOTE 5 - ENDOWMENT FUNDS:

Permanently restricted nets assets of $152,686 at June 30, 2016, consist of an endowment fund held in agency capacity at the Chippewa County Community Foundation (CCCF). Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the CCCF indefinitely and income from the fund is to be expended for program services. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Volunteer Center is the subrecipient of a Community Foundation of the Upper Peninsula endowment. The endowment balance as of June 30, 2016, is $26,544. There were no amounts available on the endowment balance or granted to the Organization during the year. Up to 5% of funds in the excess of their basis can be remitted each year. The United Way endowment fund balance was $3,894 at June 30, 2016.

NOTE 6 - NET ASSETS:

The components of net assets were as follows at June 30, 2016 and 2015:

	2016	2015
Unrestricted:		
Board Appropriated - Operational Reserves	$ 45,859	$ 42,490
- Agency Stabilization	20,936	15,276
Total Board Appropriated	66,795	57,766
Unappropriated	114,426	145,604
Total Unrestricted	181,221	203,370
Permanently Restricted Endowment	152,686	-
Total Net Assets	$ 333,907	$ 203,370

NOTE 7 - 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 $4,800 and $2,442 and eligible wages were $66,309 and $81,385 for fiscal years 2016 and 2015, respectively.

NOTE 8 - 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, 2016 and 2015, $1,560 and $1,718, respectively, was paid to UWW based on the respective campaigns.

NOTE 9 - 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 10 - 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.

NOTE 11 - PRIOR PERIOD ADJUSTMENT:

During the fiscal year, it was noted that the endowed assets held in an agency capacity at the Chippewa County Community Foundation were not reflected in the Organization's financial records. Due to this discrepancy, a prior period adjustment was made in the amount of $149,720 to appropriately record this as an asset on the Organization's Statement of Financial Position. The effect of this prior period adjustment is as follows:

Net Assets at July 1, 2015, as previously reported	$ 203,370
Prior period adjustment	149,720
Net Assets at July 1, 2015, as restated	$ 353,090

Supplementary Information

United Way of the Eastern Upper Peninsula

Statement of Functional Expenses
As of June 30, 2016

	Program Services	Organizational Administration	Fundraising	Total
EXPENSES				
Allocations/Awards	$ 125,614	$ -	$ -	$ 125,614
(Less donor designations)	(34,987)	-	-	(34,987)
Sub-total	90,627	-	-	90,627
Salaries and fringes	52,838	18,540	21,321	92,699
Combined Federal Campaign	215,105	-	-	215,105
Supplies	838	3,414	16,403	20,655
Professional services	2,815	2,815	-	5,630
Occupancy	-	15,956	-	15,956
Insurance	-	2,364	-	2,364
Telephone	380	76	304	760
Postage	5,430	1,358	-	6,788
Training and travel	1,035	189	1,229	2,453
Events	-	-	8,421	8,421
Bank charges and credit card fees	-	-	370	370
Bad debts	6,533	-	-	6,533
Dues and subscriptions	1,510	-	1,509	3,019
Volunteer luncheon	3,097	-	-	3,097
Office expense	2,933	713	9,056	12,702
Volunteer	3,769	-	-	3,769
Grant expense	1,180	-	-	1,180
Miscellaneous	1	-	-	1
Depreciation expense	-	1,405	-	1,405
Sub-total	244,626	28,290	37,292	310,208
Unallocated payment to United Way of America	-	1,560	-	1,560
TOTAL FUNCTIONAL EXPENSES	$ 388,091	$ 48,390	$ 58,613	$ 495,094

Schedule of Agency Allocations
For the Year Ended June 30, 2016

	Total	Designated	Net
Community Health Access Coalition	$ 6,177	$ 558	$ 5,619
Northstar Habitat For Humanity	822	822	-
Salvation Army	14,196	897	13,299
Alzheimer's Association	4,421	312	4,109
Sault Housing Safe Haven	12,342	-	12,342
EUP Community Dispute Resolution	6	-	6
Feeding America	13,368	13,368	-
Great Lakes Recovery/New Hope House	15,312	468	14,844
Diane Peppler Resource Center	7,721	5,341	2,380
Hearthside Assisted Living	4,259	110	4,149
HOME	5,367	785	4,582
Hospice of the EUP	9,015	9,015	-
Luce Resource & Recreation	196	196	-
Girl Scouts of NW Great Lakes	4,321	191	4,130
Child & Family Services	8,542	405	8,137
Boy Scouts - Bay Lakes Council	3,588	1,542	2,046
Meals on Wheels	15,961	977	14,984
Total Allocations	$ 125,614	$ 34,987	$ 90,627

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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, 2016, and have issued our report thereon dated November 11, 2016. 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 September 16, 2016, 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 September 16, 2016.

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, 2016. 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 are 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 November 11, 2016.

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

Check Numbering (Prior Year)

During testing of cash payment cutoff, it was noted that checks are used out of sequence. The last check of fiscal year 2015 was #7659 dated June 25th and the first check in fiscal year 2016 was #7654 dated July 1st. It is recommended that the Organization use checks in sequence.

Status: Corrected.

Flow Through Items (Prior Year)

United Way acts as a flow through for certain transactions, whereby the inflows and outflows of cash are not United Way income or expenses. Also, at times, the Organization allows other nonprofit groups to use their credit card machine as a method for attendants to pay for their fundraising event. The miscellaneous income and miscellaneous expense accounts are used for these transactions. This method overstates income as well as overstates expenses. For proper accounting for these transactions, it is recommended that the Organization establish a due to and due from account on the balance sheet instead of processing these items through the income statement.

Status: Corrected.

Bank Signature Cards (Prior Year)

Through review of the bank signature cards, it was noted that a prior board member is still listed as an authorized signor. It is recommended that the Organization update bank signature cards promptly when an authorized signor resigns or otherwise leaves the board.

Status: Corrected.

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.

Compensated Absences (Prior Year)

After fiscal year 2015 ended, the board updated the Personnel Policy to allow payout of accumulated vacation time (sick time remains forfeited). As a reminder for fiscal year 2016, year-end procedures should include summarizing the accumulated vacation time and recording this as a liability on the financial statements.

Status: Implemented.

Bank Reconciliation

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.

Payroll Accrual

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.

Accounting

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.

Capital Assets

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.

Year End Cutoff

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 2016. 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.

Inventory

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.

In-kind Donations

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.

Agency Allocations

During the audit, it was found that one of the agency allocations was reduced for payments directly paid to the agency; however, the amount included a payment that was directly paid to another agency. This caused the agency allocation to one of the organizations to be too high, while the other was too low. It is recommended that these types of transactions be thoroughly reviewed to ensure that the correct agency's payment is reduced as applicable.

Status: This was corrected after it was brought to management's attention by the auditor.

Other Matters

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

November 11, 2016