

CHAR-EM UNITED WAY
(a Michigan nonprofit corporation)

FINANCIAL STATEMENTS
for the year ended June 30, 2017

MASON, KAMMERMANN & ROHRBACK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-11

MASON, KAMMERMANN & ROHRBACK, P.C.

Certified Public Accountants

Velda K. Kammermann
Todd P. Rohrback

Established 1988
www.northmicpa.com

Corey R. Bascom

INDEPENDENT AUDITOR'S REPORT

December 15, 2017

To the Board of Trustees of
Char-Em United Way:

We have audited the accompanying financial statements of Char-Em United Way (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

~ Boyne City ~

115A S. Lake Street
Boyne City, MI 49712
p: 231-582-7211

~ Charlevoix ~

110 Park Avenue
Charlevoix, MI 49720
p: 231-547-4911

~ Petoskey ~

2780 Charlevoix Avenue – Unit 16
Petoskey, MI 49770
p: 231-348-6930

Char-Em United Way
Independent Auditor's Report
December 15, 2017

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Char-Em United Way as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Char-Em United Way's 2016 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated October 21, 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.

Mason, Kammermann & Rohrback, PC

CHAR-EM UNITED WAY

STATEMENT OF FINANCIAL POSITION

as of June 30, 2017

(with comparative totals as of June 30, 2016)

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 308,122	\$ 295,668
Accounts receivable	1,000	1,000
Unconditional promises to give, less allowance for uncollectible promises of \$20,000	90,414	85,050
Prepaid expenses	<u>2,913</u>	<u>500</u>
Total current assets	402,449	382,218
OFFICE EQUIPMENT		
Less accumulated depreciation	<u>7,244</u> <u>(7,244)</u>	<u>7,244</u> <u>(7,011)</u>
Total office equipment	-	233
OTHER ASSETS:		
Investments (Note C)	119,677	104,378
Interest in net assets of community foundation (Note I)	<u>31,683</u>	<u>31,172</u>
Total other assets	<u>151,360</u>	<u>135,550</u>
Total assets	<u>\$ 553,809</u>	<u>\$ 518,001</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 3,459	\$ 6,873
Agency allocations payable	<u>126,197</u>	<u>126,789</u>
Total current liabilities	129,656	133,662
NET ASSETS:		
Unrestricted	383,011	340,322
Temporarily restricted	<u>41,142</u>	<u>44,017</u>
Total net assets	<u>424,153</u>	<u>384,339</u>
Total liabilities and net assets	<u>\$ 553,809</u>	<u>\$ 518,001</u>

The accompanying notes are a part of the financial statements.

CHAR-EM UNITED WAY

STATEMENT OF ACTIVITIES

for the year ended June 30, 2017

(with comparative totals for the year ended June 30, 2016)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>2016 TOTAL</u>
REVENUES AND SUPPORT:				
Campaign support	\$ 367,488	\$ -	\$ 367,488	\$ 368,557
Less designations	(19,033)	-	(19,033)	(9,830)
Less provision for uncollectible pledges	<u>(18,949)</u>	<u>-</u>	<u>(18,949)</u>	<u>(18,971)</u>
Total campaign support	329,506	-	329,506	339,756
Contributions and grants	7,172	22,091	29,263	70,164
Net investment income (loss)	15,856	-	15,856	(3,338)
Special fundraising events, net of costs of \$19,916	21,980	-	21,980	15,798
Net assets released from restrictions	<u>24,966</u>	<u>(24,966)</u>	<u>-</u>	<u>-</u>
Total revenues and support	399,480	(2,875)	396,605	422,380
EXPENSES:				
Program services	294,479	-	294,479	295,268
Management and general	18,964	-	18,964	24,286
Fund-raising	<u>43,348</u>	<u>-</u>	<u>43,348</u>	<u>35,870</u>
Total expenses	<u>356,791</u>	<u>-</u>	<u>356,791</u>	<u>355,424</u>
Change in net assets	42,689	(2,875)	39,814	66,956
NET ASSETS, beginning of year	<u>340,322</u>	<u>44,017</u>	<u>384,339</u>	<u>317,383</u>
NET ASSETS, end of year	<u>\$ 383,011</u>	<u>\$ 41,142</u>	<u>\$ 424,153</u>	<u>\$ 384,339</u>

The accompanying notes are a part of the financial statements.

CHAR-EM UNITED WAY

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2017

(with comparative totals for the year ended June 30, 2016)

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL	2016 TOTAL
Grants	\$ 157,000	\$ -	\$ -	\$ 157,000	\$ 157,980
Salaries, wages and benefits	57,088	7,719	16,755	81,562	77,702
Payroll taxes	4,236	582	1,268	6,086	5,689
Vista volunteer cost share	3,500	-	-	3,500	3,500
Rent	5,294	684	1,822	7,800	6,000
Advertising	6,170	184	10,581	16,935	9,386
Supplies	8,608	483	1,931	11,022	23,520
Printing	564	15	2,940	3,519	3,427
Insurance	-	1,768	-	1,768	1,809
Conferences and travel	4,044	215	792	5,051	5,466
Volunteer recognition	645	50	-	695	2,867
Preschool books and services	32,233	-	-	32,233	33,580
Professional services	5,342	5,306	2,049	12,697	7,528
Telephone	1,630	332	526	2,488	2,506
Service fees paid to other United Ways	-	-	588	588	1,036
Postage	986	57	991	2,034	1,396
Membership dues and subscriptions	5,953	613	2,772	9,338	8,923
Miscellaneous	1,186	956	333	2,475	3,109
Total expenses	<u>\$ 294,479</u>	<u>\$ 18,964</u>	<u>\$ 43,348</u>	<u>\$ 356,791</u>	<u>\$ 355,424</u>

The accompanying notes are a part of the financial statements.

CHAR-EM UNITED WAY
STATEMENT OF CASH FLOWS
for the year ended June 30, 2017

(with comparative totals for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 39,814	\$ 66,956
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	233	924
Decrease (increase) in unconditional promises to give and accounts receivable	(5,364)	9,192
Increase in prepaid expenses	(2,413)	(200)
Increase (decrease) in accounts payable and accrued expenses	(3,414)	4,449
Realized and unrealized losses (gains) on investments	(14,328)	7,701
Decrease in agency allocations	<u>(592)</u>	<u>(26,254)</u>
Total adjustments	<u>(25,878)</u>	<u>(4,188)</u>
Net cash provided by operating activities	13,936	62,768
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Increase in investments	(971)	(2,129)
Increase of interest in net assets of community foundation	<u>(511)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,482)</u>	<u>(2,129)</u>
Net increase in cash and cash equivalents	12,454	60,639
CASH AND CASH EQUIVALENTS, beginning of year	<u>295,668</u>	<u>235,029</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 308,122</u>	<u>\$ 295,668</u>

The accompanying notes are a part of the financial statements.

CHAR-EM UNITED WAY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2017

NOTE A - NATURE OF ACTIVITIES:

The Char-Em United Way is a voluntary health and welfare organization that provides financial support for 501(c)(3) organizations providing services in Charlevoix and Emmet Counties, Michigan. The Organization generates revenues primarily through grants and donations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of Char-Em United Way have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Unconditional Promises to Give

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

The Char-Em United Way records annual commitments by donors and uses the allowance method to estimate uncollectible amounts. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance for estimated uncollectible promises to give was \$20,000 at June 30, 2017.

Contributed Services, Materials and Facilities

During the year ended June 30, 2017, the value of contributed materials, services and use of facilities meeting the requirements for recognition in the financial statements totaled \$14,672. Revenue was recognized for the market value of the contributed items and a corresponding cost was allocated to the appropriate expense or fixed asset categories based on the use of the item. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. In accordance with generally accepted accounting principles, these labor costs have not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment

The Char-Em United Way capitalizes all equipment with a purchased cost or a donated fair market value of \$1,000 or more. Any equipment costing or valued at less than \$1,000 is expensed. Capitalized equipment is depreciated over its estimated useful life using the straight-line method. Most of the current furniture and fixtures used by the Organization were obtained through donations and the fair market value, at the time of donation, was below the capitalization threshold. For the year ended June 30, 2017, depreciation expense totaled \$233.

Reclassifications

Certain amounts in the prior year financial information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

CHAR-EM UNITED WAY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Temporarily Restricted Net Assets

Net assets totaling \$41,142 primarily represent unspent grant revenues.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by 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.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization records donations of non-cash assets at their appraised or fair value at the date of gift.

Income Taxes

The Char-Em United Way is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The federal Form 990 returns of the organization for 2013 through 2016 remain subject to examination by the IRS, generally for 3 years after filing.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of less than ninety days to be cash equivalents. At June 30, 2017, all cash and cash equivalents are FDIC insured.

NOTE C – INVESTMENTS

The Organization has established an investment fund with Charlevoix County Community Foundation, which has a value of \$119,677 at June 30, 2017, and is recorded as an other asset. The funds are available to the Organization for future plans and unrestricted support.

All investment returns, including interest and dividend income and net gains or losses, are considered available for current operations.

CHAR-EM UNITED WAY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2017

NOTE C – INVESTMENTS (CONTINUED)

For the year ended June 30, 2017, investment returns are classified as unrestricted in the statement of activities.

Interest and dividend income	\$ 1,528
Unrealized gains	13,876
Realized gains	<u>452</u>
Total	<u>\$ 15,856</u>

NOTE D – FAIR VALUE MEASUREMENTS:

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair values.

Investments and beneficial interest in assets held by others: The assets related to this interest are held in an investment pool within another non-profit entity. The pool consists of assets that have observable level 1 or 2 pricing inputs, including quoted prices for similar assets in an active or inactive market. These inputs are used in determining the net asset value of the beneficial interest, which is not publicly traded.

CHAR-EM UNITED WAY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2017

NOTE D – FAIR VALUE MEASUREMENTS (CONTINUED):

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of June 30, 2017, the following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value (measured on a recurring basis):

<u>June 30, 2017</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	<u>\$ 119,677</u>	<u>\$ -</u>	<u>\$ 119,677</u>	<u>\$ -</u>
Interest in net assets of community foundation	<u>\$ 31,683</u>	<u>\$ -</u>	<u>\$ 31,683</u>	<u>\$ -</u>

NOTE E - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Char-Em United Way has evaluated events and transactions for potential recognition or disclosures through December 15, 2017, the date that the financial statements were available to be issued.

NOTE F – AGENCY GRANTS AND DESIGNATIONS:

For the year ended June 30, 2017, the Char-Em United Way issued grants to other local health and welfare agencies totaling \$157,000. In addition, the Organization accepts donations that are already designated for specific agencies. Designated donations totaled \$6,384 for the year ended June 30, 2017.

NOTE G – PENSION:

The Organization has adopted a Simple IRA retirement plan. The Organization matches employee contributions up to 3 percent of qualified wages. The Organization's contribution to the plan was \$2,351 for the year.

NOTE H - OPERATING LEASE:

The Char-Em United Way leases its office space from the Zion Lutheran Church subject to an operating lease effective December 22, 2016. Under the terms of the lease, the Organization will pay rent on a month-to-month basis, payable at \$600 per month. Beginning December 1, 2017, rent will be increased by the annual cost of living, not to exceed 5 percent in any year. For the year ended June 30, 2017, rent expense totaled \$7,800. Rent expense for the 2017-2018 will total \$7,272, and the rent for the subsequent years is undeterminable at this time.

CHAR-EM UNITED WAY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2017

NOTE I – INTEREST IN NET ASSETS OF COMMUNITY FOUNDATION:

The Char-Em United Way has contributed to an agency endowment fund benefiting the Organization, held by the Petoskey-Harbor Springs Area Community Foundation. The principal of the Fund shall remain intact and not be subject to distribution. At the time of the transfer, the Char-Em United Way granted variance power to the Foundation, which gives the Foundation the right to distribute the income to another organization, if the Organization ceases to exist. These transfers and the accumulated income have been recorded as an interest in net assets of community foundation totaling \$31,683. This amount represents funds available for distribution to the Char-Em United Way.