

CHAR-EM UNITED WAY
(a Michigan nonprofit corporation)

FINANCIAL STATEMENTS
for the year ended June 30, 2016

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	7-10

MASON, KAMMERMANN & ROHRBACK, P.C.

Certified Public Accountants

Velda K. Kammermann
Todd P. Rohrback

Corey R. Bascom

Established 1988
www.northmicpa.com

INDEPENDENT AUDITOR'S REPORT

October 21, 2016

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, 2016, 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 ~
109 Water 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
October 21, 2016

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, 2016, 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 2015 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated September 30, 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.

Mason, Kammermann & Rohrback, PC

CHAR-EM UNITED WAY
STATEMENT OF FINANCIAL POSITION
as of June 30, 2016
(with comparative totals as of June 30, 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 400,046	\$ 344,979
Accounts receivable	1,000	-
Unconditional promises to give, less allowance for uncollectible promises of \$20,000	85,050	95,242
Prepaid expenses	<u>500</u>	<u>300</u>
Total current assets	486,596	440,521
OFFICE EQUIPMENT	7,244	7,244
Less accumulated depreciation	<u>(7,011)</u>	<u>(6,087)</u>
Total office equipment	233	1,157
OTHER ASSET,		
Interest in net assets of community foundation	<u>31,172</u>	<u>31,172</u>
Total assets	<u>\$ 518,001</u>	<u>\$ 472,850</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 6,873	\$ 2,424
Agency allocations payable	<u>126,789</u>	<u>153,043</u>
Total current liabilities	133,662	155,467
NET ASSETS:		
Unrestricted	340,322	305,952
Temporarily restricted	<u>44,017</u>	<u>11,431</u>
Total net assets	<u>384,339</u>	<u>317,383</u>
Total liabilities and net assets	<u>\$ 518,001</u>	<u>\$ 472,850</u>

The accompanying notes are a part of the financial statements.

CHAR-EM UNITED WAY

STATEMENT OF ACTIVITIES

for the year ended June 30, 2016

(with comparative totals for the year ended June 30, 2015)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>2015 TOTAL</u>
REVENUES AND SUPPORT:				
Campaign support	\$ 368,557	\$ -	\$ 368,557	\$ 380,824
Less designations	(9,830)	-	(9,830)	(17,710)
Less provision for uncollectible pledges	<u>(18,971)</u>	<u>-</u>	<u>(18,971)</u>	<u>(18,784)</u>
Total campaign support	339,756	-	339,756	344,330
Contributions and grants	10,077	60,087	70,164	61,432
Net investment loss	(3,338)	-	(3,338)	(5,967)
Special fundraising events, net of costs of \$19,677	15,798	-	15,798	12,769
Net assets released from restrictions	<u>27,501</u>	<u>(27,501)</u>	<u>-</u>	<u>-</u>
Total revenues and support	389,794	32,586	422,380	412,564
EXPENSES:				
Program services	295,268	-	295,268	300,157
Management and general	24,286	-	24,286	28,365
Fund-raising	<u>35,870</u>	<u>-</u>	<u>35,870</u>	<u>43,366</u>
Total expenses	<u>355,424</u>	<u>-</u>	<u>355,424</u>	<u>371,888</u>
Change in net assets	34,370	32,586	66,956	40,676
NET ASSETS, beginning of year	<u>305,952</u>	<u>11,431</u>	<u>317,383</u>	<u>276,707</u>
NET ASSETS, end of year	<u>\$ 340,322</u>	<u>\$ 44,017</u>	<u>\$ 384,339</u>	<u>\$ 317,383</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, 2016

(with comparative totals for the year ended June 30, 2015)

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>	<u>2015 TOTAL</u>
Grants	\$ 157,980	\$ -	\$ -	\$ 157,980	\$ 182,330
Salaries, wages and benefits	53,587	10,799	13,316	77,702	71,235
Payroll taxes	3,999	766	924	5,689	4,767
Vista volunteer cost share	3,500	-	-	3,500	2,500
Rent	3,600	600	1,800	6,000	6,000
Advertising	2,409	352	6,625	9,386	10,119
Supplies	17,728	901	4,891	23,520	16,128
Printing	1,708	171	1,548	3,427	4,586
Insurance	-	1,809	-	1,809	2,158
Conferences and travel	3,481	704	1,281	5,466	4,307
Volunteer recognition	2,867	-	-	2,867	2,107
Preschool books and services	33,580	-	-	33,580	31,359
Professional services	1,539	5,244	745	7,528	17,441
Telephone	1,369	483	654	2,506	2,714
Service fees paid to other United Ways	-	-	1,036	1,036	1,794
Postage	589	25	782	1,396	3,151
Memberships and dues	6,029	1,378	1,516	8,923	6,336
Miscellaneous	1,303	1,054	752	3,109	2,856
Total expenses	<u>\$ 295,268</u>	<u>\$ 24,286</u>	<u>\$ 35,870</u>	<u>\$ 355,424</u>	<u>\$ 371,888</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, 2016

(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 66,956	\$ 40,676
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	924	1,385
Decrease in unconditional promises to give and accounts receivable	9,192	9,241
Decrease (increase) in prepaid expenses	(200)	2,500
Increase (decrease) in accounts payable and accrued expenses	4,449	(5,133)
Decrease in agency allocations	<u>(26,254)</u>	<u>(3,226)</u>
Total adjustments	<u>(11,889)</u>	<u>4,767</u>
Net cash provided by operating activities	55,067	45,443
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Decrease of interest in net assets of community foundation	<u>-</u>	<u>7,675</u>
Net increase in cash and cash equivalents	55,067	53,118
CASH AND CASH EQUIVALENTS, beginning of year	<u>344,979</u>	<u>291,861</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 400,046</u>	<u>\$ 344,979</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, 2016

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, 2016.

Contributed Services, Materials and Facilities

During the year ended June 30, 2016, the value of contributed materials, services and use of facilities meeting the requirements for recognition in the financial statements totaled \$18,857. 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, 2016, depreciation expense totaled \$924.

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, 2016

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

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, 2015, 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 2012 through 2015 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, 2016, all cash and cash equivalents are FDIC insured.

NOTE C – INVESTMENT INCOME

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

For the year ended June 30, 2016, investment returns are classified as unrestricted in the statement of activities.

Interest and dividend income	\$ 4,363
Unrealized losses	(6,171)
Realized losses	<u>(1,530)</u>
Total	<u>\$ (3,338)</u>

CHAR-EM UNITED WAY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2016

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: Valued at quoted market price, which is available on an active market.

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.

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.

CHAR-EM UNITED WAY
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2016

NOTE D – FAIR VALUE MEASUREMENTS (CONTINUED):

As of June 30, 2016, 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, 2016</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Interest in net assets of community foundation	<u>\$ 31,172</u>	<u>\$ -</u>	<u>\$ 31,172</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 October 21, 2016, the date that the financial statements were available to be issued.

NOTE F – AGENCY GRANTS AND DESIGNATIONS:

For the year ended June 30, 2016, the Char-Em United Way issued grants to other local health and welfare agencies totaling \$157,980. In addition, the Organization accepts donations that are already designated for specific agencies. Designated donations totaled \$5,810 for the year ended June 30, 2016.

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 \$1,529 for the year.

NOTE H - OPERATING LEASE:

The Char-Em United Way leases its office space from the American Red Cross subject to an operating lease effective June 22, 2006. Under the terms of the lease, the Organization will pay rent on a month-to-month basis, payable at \$500 per month. For the year ended June 30, 2016, rent expense totaled \$6,000.

NOTE I – ENDOWMENT FUNDS:

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 \$31,172. This amount represents funds available for distribution to the Char-Em United Way.