

UNITED WAY OF WEST CENTRAL MINNESOTA

FINANCIAL STATEMENTS

As of June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of West Central Minnesota
Willmar, Minnesota

We have audited the accompanying financial statements of United Way of West Central Minnesota (a nonprofit organization), 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of West Central Minnesota as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota
October 18, 2016

UNITED WAY OF WEST CENTRAL MINNESOTA
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 99,277	\$ 150,573
Investments - Board Reserve Fund	220,570	218,954
Cash held for others	85,575	51,352
Pledges receivable, net of allowance for uncollectible pledges	180,274	193,168
Prepaid expenses and other assets	1,287	1,287
Total Current Assets	586,983	615,334
EQUIPMENT		
Office equipment	57,592	52,228
Vehicles	50,070	50,070
Less accumulated depreciation	(61,617)	(55,007)
Net Equipment	46,045	47,291
TOTAL ASSETS	\$ 633,028	\$ 662,625
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,978	\$ 9,326
Deferred revenue	-	55,500
Accrued payroll and related liabilities	10,315	8,452
Accrued compensated absences	3,097	3,665
Agency funding payable	375,345	375,867
Fiscal sponsorship payable	85,575	51,352
Total Current Liabilities	486,310	504,162
NET ASSETS		
Unrestricted		
Operating	63,252	56,872
Total Unrestricted Net Assets	63,252	56,872
Temporarily restricted	83,466	101,591
Total Net Assets	146,718	158,463
TOTAL LIABILITIES AND NET ASSETS	\$ 633,028	\$ 662,625

See accompanying notes to financial statements.

UNITED WAY OF WEST CENTRAL MINNESOTA
STATEMENTS OF ACTIVITIES
June 30, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 700,395	\$ 89,266	\$ 789,661
Investment income	1,885	-	1,885
In Kind contributions	51,331	-	51,331
Net assets released from restrictions	<u>107,391</u>	<u>(107,391)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	861,002	(18,125)	842,877
EXPENSES			
Program	689,960	-	689,960
Fundraising	107,553	-	107,553
General and administrative	<u>57,109</u>	<u>-</u>	<u>57,109</u>
TOTAL EXPENSES	<u>854,622</u>	<u>-</u>	<u>854,622</u>
CHANGE IN NET ASSETS	6,380	(18,125)	(11,745)
NET ASSETS - BEGINNING OF YEAR	<u>56,872</u>	<u>101,591</u>	<u>158,463</u>
NET ASSETS - END OF YEAR	<u>\$ 63,252</u>	<u>\$ 83,466</u>	<u>\$ 146,718</u>

See accompanying notes to financial statements.

UNITED WAY OF WEST CENTRAL MINNESOTA
STATEMENTS OF ACTIVITIES
June 30, 2016 and 2015

2015		
Unrestricted	Temporarily Restricted	Total
\$ 729,543	\$ 97,063	\$ 826,606
2,875	-	2,875
47,272	-	47,272
110,246	(110,246)	-
889,936	(13,183)	876,753
707,414	-	707,414
112,298	-	112,298
60,852	-	60,852
880,564	-	880,564
9,372	(13,183)	(3,811)
47,500	114,774	162,274
\$ 56,872	\$ 101,591	\$ 158,463

See accompanying notes to financial statements.

UNITED WAY OF WEST CENTRAL MINNESOTA
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2016 and 2015

	2016			Totals
	Program	Fundraising	General and Administrative	
Salaries and wages	\$ 108,833	\$ 42,613	\$ 31,269	\$ 182,715
Payroll taxes	8,889	3,499	2,442	14,830
Employee benefits	13,781	3,833	2,987	20,601
Sub-total	<u>131,503</u>	<u>49,945</u>	<u>36,698</u>	<u>218,146</u>
Publicity and marketing	15,497	19,543	695	35,735
Travel and training	5,829	769	-	6,598
Professional fees	-	-	7,507	7,507
Postage	358	515	450	1,323
Occupancy	11,521	5,849	354	17,724
Telephone and internet	2,940	1,528	749	5,217
Printing and copying	1,478	1,579	197	3,254
Office expense	1,444	1,457	6,374	9,275
Insurance	1,127	586	1,444	3,157
Depreciation	5,166	-	1,444	6,610
Imagination Library	47,199	-	-	47,199
Growmobile	13,022	-	-	13,022
Empower initiatives	17,154	-	-	17,154
Gift in kind transport and storage	3,000	-	-	3,000
Contributed material, facilities and services	28,870	16,764	1,197	46,831
Special events	10,901	9,018	-	19,919
Agency funding	392,951	-	-	392,951
Sub-total	<u>558,457</u>	<u>57,608</u>	<u>20,411</u>	<u>636,476</u>
TOTAL EXPENSES	<u>\$ 689,960</u>	<u>\$ 107,553</u>	<u>\$ 57,109</u>	<u>\$ 854,622</u>

See accompanying notes to financial statements.

UNITED WAY OF WEST CENTRAL MINNESOTA
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2016 and 2015

	2015			Totals
	Program	Fundraising	General and Administrative	
Salaries and wages	\$ 106,595	\$ 36,087	\$ 34,227	\$ 176,909
Payroll taxes	9,004	3,001	2,770	14,775
Employee benefits	9,680	3,643	4,179	17,502
Sub-total	<u>125,279</u>	<u>42,731</u>	<u>41,176</u>	<u>209,186</u>
Publicity and marketing	19,053	26,534	604	46,191
Travel and training	4,173	1,007	677	5,857
Professional fees	-	-	7,406	7,406
Postage	654	6,107	539	7,300
Occupancy	11,521	5,849	354	17,724
Telephone and internet	2,641	1,824	840	5,305
Printing and copying	1,412	1,658	769	3,839
Office expense	2,261	1,853	4,590	8,704
Insurance	1,129	637	1,704	3,470
Depreciation	5,007	-	1,944	6,951
Imagination Library	45,907	-	-	45,907
Growmobile	11,735	-	-	11,735
Empower initiatives	19,985	-	-	19,985
Gift in kind transport and storage	3,000	-	-	3,000
Contributed material, facilities and services	31,814	15,257	201	47,272
Special events	15,533	8,841	48	24,422
Agency funding	406,310	-	-	406,310
Sub-total	<u>582,135</u>	<u>69,567</u>	<u>19,676</u>	<u>671,378</u>
TOTAL EXPENSES	<u>\$ 707,414</u>	<u>\$ 112,298</u>	<u>\$ 60,852</u>	<u>\$ 880,564</u>

See accompanying notes to financial statements.

UNITED WAY OF WEST CENTRAL MINNESOTA
STATEMENTS OF CASH FLOWS
June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (11,745)	\$ (3,811)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,610	6,951
Contribution of fixed assets	(4,500)	-
(Increase) decrease in current assets:		
Pledges receivable	12,894	23,450
Prepaid and other assets	-	3,455
Increase (decrease) in current liabilities:		
Accounts payable	2,652	3,765
Accrued payroll and related liabilities	1,863	(302)
Accrued compensated absences	(568)	(254)
Allocations payable to participating agencies	(522)	(27,428)
Deferred revenue	(55,500)	55,500
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(48,816)	61,326
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,616)	(2,605)
Acquisition of equipment	(864)	-
NET CASH USED IN INVESTING ACTIVITIES	(2,480)	(2,605)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(51,296)	58,721
 Cash and equivalents - Beginning of Year	150,573	91,852
 Cash and equivalents - End of Year	\$ 99,277	\$ 150,573

See accompanying notes to financial statements.

UNITED WAY OF WEST CENTRAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE A: NATURE OF ACTIVITIES

United Way of West Central Minnesota (United Way) is a not-for-profit voluntary health and welfare agency that serves communities throughout a thirty mile radius of Willmar, Minnesota. United Way's mission is to improve the quality of life in each community it serves and build stronger communities by improving conditions in education, basic needs and health. United Way achieves its mission by networking and collaborating with local agencies, governments, businesses and individuals as well as engaging community members in acts of volunteering. United Way's primary funding source is contributions from donors in the communities served by the organization.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way and changes there in, are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions are classified as unrestricted. Unrestricted, designated net assets are a self-imposed limit by the Board of Directors to cover discretionary allocations and future reserve for operating expenses and agency funding.

Temporarily restricted net assets

Net assets restricted by donors for specific purposes or time periods are classified as temporarily restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets

Net assets subject to donor-imposed restrictions that stipulate resources are to be maintained permanently by United Way are classified as permanently restricted. Generally, the donors of these assets permit United Way to use all or part of the income earned on any related investments for general or specific purposes. At years-end, the organization did not have any permanently restricted net assets.

Contributions

Contributions are recognized as revenues in the period received. Unconditional promises to give are recognized as revenue when the promise is made. Conditional promises to give are recognized when the conditions on which they depend are substantially fulfilled. Contributed materials, fixed assets or investments are recorded at fair value when received.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions with donor-imposed conditions are recorded as temporarily restricted net assets. When donor-imposed time conditions expire or purpose restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets.

UNITED WAY OF WEST CENTRAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, United Way considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments

Investments consist of certificates of deposit with a maturity of greater than one year and are reported at fair value.

For management efficiency, investments of the unrestricted and restricted net assets are pooled, except for certain net assets that the board of directors or the donors has designated to be segregated and maintained separately.

Cash Held for Others

United Way entered into a fiscal sponsorship agreement with a local community organization to provide fiscal management services. The agreement requires United Way to maintain a separate bank account for receiving and disbursing funds on behalf of the organization.

Equipment

United Way has a capitalization policy of \$1,000. Equipment is stated at cost. Donated items received are recorded at estimated fair value. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Depreciation expense for the years ended June 30, 2016 and 2015 was \$6,610 and \$6,951, respectively.

<u>Useful Lives</u>	<u>Years</u>
Office Equipment	5-7
Software	3
Vehicles	5

Fair Value of Financial Instruments

The carrying amounts of cash, other receivables, and accounts payable approximate fair value because of the short maturity of these instruments. Investments are reported at fair value as described above. Pledges receivable are reported at approximate fair value.

Concentrations

Substantially all of United Way's revenue comes from an annual community pledge drive from businesses and individuals throughout West Central Minnesota.

In Kind Contributions

Contributed materials, facilities and services represent the estimated fair value of materials, facilities and services provided. The contribution of services is recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Contributed services consist primarily of advertising services, including advertising time on television and radio stations, and advertisements placed in newspapers.

UNITED WAY OF WEST CENTRAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

United Way recognized the following amounts for contributed materials, facilities and services for the years ended June 30, 2016 and 2015:

	2016	2015
Services	\$ 26,235	\$ 27,724
Facility rent	1,200	1,200
Office supplies	1,850	2,394
Office equipment	4,500	-
Program supplies	17,546	15,954
Total	\$ 51,331	\$ 47,272

In addition to the previously described services, volunteers have donated significant amounts of time in support of United Way's activities. These contributions have not been recorded as revenue and expenses as they do not meet the criteria for recognition under generally accepted accounting principles.

Income Taxes

United Way of West Central Minnesota is classified as a tax exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of Internal Revenue Code. The organization is also classified as an entity that is not a private foundation within the meaning of IRC Section 509(a) and qualifies to receive tax deductible contributions. United Way is subject to taxes on net unrelated business income. For the years ended June 30, 2016 and 2015, United Way did not have any unrelated business income. The organization's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. United Way has no uncertain tax positions resulting in an accrual of tax expense or benefit.

United Way's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

The costs of providing United Way's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations of Credit Risk

Financial instruments that potentially subject United Way to concentrations of credit risk consist principally of temporary cash investments and pledges receivable. United Way maintains its cash balances and temporary investments at two financial institutions. Each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. United Way's policy is to require collateral pledges to cover balances in excess of FDIC limits. Substantially all pledges receivable are from business and individuals located within West Central Minnesota and are unsecured.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures in the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF WEST CENTRAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE C: PLEDGES RECEIVABLE

Pledges receivable for June 30, 2016 and 2015 consist of unconditional promises to give for the January 1 to December 31, 2016 and 2015 campaign years. A breakdown of the pledges receivable and the allowance for doubtful accounts is as follows:

	2016	2015
Contributions collectible in:		
Less than one year	\$ 197,172	\$ 211,737
Allowance for doubtful accounts	(16,898)	(18,569)
Net receivable	\$ 180,274	\$ 193,168

At June 30, 2016 and 2015, the discount to net realizable value for long-term pledges receivable was not significant for pledges expected to be collected over future periods of greater than one year.

NOTE D: ACCRUED COMPENSATED ABSENCES

The accompanying financial statements include a liability for unused Paid Time Off (PTO) that has vested. United Way's personnel policy provides that full and part-time employees earn PTO determined by years of service and hours worked.

Unused PTO

PTO benefits are to be used during the calendar year in which they are earned. If an employee had earned but unused PTO hours available as of December 31, the employee has the following options:

1. Carry over up to 80 PTO hours (prorated for part time employees) into the next calendar year; and/or
2. Transfer a maximum of 40 PTO hours on January 1st to his or her Leave of Absence Bank (LOAB), provided that the employee's LOAB does not exceed the maximum allowable accumulation. Unused Leave of Absence Bank Benefits are not paid out upon termination, and therefore PTO hours transferred to an employee's LOAB will also be forfeited upon termination.
3. On December 31 of each year, any earned and unused PTO hours not carried over in the next calendar year or transferred to the employee's LOAB will be forfeited.

Leave of Absence Bank

After three continuous work days of absence due to illness or injury and with a physician's notice, an employee can draw from their Leave of Absence Bank to cover days off beyond the initial three days. A first time contribution on the date of hire to LOAB account will be 40 hours. On January 1st of each year, each employee receives 20 hours in their LOAB. Amount will be prorated for part-time employees and full time staff hired 39-32 hours. The maximum accrual in the LOAB cannot exceed 160 hours, prorated for part time employees and full time staff hired 39-32 hours. Unused LOAB hours are not paid out upon termination.

Upon voluntary separation from United Way, PTO is paid out on a percentage basis based on years of service. Full payout occurs after six years of service. As of June 30, 2016 and 2015, United Way reported a liability for compensated absences of \$3,097, and \$3,665, respectively.

**UNITED WAY OF WEST CENTRAL MINNESOTA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015**

NOTE E: LEASES

United Way entered into a lease for office space with Engan & Associates. The initial term began January 1, 2009 and ended January 1, 2014. The term of the lease agreement was extended an additional 5 years with monthly installment payments of \$1,477. Total rent expense amounted to \$17,724 and \$17,724 for the years ended June 30, 2016 and 2015, respectively.

Future minimum payments under the terms of the lease agreements are as follows:

Year Ending June 30	
2017	\$ 17,724
2018	17,724
2019	8,862

NOTE F: RETIREMENT PLAN

United Way offers a Simple IRA plan to all employees upon hire. United Way matches employee contributions up to 3% of the employee's compensation. Employer contribution for June 30, 2016 and 2015 was \$5,250 and \$4,490, respectively.

NOTE G: NET ASSETS

Summary of Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of June 30, 2016 and 2015, respectively:

	2016	2015
Empower Fund	\$ 63,850	\$ 83,911
Empower Fund - Litchfield	19,616	17,680
	\$ 83,466	\$ 101,591

Net assets released from restrictions during the years ended June 30, 2016 and 2015, respectively, were as follows:

	2016	2015
Empower Fund	\$ 101,144	\$ 103,298
Empower Fund - Litchfield	5,311	6,948
	\$ 106,455	\$ 110,246

NOTE H: SUBSEQUENT EVENTS

In preparing these financial statements, management of United Way of West Central Minnesota has evaluated events and transactions for potential recognition or disclosure through October 18, 2016, the date the financial statements were available to be issued.