

United Way
of the
Lakeshore,
Inc.

United Way
of the Lakeshore



Years Ended
December 31,
2018 and 2017

Financial
Statements
and
Supplementary
Information

UNITED WAY OF THE LAKESHORE, INC.

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INDEPENDENT AUDITORS' REPORT

May 21, 2019

Board of Directors
United Way of the Lakeshore, Inc.
Muskegon, Michigan

We have audited the accompanying financial statements of the ***United Way of the Lakeshore, Inc.*** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor 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 the **United Way of the Lakeshore, Inc.** as of December 31, 2018 and 2017, 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.

Rehmann Johnson LLC

UNITED WAY OF THE LAKESHORE, INC.

Statements of Financial Position

	December 31	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 759,153	\$ 779,199
Certificates of deposit	443,805	435,951
Accounts receivable	23,058	9,830
Pledges receivable, net of allowance for uncollectible pledges of \$194,981 (\$230,109 for 2017)	1,417,701	1,435,131
Prepaid expenses	5,977	8,012
Beneficial interest in assets held by others	642,383	714,935
Net property and equipment	1,028,472	1,103,455
Total assets	\$ 4,320,549	\$ 4,486,513
LIABILITIES AND NET ASSETS		
Liabilities		
Allocations and designations payable	\$ 219,360	\$ 226,390
Accounts payable	12,407	6,030
Total liabilities	231,767	232,420
Net assets		
Without donor restrictions		
Designated for property and equipment	1,028,472	1,103,455
Designated for beneficial interest in assets held by others	642,383	714,935
Designated for building fund	37,314	35,976
Undesignated	898,808	809,709
Total net assets without donor restrictions	2,606,977	2,664,075
Net assets with donor restrictions	1,481,805	1,590,018
Total net assets	4,088,782	4,254,093
Total liabilities and net assets	\$ 4,320,549	\$ 4,486,513

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE LAKESHORE, INC.

Statements of Activities

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Gross campaign results (2015/2016)	\$ 39,906	\$ -	\$ 39,906
Gross campaign results (2016/2017)	190,205	-	190,205
Prior year gross campaign results released from restrictions	1,866,796	(1,866,796)	-
Total campaign results (2015-2017)	2,096,907	(1,866,796)	230,111
Less: donor designations	(253,229)	253,229	-
Less: provision for uncollectible pledges	(103,390)	91,527	(11,863)
Net prior years' campaign revenue	1,740,288	(1,522,040)	218,248
Current year gross campaign results	-	1,698,057	1,698,057
Current year gross capital campaign results	-	2,580	2,580
Less: donor designations	-	(195,151)	(195,151)
Less: provision for uncollectible pledges	-	(85,868)	(85,868)
Net current year campaign revenue	-	1,419,618	1,419,618
Total public support	1,740,288	(102,422)	1,637,866
Designations from other United Ways	132,010	28,513	160,523
Service fees	6,530	-	6,530
Other grant revenue	300,829	57,500	358,329
Net investment (loss) income	(33,448)	-	(33,448)
Rental income	48,138	-	48,138
Other	219,806	-	219,806
Net assets released from restrictions	91,804	(91,804)	-
Total public support and revenue	2,505,957	(108,213)	2,397,744
Expenses			
Program services			
Agency investments	1,480,666	-	1,480,666
Information and referral	2,369	-	2,369
Community impact	213,430	-	213,430
Promoting volunteerism	259,735	-	259,735
Human service center	98,796	-	98,796
Total program services	2,054,996	-	2,054,996
Support services			
Fundraising	288,233	-	288,233
Management and general	219,826	-	219,826
Total supporting services	508,059	-	508,059
Total expenses	2,563,055	-	2,563,055
Change in net assets	(57,098)	(108,213)	(165,311)
Net assets, beginning of year	2,664,075	1,590,018	4,254,093
Net assets, end of year	\$ 2,606,977	\$ 1,481,805	\$ 4,088,782

The accompanying notes are an integral part of these financial statements.

Year Ended December 31, 2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 39,212	\$ -	\$ 39,212
207,920	-	207,920
1,977,232	(1,977,232)	-
2,224,364	(1,977,232)	247,132
(269,407)	269,407	-
(138,282)	114,661	(23,621)
1,816,675	(1,593,164)	223,511
-	1,866,796	1,866,796
-	-	-
-	(253,229)	(253,229)
-	(91,527)	(91,527)
-	1,522,040	1,522,040
1,816,675	(71,124)	1,745,551
114,692	27,804	142,496
6,785	-	6,785
320,146	62,380	382,526
110,902	-	110,902
56,082	-	56,082
264,587	-	264,587
88,588	(88,588)	-
2,778,457	(69,528)	2,708,929
1,471,042	-	1,471,042
3,940	-	3,940
209,494	-	209,494
250,688	-	250,688
77,740	-	77,740
2,012,904	-	2,012,904
331,775	-	331,775
236,814	-	236,814
568,589	-	568,589
2,581,493	-	2,581,493
196,964	(69,528)	127,436
2,467,111	1,659,546	4,126,657
<u>\$ 2,664,075</u>	<u>\$ 1,590,018</u>	<u>\$ 4,254,093</u>

UNITED WAY OF THE LAKESHORE, INC

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services					Total Program Services
	Agency Investments	Information and Referral	Community Impact	Promoting Volunteerism	Human Service Center	
Allocations/awards	\$ 1,468,014	\$ -	\$ -	\$ -	\$ -	\$ 1,468,014
Salaries	7,289	1,365	122,945	139,221	4,481	275,301
Employee benefits	929	174	15,670	22,002	1,274	40,049
Payroll taxes	621	116	10,480	11,367	-	22,584
Total salaries and related expenses	8,839	1,655	149,095	172,590	5,755	337,934
Contract services	54	10	917	21,184	-	22,165
Legal and audit	-	-	-	-	-	-
Office supplies	254	48	4,289	3,447	-	8,038
Telephone	97	18	1,636	1,126	-	2,877
Postage	123	23	2,080	1,432	-	3,658
Occupancy costs	718	135	12,118	8,342	13,434	34,747
Building and equipment maintenance	172	32	2,902	1,998	16,859	21,963
Printing	129	24	2,170	1,494	-	3,817
Dues and subscriptions	50	9	850	11,920	-	12,829
Automobile	74	14	1,246	858	-	2,192
Hotels, meals and transportation	231	43	3,893	7,578	-	11,745
Awards	-	-	-	383	-	383
Meeting supplies	580	109	9,781	6,733	-	17,203
Computer costs	117	22	1,977	1,781	-	3,897
Bonding insurance	41	8	683	470	-	1,202
Campaign supplies	-	-	-	-	-	-
Staff development	50	9	851	586	-	1,496
Training	44	8	734	505	-	1,291
Branding strategy	149	28	2,521	1,735	-	4,433
Depreciation	354	66	5,966	4,107	51,997	62,490
Miscellaneous	166	31	2,804	6,704	10,751	20,456
Total expenses before United Way Worldwide dues	1,480,256	2,292	206,513	254,973	98,796	2,042,830
United Way Worldwide dues	410	77	6,917	4,762	-	12,166
Total expenses	\$ 1,480,666	\$ 2,369	\$ 213,430	\$ 259,735	\$ 98,796	\$ 2,054,996

The accompanying notes are an integral part of these financial statements.

Support Services			
Fund Raising	Management and General	Total Support Services	Total
\$ -	\$ -	\$ -	\$ 1,468,014
137,086	120,350	257,436	532,737
17,473	15,340	32,813	72,862
11,686	10,259	21,945	44,529
166,245	145,949	312,194	650,128
43,331	897	44,228	66,393
-	10,900	10,900	10,900
4,782	4,198	8,980	17,018
1,824	1,602	3,426	6,303
2,319	2,036	4,355	8,013
13,512	11,862	25,374	60,121
3,236	2,841	6,077	28,040
2,419	2,124	4,543	8,360
947	832	1,779	14,608
1,389	1,220	2,609	4,801
4,341	3,811	8,152	19,897
1,012	-	1,012	1,395
10,906	9,575	20,481	37,684
2,205	1,936	4,141	8,038
762	669	1,431	2,633
2,945	-	2,945	2,945
949	833	1,782	3,278
818	718	1,536	2,827
2,810	2,467	5,277	9,710
6,653	5,840	12,493	74,983
7,115	2,745	9,860	30,316
280,520	213,055	493,575	2,536,405
7,713	6,771	14,484	26,650
<u>\$ 288,233</u>	<u>\$ 219,826</u>	<u>\$ 508,059</u>	<u>\$ 2,563,055</u>

UNITED WAY OF THE LAKESHORE, INC

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services					Total Program Services
	Agency Investments	Information and Referral	Community Impact	Promoting Volunteerism	Human Service Center	
Allocations/awards	\$ 1,447,639	\$ -	\$ -	\$ -	\$ -	\$ 1,447,639
Salaries	12,791	2,154	114,500	142,950	3,363	275,758
Employee benefits	2,291	386	20,510	29,054	978	53,219
Payroll taxes	1,183	199	10,593	8,081	-	20,056
Total salaries and related expenses	16,265	2,739	145,603	180,085	4,341	349,033
Contract services	95	16	849	9,351	-	10,311
Legal and audit	-	-	-	-	-	-
Office supplies	435	73	3,892	7,909	-	12,309
Telephone	184	31	1,647	793	586	3,241
Postage	209	35	1,871	628	-	2,743
Occupancy costs	1,177	198	10,534	6,190	1,368	19,467
Building and equipment maintenance	195	33	1,749	587	13,474	16,038
Printing	293	49	2,625	882	-	3,849
Dues and subscriptions	947	160	8,473	2,845	-	12,425
Automobile	133	22	1,187	399	-	1,741
Hotels, meals and transportation	340	57	3,043	4,529	-	7,969
Awards	-	-	-	4,595	-	4,595
Meeting supplies	643	108	5,755	5,471	-	11,977
Computer costs	274	46	2,449	5,348	-	8,117
Bonding insurance	72	12	645	217	-	946
Campaign supplies	-	-	-	-	-	-
Staff development	63	11	565	190	-	829
Training	142	24	1,267	3,901	-	5,334
Branding strategy	221	37	1,982	666	-	2,906
Depreciation	640	108	5,730	1,924	51,447	59,849
Miscellaneous	338	57	3,030	11,962	6,524	21,911
Total expenses before United Way Worldwide dues	1,470,305	3,816	202,896	248,472	77,740	2,003,229
United Way Worldwide dues	737	124	6,598	2,216	-	9,675
Total expenses	\$ 1,471,042	\$ 3,940	\$ 209,494	\$ 250,688	\$ 77,740	\$ 2,012,904

The accompanying notes are an integral part of these financial statements.

Support Services			
Fund Raising	Management and General	Total Support Services	Total
\$ -	\$ -	\$ -	\$ 1,447,639
167,227	127,812	295,039	570,797
29,956	22,895	52,851	106,070
15,471	11,824	27,295	47,351
212,654	162,531	375,185	724,218
24,276	1,848	26,124	36,435
-	10,650	10,650	10,650
5,684	4,344	10,028	22,337
2,406	1,839	4,245	7,486
2,732	2,088	4,820	7,563
15,385	11,759	27,144	46,611
2,554	1,952	4,506	20,544
3,835	2,931	6,766	10,615
1,137	869	2,006	14,431
1,734	1,325	3,059	4,800
4,444	3,397	7,841	15,810
1,364	-	1,364	5,959
8,405	6,424	14,829	26,806
3,577	2,734	6,311	14,428
942	720	1,662	2,608
8,843	-	8,843	8,843
826	631	1,457	2,286
1,850	1,414	3,264	8,598
2,895	2,213	5,108	8,014
8,369	6,399	14,767	74,616
8,226	3,380	11,607	33,518
322,138	229,448	551,586	2,554,815
9,637	7,366	17,003	26,678
<u>\$ 331,775</u>	<u>\$ 236,814</u>	<u>\$ 568,589</u>	<u>\$ 2,581,493</u>

UNITED WAY OF THE LAKESHORE, INC.

Statements of Cash Flows

	Year Ended December 31	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (165,311)	\$ 127,436
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	74,983	74,616
Allowance for uncollectible pledges	(35,128)	(20,078)
Change in value of beneficial interest in assets held by others	50,891	(94,325)
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(13,228)	(3,385)
Pledges receivable	52,558	48,576
Prepaid expenses	2,035	16
Allocations and designations payable	(7,030)	(9,105)
Accounts payable	6,377	(2,780)
Net cash (used in) provided by operating activities	<u>(33,853)</u>	<u>120,971</u>
Cash flows from investing activities		
Purchases of property and equipment	-	(31,010)
Purchases of certificates of deposit	(7,854)	(7,780)
Contributions to beneficial interest in assets held by others	(1,299)	(500)
Distributions of beneficial interest in assets held by others	22,960	-
Net cash provided by (used in) investing activities	<u>13,807</u>	<u>(39,290)</u>
Net (decrease) increase in cash and cash equivalents	(20,046)	81,681
Cash and cash equivalents, beginning of year	<u>779,199</u>	<u>697,518</u>
Cash and cash equivalents, end of year	<u><u>\$ 759,153</u></u>	<u><u>\$ 779,199</u></u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

1. MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission

The *United Way of the Lakeshore, Inc.* (the "Organization") is a Michigan not-for-profit organization whose purpose is to assess human service needs, conduct annual fund raising campaigns and allocate and disburse financial support to agencies and programs directed at servicing those needs, primarily in and for the benefit of the people of Muskegon, Oceana and Newaygo counties.

Basis of Presentation

Net assets, support, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated building fund.

Net Assets with Donor Restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See "Campaign Pledges and Collections" policy below.

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 and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the allowance for uncollectible pledges receivable.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks and cash on hand. The Organization maintains cash deposits with financial institutions located in western Michigan, which at times, may exceed the federally insured limits. Management does not believe the Organization is exposed to any significant interest rate or other financial risk on these deposits.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 3 to the financial statements.

Certificates of Deposit

Certificates of deposit are stated at cost, which approximates fair value.

Campaign Pledges and Collections

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Annual campaigns are conducted each year to raise support for allocations to participating agencies in the subsequent calendar year. Campaign collections and pledges receivable are classified as net assets with donor restrictions until the year of allocation to such agencies. Campaign costs are expensed in the year in which they are incurred. All contributions are considered available for use in general operations unless specifically restricted by the donor. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net assets without donor restrictions class. Pledges receivable are recorded in the statements of financial position and allowances are provided for amounts estimated to be uncollectible.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others is carried at the estimated fair value of the underlying assets with the change in value included annually in investment income.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. Donated property and equipment is recorded at its estimated fair value at the date of the gift.

Depreciation

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years.

Allocations and Designations Payable

The Organization pays allocations related to each campaign based on a 12-month disbursement period, covering July 1, 2018 to June 30, 2019 in 2018 and covering July 1, 2017 to June 30, 2018 in 2017. Designations payable represent unpaid designations as of December 31, 2018 and 2017, net of a reserve for uncollectible pledges.

Grant Revenue

A portion of the Organization's funding is received through exchange contracts in which the Organization and grantor agency each receive and sacrifice approximately equal value. Such grant revenue is recognized as earned when actual expenditures are incurred which meet the specific terms of each grant.

Donated Services

No amounts have been reflected for donated services as the services do not qualify for recognition in the financial statements, as they do not require specialized knowledge or skills; however, a substantial number of volunteers have donated a significant amount of time to the Organization, particularly throughout the annual fundraising period.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs which apply to more than one functional category have been allocated among the respective function based upon the time spent on these functions by specific employees as estimated by management and applied on a consistent basis.

Income Taxes

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from the membership. The Organization has been classified as not a private foundation.

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions.

The Organization has evaluated its income tax filing positions for 2015 through 2018, the years which remain subject to examination as of December 31, 2018. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization’s financial statements. The Organization does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2018 or 2017, and is not aware of any claims for such amounts by federal or state income tax authorities.

Change in Accounting Principles

As of January 1, 2017, the Organization adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This ASU (1) reduces the number of net asset classes presented from three to two; (2) requires enhanced disclosures concerning board designated net assets; (3) requires the presentation of expenses by functional and natural classification in one location; (4) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (5) requires the presentation of investment return net of external and direct internal investment expenses.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

Reclassification

Certain amounts as reported in the 2017 financial statements have been reclassified to conform with the 2018 presentation.

Subsequent Events

In preparing these financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2018, the most recent statement of financial position presented herein, through May 21, 2019, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. PLEDGES RECEIVABLE

Pledges receivable, net consist of the following amounts at December 31:

	2018	2017
Current year campaign	\$ 1,282,059	\$ 1,339,914
Less allowance for uncollectible pledges	86,868	91,527
Net current year campaign	1,195,191	1,248,387
1 st prior year campaign	286,270	283,553
Less allowance for uncollectible pledges	108,113	138,582
Net 1st prior year campaign	178,157	144,971
Capital campaign	44,353	41,773
Total pledges receivable, net of allowance for uncollectible pledges and present value discount	\$ 1,417,701	\$ 1,435,131

The allowance for uncollectible pledges is computed based on management's estimate of current economic factors, applied to the gross campaign results, including donor designations. For 2018 and 2017, the percentage applied to the gross campaign results for uncollectible pledges was 5% and 6%, respectively.

Capital campaign pledges with due dates extending beyond one year were discounted using the rates currently offered for deposits with similar maturities. The effective discount rate at December 31, 2018 and 2017 was 3%.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

3. FAIR VALUE MEASUREMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Beneficial interest in assets held by others consist of funds held by the Community Foundation for Muskegon County (the "Foundation"). These funds were established by the United Way of the Lakeshore, Inc. At December 31, 2018 and 2017, these funds were valued at \$642,383 and \$714,935, respectively. Annual revaluation occurs based on changes to the fair value and fees charged, and this revaluation is treated as an increase or decrease to net assets without donor restrictions in the statement of activities.

The Organization is to receive the earnings from these funds on an annual basis. The Organization has granted the Community Foundation for Muskegon County variance power in accordance with the by-laws of the Foundation.

The Organization utilized fair value measurements to record fair value adjustments to the beneficial interest in assets held by the Foundation and to determine fair value disclosures. Beneficial interest in assets held by the Foundation is recorded at fair value on a recurring basis.

Following is a description of the valuation methodology and key inputs used to measure beneficial interest in assets held by the Foundation recorded at fair value.

Beneficial interest in assets held by others: The Organization is allocated its portion of the total fair values of the underlying securities held by the Foundation. The underlying assets cannot be liquidated or redeemed by the Organization. As such, no quoted prices or active markets are available for this asset (Level 3). The underlying investment securities held by the Foundation have fair values that are determined using Level 1 inputs.

The preceding method described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of this asset could result in a different fair value measurement at the reporting date.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

The following table sets forth a summary of changes in the fair value of the Organizations' Level 3 assets for the years ended December 31:

	2018	2017
Beneficial interest in assets held by others		
Beginning of year	\$ 714,935	\$ 620,110
Contributions	1,299	500
Grants received by the organization	(22,960)	-
Administrative expenses	(3,496)	(3,281)
Net investment (loss) gain	<u>(47,395)</u>	<u>97,606</u>
End of year	<u><u>\$ 642,383</u></u>	<u><u>\$ 714,935</u></u>

4. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following components at December 31:

	2018	2017
Land - Clay Avenue properties	\$ 90,000	\$ 90,000
Land improvements - Clay Avenue properties	63,833	63,833
Buildings - Clay Avenue properties	1,148,096	1,148,096
Office furniture and equipment	<u>397,967</u>	<u>397,967</u>
Total	1,699,896	1,699,896
Less accumulated depreciation	<u>671,424</u>	<u>596,441</u>
Net property and equipment	<u><u>\$ 1,028,472</u></u>	<u><u>\$ 1,103,455</u></u>

Depreciation expense for 2018 and 2017 was \$74,983 and \$74,616, respectively.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

5. ENDOWMENT FUNDS

Endowment funds have been established at the Community Foundation for Muskegon County for the United Way of the Lakeshore, Inc. These assets are not included in the financial statements of the United Way of the Lakeshore, Inc. These funds are accounted for by the Foundation, and administered by a joint committee of the Foundation and United Way of the Lakeshore, Inc. representatives. At December 31, 2018 and 2017, these funds were valued at approximately \$590,000 and \$660,000, respectively. Total amount of grants awarded from these funds amounted to \$23,380 and \$22,550 for 2018 and 2017, respectively. The Organization maintains a separate account with the Foundation to allow for direct contributions on the Organization's behalf. While such contributions are earmarked for the Organization, the variance power held by the Foundation precludes their recognition in the accompanying financial statements until the Organization requests distribution of available funds, in accordance with generally accepted accounting principles.

Also, an endowment fund was established at the Fremont Area Community Foundation for the United Way of the Lakeshore, Inc.'s Newaygo County programs. This asset is not included in the financial statements of the United Way of the Lakeshore, Inc. This fund is accounted for by the Fremont Area Community Foundation, and administered by a joint committee of the Foundation and United Way of the Lakeshore, Inc. representatives. At December 31, 2018 and 2017, this fund was valued at approximately \$426,000 and \$488,000, respectively. Total amount of grants awarded from this fund amounted to \$20,000 for 2018. There were no grants awarded from this fund in 2017. The Organization maintains a separate account with the Foundation to allow for direct contributions on the Organization's behalf. While such contributions are earmarked for the Organization, the variance power held by the Foundation precludes their recognition in the accompanying financial statements until the Organization requests distribution of available funds, in accordance with generally accepted accounting principles.

6. DEBT

The Organization has a \$150,000 revolving line of credit with interest payable at the bank's prime rate. The line of credit is collateralized by property and deposit accounts and matures in January 2020. There were no outstanding draws on this line of credit at December 31, 2018 or 2017.

7. RETIREMENT PLAN

The Organization sponsors a defined contribution plan that covers substantially all employees. Employer contributions to the plan for the benefit of employees are based upon a percentage of eligible employee compensation. In addition, voluntary employee contributions to the plan are allowed which are partially matched by employer contributions. Retirement expense for this plan was \$14,640 and \$26,979 for 2018 and 2017, respectively.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

8. UNITED WAY WORLDWIDE

The Organization is a separate and autonomous organization from United Way Worldwide. The Organization incurred dues of \$26,650 and \$26,678 to United Way Worldwide for 2018 and 2017, respectively, in support of services provided to the Organization.

9. LEASES

The Organization's leasing operations consist principally of office space at the Clay Street location to various not-for-profit organizations based on square footage. These leases expire over the next two years.

The following is a summary of annual minimum future lease payments anticipated to be received on leases in excess of one year as of December 31, 2018:

Year	Amount
2019	\$ 47,652
2020	<u>47,652</u>
Total	<u><u>\$ 95,304</u></u>

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31:

	2018	2017
Cash and cash equivalents	\$ 759,153	\$ 779,199
Certificates of deposit	443,805	435,951
Accounts receivable	23,058	9,830
Pledges receivable	1,417,701	1,435,131
Prepaid expenses	5,977	8,012
Beneficial interest in assets held by others	642,383	714,935
Net property and equipment	<u>1,028,472</u>	<u>1,103,455</u>
 Total assets	 <u>4,320,549</u>	 <u>4,486,513</u>
 Less non-financial assets:		
Certificates of deposit maturing after one year	(443,805)	(435,951)
Prepaid expenses	(5,977)	(8,012)
Beneficial interest in assets held by others	(642,383)	(714,935)
Net property and equipment	(1,028,472)	(1,103,455)
Capital campaign pledge receivable in excess of one year	(44,353)	(41,773)
Board designated for building fund	(37,314)	(35,976)
Allocations and designations payable within one year	<u>(219,360)</u>	<u>(226,390)</u>
 Assets not available for current spending	 <u>(2,421,664)</u>	 <u>(2,566,492)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,898,885</u>	 <u>\$ 1,920,021</u>

The Organization has \$1,898,885 and \$1,920,021 as of December 31, 2018 and 2017, respectively, in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. Pledges receivable, which are reported as net assets with donor restrictions, are subject to implied time restrictions but are expected to be collected within one year. The Organization manages its liquidity required to meet its operating needs while also trying to maximize the investment of its available funds. Cash in excess of the Organization's operating needs are invested in certificates of deposit. To help manage unanticipated liquidity needs, the Organization has a line of credit with maximum borrowings of \$150,000, which it could draw upon.



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

May 21, 2019

Board of Directors
United Way of the Lakeshore, Inc.
Muskegon, Michigan

We have audited the financial statements of the *United Way of the Lakeshore, Inc.* as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated May 21, 2019, which expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Rehmann Robson LLC".

SUPPLEMENTARY INFORMATION

UNITED WAY OF THE LAKESHORE, INC.

Schedule of Campaign Results

As of December 31, 2018

PLEDGES RECEIVABLE	2018/2019 Campaign	2017/2018 Campaign	2016/2017 Campaign	2011/2012 Campaign
Total pledges (adjusted for those received subsequent to the campaign)	\$ 1,723,860	\$ 2,359,995	\$ 2,441,492	\$ 3,676,672
Less total collections on pledges through December 31, 2018	<u>441,801</u>	<u>2,023,671</u>	<u>2,298,786</u>	<u>3,367,268</u>
	1,282,059	336,324	142,706	309,404
Charge-offs and adjustments	<u>-</u>	<u>50,054</u>	<u>142,706</u>	<u>265,051</u>
Balance, December 31, 2018	<u>\$ 1,282,059</u>	<u>\$ 286,270</u>	<u>\$ -</u>	<u>\$ 44,353</u>
Balance, January 1, 2018	<u>\$ -</u>	<u>\$ 1,339,914</u>	<u>\$ 283,553</u>	<u>\$ 41,773</u>
Additions				
New pledges	<u>1,723,860</u>	<u>514,459</u>	<u>-</u>	<u>-</u>
Deductions				
Collections	441,801	1,518,049	193,102	-
Charge-offs and adjustments	<u>-</u>	<u>50,054</u>	<u>90,451</u>	<u>(2,580)</u>
	<u>441,801</u>	<u>1,568,103</u>	<u>283,553</u>	<u>(2,580)</u>
Balance, December 31, 2018	<u>\$ 1,282,059</u>	<u>\$ 286,270</u>	<u>\$ -</u>	<u>\$ 44,353</u>

See independent auditors' report on supplementary information.

UNITED WAY OF THE LAKESHORE, INC.

Schedules of Allocations - Budget and Actual

	Year Ended December 31, 2018		
	Allocation	Budget	Allocation Over (Under) Budget
Member agencies			
Access Health	\$ 6,250	\$ 6,250	\$ -
A.L.I.C.E. Grants - Muskegon	37,700	57,700	(20,000)
A.L.I.C.E. Grants - Newaygo	-	-	-
A.L.I.C.E. Grants - Oceana	-	-	-
American Red Cross	118,000	101,000	17,000
Arbor Circle Corp.	15,000	15,000	-
ARC/Muskegon and Oceana	16,284	16,284	-
Assoc. for the Blind & Visually Impaired	3,000	3,000	-
Big Brothers/Big Sisters of the Lakeshore	62,300	62,300	-
Boy Scouts of American/Gerald R. Ford Council	14,075	14,075	-
Catholic Charities	151,918	140,602	11,316
Channel Ministries	9,100	12,106	(3,006)
Child Abuse Council	53,370	53,370	-
Community Access of the Lakeshore	57,036	57,036	-
Community enCompass	59,445	59,445	-
C.O.V.E. - Region Four	11,800	11,800	-
Disability Connections	8,780	8,780	-
Empowerment Network	2,000	2,000	-
Every Woman's Place, Inc.	106,887	106,887	-
Girl Scouts - Michigan Pine & Dunes	9,380	9,380	-
Goodwill Industries	13,208	13,208	-
Goodwill - Oceana	1,125	1,125	-
Goodwill - Newaygo	6,000	6,000	-
Habitat for Humanity	5,303	5,303	-
Health Project	24,605	24,605	-
Legal Aid of Western Michigan	53,595	53,595	-
Love, Inc.	7,500	7,500	-
Michigan College Access Network	4,500	4,500	-
Mission for Area People	14,000	14,000	-
Mediation & Restorative Services	54,666	54,666	-
Mercy Life Counseling	20,515	20,515	-
Muskegon-Oceana Affordable Housing	3,075	3,075	-
Newaygo Commission on Aging	-	-	-
Newaygo Prevention of Child Abuse	4,500	4,500	-

See independent auditors' report on supplementary information.

Year Ended December 31, 2017

Allocation	Budget	Allocation Over (Under) Budget
\$ -	\$ -	\$ -
83,005	81,243	1,762
9,133	13,621	(4,488)
9,375	18,478	(9,103)
134,000	134,000	-
4,000	4,000	-
16,284	16,284	-
3,000	3,000	-
60,750	60,750	-
12,150	12,150	-
152,318	152,318	-
13,000	13,000	-
53,370	53,370	-
57,036	57,036	-
41,390	41,390	-
14,000	14,000	-
3,500	3,500	-
2,000	2,000	-
73,259	73,259	-
9,500	9,500	-
11,416	11,416	-
1,250	1,250	-
4,000	4,000	-
10,605	10,605	-
24,605	24,605	-
46,589	46,589	-
-	-	-
5,000	5,000	-
-	-	-
55,066	55,066	-
46,125	46,125	-
-	-	-
1,000	1,000	-
20,248	20,248	-

continued...

UNITED WAY OF THE LAKESHORE, INC.

Schedules of Allocations - Budget and Actual

	Year Ended December 31, 2018		
	Allocation	Budget	Allocation Over (Under) Budget
Member agencies - continued			
Oceana Dolly Library	\$ 4,000	\$ -	\$ 4,000
Oceana Hispanic Center	4,290	4,290	-
Read Muskegon	10,000	10,000	-
Salvation Army	26,748	26,748	-
True North Community Services	5,000	5,000	-
Volunteer Muskegon	12,923	12,923	-
Total member agency allocations	1,017,878	1,008,568	9,310
Other			
Boys and Girls Club	12,500	12,500	-
Day of Caring	13,943	10,000	3,943
Oceana-Newaygo 211	16,000	16,000	-
Lights on After School	64,000	64,000	-
Hope Network	41,049	41,049	-
Emergency Needs Fund Grants	15,595	10,000	5,595
Response Grants	8,609	10,000	(1,391)
Summer Youth Program	170,000	225,000	(55,000)
Ride United	8,790	8,000	790
Dolly Parton Library	99,650	64,000	35,650
Total other allocations	450,136	460,549	(10,413)
Total allocations	\$ 1,468,014	\$ 1,469,117	\$ (1,103)

See independent auditors' report on supplementary information.

Year Ended December 31, 2017

Allocation	Budget	Allocation Over (Under) Budget
\$ -	\$ -	\$ -
-	-	-
-	-	-
23,496	23,496	-
1,750	1,750	-
12,923	12,923	-
<u>1,015,143</u>	<u>1,026,972</u>	<u>(11,829)</u>
-	-	-
10,908	4,500	6,408
18,000	17,000	1,000
64,000	80,000	(16,000)
41,574	41,574	-
8,742	7,500	1,242
20,856	11,350	9,506
171,054	180,000	(8,946)
11,100	8,000	3,100
86,262	25,000	61,262
<u>432,496</u>	<u>374,924</u>	<u>57,572</u>
<u>\$ 1,447,639</u>	<u>\$ 1,401,896</u>	<u>\$ 45,743</u>

concluded

UNITED WAY OF THE LAKESHORE, INC.

Schedules of Program and Support Services - Budget and Actual

	Year Ended December 31, 2018		
	Allocation	Budget	Allocation Over (Under) Budget
Program and support services			
Salaries	\$ 532,737	\$ 515,781	\$ 16,956
Employee benefits	72,862	99,180	(26,318)
Payroll taxes	44,529	44,980	(451)
Contract services	66,393	39,510	26,883
Legal and audit	10,900	11,400	(500)
Office supplies	17,018	17,000	18
Telephone	6,303	7,200	(897)
Postage	8,013	9,000	(987)
Occupancy costs	60,121	96,110	(35,989)
Building and equipment maintenance	28,040	24,300	3,740
Printing	8,360	8,150	210
Dues and subscriptions	14,608	14,756	(148)
Automobile	4,801	4,800	1
Hotels, meals and transportation	19,897	14,372	5,525
Awards	1,395	1,500	(105)
Meeting supplies	37,684	26,743	10,941
Computer costs	8,038	9,120	(1,082)
Bonding insurance	2,633	2,700	(67)
Campaign supplies	2,945	6,500	(3,555)
Staff development	3,278	4,845	(1,567)
Training	2,827	3,800	(973)
Branding strategy	9,710	14,250	(4,540)
Depreciation	74,983	75,284	(301)
Miscellaneous	30,316	21,138	9,178
Total expenses before United Way Worldwide dues	1,068,391	1,072,419	(4,028)
United Way Worldwide dues	26,650	27,900	(1,250)
Total expenses	\$ 1,095,041	\$ 1,100,319	\$ (5,278)

See independent auditors' report on supplementary information.

Year Ended December 31, 2017

Allocation	Budget	Allocation Over (Under) Budget
\$ 570,797	\$ 500,754	\$ 70,043
106,070	83,743	22,327
47,351	46,751	600
36,435	43,610	(7,175)
10,650	11,150	(500)
22,337	17,000	5,337
7,486	9,211	(1,725)
7,563	9,000	(1,437)
46,611	90,800	(44,189)
20,544	18,816	1,728
10,615	7,550	3,065
14,431	14,817	(386)
4,800	4,800	-
15,810	17,100	(1,290)
5,959	1,750	4,209
26,806	21,492	5,314
14,428	11,930	2,498
2,608	2,700	(92)
8,843	6,150	2,693
2,286	5,100	(2,814)
8,598	3,000	5,598
8,014	11,100	(3,086)
74,616	73,748	868
33,518	21,839	11,679
<u>1,107,176</u>	<u>1,033,911</u>	<u>73,265</u>
<u>26,678</u>	<u>28,377</u>	<u>(1,699)</u>
<u>\$ 1,133,854</u>	<u>\$ 1,062,288</u>	<u>\$ 71,566</u>