

United Way
of the
Lakeshore,
Inc.

United Way
of the Lakeshore



Years Ended
December 31,
2017 and 2016

Financial
Statements
and
Supplementary
Information

UNITED WAY OF THE LAKESHORE, INC.

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INDEPENDENT AUDITORS' REPORT

April 23, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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.



UNITED WAY OF THE LAKESHORE, INC.

Statements of Financial Position

	December 31	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 779,199	\$ 697,518
Certificates of deposit	435,951	428,171
Accounts receivable	9,830	6,445
Pledges receivable, net of allowance for uncollectible pledges of \$230,109 (\$250,187 for 2016)	1,435,131	1,463,629
Prepaid expenses	8,012	8,028
Beneficial interest in assets held by others	714,935	620,110
Net property and equipment	1,103,455	1,147,061
Total assets	\$ 4,486,513	\$ 4,370,962
LIABILITIES AND NET ASSETS		
Liabilities		
Allocations and designations payable	\$ 226,390	\$ 235,495
Accounts payable	6,030	8,810
Total liabilities	232,420	244,305
Net assets		
Unrestricted		
Designated for property and equipment	1,103,455	1,147,061
Designated for beneficial interest in assets held by others	714,935	620,110
Designated for building fund	35,976	137,037
Undesignated	809,709	562,903
Total unrestricted	2,664,075	2,467,111
Temporarily restricted	1,590,018	1,659,546
Total net assets	4,254,093	4,126,657
Total liabilities and net assets	\$ 4,486,513	\$ 4,370,962

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

UNITED WAY OF THE LAKESHORE, INC.

Statements of Activities

	Year Ended December 31, 2017		
	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Gross campaign results (2015/2016)	\$ 39,212	\$ -	\$ 39,212
Gross campaign results (2016/2017)	207,920	-	207,920
Prior year gross campaign results released from restrictions	1,977,232	(1,977,232)	-
Total campaign results (2015-2017)	2,224,364	(1,977,232)	247,132
Less: donor designations	(269,407)	269,407	-
Less: provision for uncollectible pledges	(138,282)	114,661	(23,621)
Net prior years' campaign revenue	1,816,675	(1,593,164)	223,511
Current year gross campaign results	-	1,866,796	1,866,796
Current year gross capital campaign results	-	-	-
Less: donor designations	-	(253,229)	(253,229)
Less: provision for uncollectible pledges	-	(91,527)	(91,527)
Net current year campaign revenue	-	1,522,040	1,522,040
Total public support	1,816,675	(71,124)	1,745,551
Designations from other United Ways	114,692	27,804	142,496
Service fees	6,785	-	6,785
Other grant revenue	320,146	62,380	382,526
Investment income	110,902	-	110,902
Rental income	56,082	-	56,082
Other	264,587	-	264,587
Net assets released from restrictions	88,588	(88,588)	-
Total public support and revenue	2,778,457	(69,528)	2,708,929
Expenses			
Program services			
Funds awarded	1,447,639	-	1,447,639
Other program services	555,590	-	555,590
Total program services	2,003,229	-	2,003,229
Support services	551,586	-	551,586
United Way Worldwide dues	26,678	-	26,678
Total expenses	2,581,493	-	2,581,493
Change in net assets	196,964	(69,528)	127,436
Net assets, beginning of year	2,467,111	1,659,546	4,126,657
Net assets, end of year	\$ 2,664,075	\$ 1,590,018	\$ 4,254,093

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



Year Ended December 31, 2016		
Unrestricted	Temporarily Restricted	Total
\$ 46,316	\$ -	\$ 46,316
282,552	-	282,552
1,954,750	(1,954,750)	-
<u>2,283,618</u>	<u>(1,954,750)</u>	<u>328,868</u>
(354,935)	354,935	-
(133,624)	113,866	(19,758)
<u>1,795,059</u>	<u>(1,485,949)</u>	<u>309,110</u>
-	1,977,232	1,977,232
-	19,888	19,888
-	(269,407)	(269,407)
-	(114,661)	(114,661)
<u>-</u>	<u>1,613,052</u>	<u>1,613,052</u>
1,795,059	127,103	1,922,162
102,913	4,700	107,613
9,055	-	9,055
244,427	66,575	311,002
57,003	-	57,003
54,465	-	54,465
170,303	-	170,303
96,705	(96,705)	-
<u>2,529,930</u>	<u>101,673</u>	<u>2,631,603</u>
1,419,646	-	1,419,646
557,525	-	557,525
<u>1,977,171</u>	<u>-</u>	<u>1,977,171</u>
516,506	-	516,506
28,937	-	28,937
<u>2,522,614</u>	<u>-</u>	<u>2,522,614</u>
7,316	101,673	108,989
<u>2,459,795</u>	<u>1,557,873</u>	<u>4,017,668</u>
<u>\$ 2,467,111</u>	<u>\$ 1,659,546</u>	<u>\$ 4,126,657</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	6,398	14,767	74,616
8,226	3,381	11,607	33,518
322,138	229,448	551,586	2,554,815
9,637	7,366	17,003	26,678
\$ 331,775	\$ 236,814	\$ 568,589	\$ 2,581,493

UNITED WAY OF THE LAKESHORE, INC

Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services					Total Program Services
	Agency Investments	Information and Referral	Community Impact	Promoting Volunteerism	Human Service Center	
Allocations/awards	\$ 1,419,646	\$ -	\$ -	\$ -	\$ -	\$ 1,419,646
Salaries	25,571	3,331	109,321	146,148	4,220	288,591
Employee benefits	4,340	565	18,555	24,125	1,183	48,768
Payroll taxes	2,380	310	10,174	8,251	-	21,115
Total salaries and related expenses	32,291	4,206	138,050	178,524	5,403	358,474
Contract services	183	24	782	3,131	-	4,120
Legal and audit	-	-	-	-	-	-
Office supplies	956	125	4,086	2,003	-	7,170
Telephone	412	54	1,763	1,268	2,027	5,524
Postage	430	56	1,838	756	-	3,080
Occupancy costs	2,295	299	9,809	6,560	-	18,963
Building and equipment maintenance	378	49	1,616	665	10,054	12,762
Printing	407	53	1,739	715	-	2,914
Dues and subscriptions	1,896	247	8,105	4,084	-	14,332
Automobile	266	35	1,138	468	-	1,907
Hotels, meals and transportation	887	116	3,791	6,164	-	10,958
Awards	-	-	-	989	-	989
Meeting supplies	1,196	156	5,114	16,869	-	23,335
Computer costs	573	75	2,451	3,776	-	6,875
Bonding insurance	149	19	637	262	-	1,067
Campaign supplies	-	-	-	-	-	-
Staff development	175	23	747	307	-	1,252
Training	152	20	648	2,850	-	3,670
Branding strategy	823	107	3,516	1,446	-	5,892
Depreciation	1,272	166	5,439	2,237	50,446	59,560
Miscellaneous	569	74	2,432	4,915	6,691	14,681
Total expenses before United Way Worldwide dues	1,464,956	5,904	193,701	237,989	74,621	1,977,171
United Way Worldwide dues	1,604	209	6,859	2,822	-	11,494
Total expenses	\$ 1,466,560	\$ 6,113	\$ 200,560	\$ 240,811	\$ 74,621	\$ 1,988,665

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

Support Services			
Fund Raising	Management and General	Total Support Services	Total
\$ -	\$ -	\$ -	\$ 1,419,646
152,746	125,246	277,992	566,583
25,924	21,257	47,181	95,949
14,216	11,656	25,872	46,987
192,886	158,159	351,045	709,519
16,248	5,537	21,785	25,905
-	10,400	10,400	10,400
5,709	4,681	10,390	17,560
2,463	2,020	4,483	10,007
2,569	2,106	4,675	7,755
13,706	11,239	24,945	43,908
2,257	1,851	4,108	16,870
2,430	1,992	4,422	7,336
1,062	871	1,933	16,265
1,590	1,303	2,893	4,800
5,297	4,343	9,640	20,598
1,753	-	1,753	2,742
7,145	5,859	13,004	36,339
3,425	2,808	6,233	13,108
890	729	1,619	2,686
7,029	-	7,029	7,029
1,044	856	1,900	3,152
906	743	1,649	5,319
4,913	4,029	8,942	14,834
7,599	6,232	13,830	73,390
7,042	2,785	9,828	24,509
287,963	228,543	516,506	2,493,677
9,584	7,859	17,443	28,937
\$ 297,547	\$ 236,402	\$ 533,949	\$ 2,522,614

UNITED WAY OF THE LAKESHORE, INC.

Statements of Cash Flows

	Year Ended December 31	
	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 127,436	\$ 108,989
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	74,616	73,390
Allowance for uncollectible pledges	(20,078)	(56,285)
Change in value of beneficial interest in assets held by others	(94,825)	(42,080)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(3,385)	33
Pledges receivable	48,576	78,006
Prepaid expenses	16	(206)
Allocations and designations payable	(9,105)	(74,250)
Accounts payable	(2,780)	(26,720)
Net cash provided by operating activities	<u>120,471</u>	<u>60,877</u>
Cash flows from investing activities		
Purchases of property and equipment	(31,010)	(27,741)
Purchases of certificates of deposit	(7,780)	(4,225)
Net cash used in investing activities	<u>(38,790)</u>	<u>(31,966)</u>
Net increase in cash and cash equivalents	81,681	28,911
Cash and cash equivalents, beginning of year	<u>697,518</u>	<u>668,607</u>
Cash and cash equivalents, end of year	<u>\$ 779,199</u>	<u>\$ 697,518</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

The Organization has classified information regarding its financial position and activities according to three classes of net assets depending on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Temporarily restricted assets consist primarily of the current year campaign pledges and collections that are restricted until the year of allocation to agencies.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2017 or 2016.

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 market 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 temporarily restricted 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 unrestricted use 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 unrestricted net asset 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 quoted or estimated fair values 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 annually reviews these assets to determine whether carrying values have been impaired. 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, 2017 to June 30, 2018 in 2017 and covering July 1, 2016 to June 30, 2017 in 2016. Designations payable represent unpaid designations as of December 31, 2017 and 2016, 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.

Functional Allocation of Expenses

The costs of providing program and supporting services have been reported on a functional basis in the statements of activities. Indirect costs have been allocated between the various programs and supporting services based on estimates, as determined by management. Although management of the Organization believes that the methods of allocation used are considered reasonable, other methods could be used that would produce different results.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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 fiscal years 2014 through 2017, the years which remain subject to examination as of December 31, 2017. 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, 2017 or 2016, and is not aware of any claims for such amounts by federal or state income tax authorities.

Upcoming Accounting Pronouncement

In August 2016, The Financial Accounting Standards Board issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which will be effective for the Organization’s annual financial statements for the year ending December 31, 2018. This ASU (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (4) requires the presentation of investment return net of external and direct internal investment expenses. Management has evaluated the provisions of ASU 2016-14 and has determined that the presentation of the financial statements will need to be modified as required by the ASU. Additionally, investment expenses will be netted against investment return in the statements of activities.

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, 2017, the most recent statement of financial position presented herein, through April 23, 2018, the date these financial statements were available to be issued. No significant such events or transactions were identified.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

2. PLEDGES RECEIVABLE

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

	2017	2016
Current year campaign	\$ 1,339,914	\$ 1,369,739
Less allowance for uncollectible pledges	<u>91,527</u>	<u>114,961</u>
Net current year campaign	<u>1,248,387</u>	<u>1,254,778</u>
1 st prior year campaign	283,553	302,304
Less allowance for uncollectible pledges	<u>138,582</u>	<u>135,226</u>
Net 1 st prior year campaign	<u>144,971</u>	<u>167,078</u>
Capital campaign	<u>41,773</u>	<u>41,773</u>
Total pledges receivable, net of allowance for uncollectible pledges	<u>\$ 1,435,131</u>	<u>\$ 1,463,629</u>

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 2017 and 2016, the percentage applied to the gross campaign results for uncollectible pledges was 6% for each year.

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, 2017 and 2016 was 3%.

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, 2017 and 2016, these funds were valued at \$714,935 and \$620,110, respectively. Annual revaluation occurs based on changes to the market value and fees charged, and this revaluation is treated as an increase or decrease to unrestricted net assets in the statement of activities.

The United Way of the Lakeshore, Inc. is to receive the earnings from these funds on an annual basis. In addition, the principal may be requested to further the mission of the Organization.

The United Way of the Lakeshore, Inc. has granted the Community Foundation for Muskegon County variance power in accordance with the by-laws of the Foundation. In order for the Foundation to exercise variance power, a three-fourths affirmative vote of the Foundation Board is required after the Board has determined that the restrictions placed on the funds are unnecessary.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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.

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:

	2017	2016
Beneficial interest in assets held by others		
Beginning of year	\$ 620,110	\$ 578,030
Contributions	500	700
Administrative expenses	(3,281)	(2,994)
Net investment gain	97,606	44,374
End of year	<u>\$ 714,935</u>	<u>\$ 620,110</u>

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

4. PROPERTY AND EQUIPMENT

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

	2017	2016
Land - Clay Avenue properties	\$ 90,000	\$ 90,000
Land improvements - Clay Avenue properties	63,833	63,833
Buildings - Clay Avenue properties	1,148,096	1,117,086
Office furniture and equipment	397,967	397,967
Total	1,699,896	1,668,886
Less accumulated depreciation	596,441	521,825
Net property and equipment	<u>\$ 1,103,455</u>	<u>\$ 1,147,061</u>

Depreciation expense for 2017 and 2016 was \$74,616 and \$73,390, respectively.

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, 2017 and 2016, these funds were valued at approximately \$660,000 and \$592,000, respectively. Total amount of grants awarded from these funds amounted to \$22,550 and \$21,800 for 2017 and 2016, respectively. In addition, 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 the 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. 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, 2017 and 2016, this fund was valued at approximately \$488,000 and \$421,000, respectively. There were no distributions from this fund in 2017 and 2016. In addition, 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 the funds, in accordance with generally accepted accounting principles.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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 2019. There were no outstanding draws on this line of credit at December 31, 2017 or 2016.

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 \$26,979 and \$22,868 for 2017 and 2016, respectively.

8. UNITED WAY WORLDWIDE

The Organization is a separate and autonomous organization from United Way Worldwide. The Organization incurred dues of \$26,678 and \$28,937 to United Way Worldwide for 2017 and 2016, 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 three 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, 2017:

Year	Amount
2018	\$ 45,486
2019	47,008
2020	47,008
Total	<u>\$ 139,502</u>



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

April 23, 2018

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, 2017 and 2016, and have issued our report thereon dated April 23, 2018, 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". The signature is written in a cursive, flowing style.

SUPPLEMENTARY INFORMATION

UNITED WAY OF THE LAKESHORE, INC.

Schedule of Campaign Results

As of December 31, 2017

PLEDGES RECEIVABLE	2017/2018 Campaign	2016/2017 Campaign	2015/2016 Campaign	2011/2012 Campaign
Total pledges (adjusted for those received subsequent to the campaign)	\$ 1,845,536	\$ 2,441,492	\$ 2,441,300	\$ 3,676,672
Less total collections on pledges through December 31, 2017	<u>505,622</u>	<u>2,105,685</u>	<u>2,290,788</u>	<u>3,367,268</u>
	1,339,914	335,807	150,512	309,404
Charge-offs and adjustments	<u>-</u>	<u>52,254</u>	<u>150,512</u>	<u>259,404</u>
Balance, December 31, 2017	<u>\$ 1,339,914</u>	<u>\$ 283,553</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Balance, January 1, 2017	<u>\$ -</u>	<u>\$ 1,369,739</u>	<u>\$ 302,304</u>	<u>\$ 50,000</u>
Additions				
New pledges	<u>1,845,536</u>	<u>517,977</u>	<u>-</u>	<u>-</u>
Deductions				
Collections	505,622	1,551,909	216,087	-
Charge-offs and adjustments	<u>-</u>	<u>52,254</u>	<u>86,217</u>	<u>-</u>
	<u>505,622</u>	<u>1,604,163</u>	<u>302,304</u>	<u>-</u>
Balance, December 31, 2017	<u>\$ 1,339,914</u>	<u>\$ 283,553</u>	<u>\$ -</u>	<u>\$ 50,000</u>

See independent auditors' report on supplementary information.

UNITED WAY OF THE LAKESHORE, INC.

Schedules of Allocations - Budget and Actual

	Year Ended December 31, 2017		
	Allocation	Budget	Allocation Over (Under) Budget
Member agencies			
A.L.I.C.E. Grants - Muskegon	\$ 83,005	\$ 81,243	\$ 1,762
A.L.I.C.E. Grants - Newaygo	9,133	13,621	(4,488)
A.L.I.C.E. Grants - Oceana	9,375	18,478	(9,103)
American Red Cross	134,000	134,000	-
Arbor Circle Corp.	4,000	4,000	-
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	60,750	60,750	-
Boy Scouts of American/Gerald R. Ford Council	12,150	12,150	-
Catholic Charities	152,318	152,318	-
Channel Ministries	13,000	13,000	-
Child Abuse Council	53,370	53,370	-
Community Access of the Lakeshore	57,036	57,036	-
Community enCompass	41,390	41,390	-
C.O.V.E. - Region Four	14,000	14,000	-
Disability Connections	3,500	3,500	-
Empowerment Network	2,000	2,000	-
Every Woman's Place, Inc.	73,259	73,259	-
Fremont Community Foundation	-	-	-
Girl Scouts - Michigan Pine & Dunes	9,500	9,500	-
Goodwill Industries	11,416	11,416	-
Goodwill - Oceana	1,250	1,250	-
Goodwill - Newaygo	4,000	4,000	-
Habitat for Humanity	10,605	10,605	-
Harbor Hospice	-	-	-
Health Project	24,605	24,605	-
Legal Aid of Western Michigan	46,589	46,589	-
Michigan College Access Network	5,000	5,000	-
Mediation & Restorative Services	55,066	55,066	-
Mercy Life Counseling	46,125	46,125	-
Newaygo Commission on Aging	1,000	1,000	-
Newaygo Prevention of Child Abuse	20,248	20,248	-

See independent auditors' report on supplementary information.



Year Ended December 31, 2016

Allocation	Budget	Allocation Over (Under) Budget
\$ 31,500	\$ 40,510	\$ (9,010)
-	-	-
5,375	9,912	(4,537)
189,565	189,566	(1)
4,000	4,000	-
15,974	15,974	-
6,250	6,250	-
60,120	60,120	-
16,981	16,981	-
156,340	156,340	-
12,500	12,500	-
55,826	55,826	-
57,036	57,036	-
39,670	41,390	(1,720)
13,992	13,992	-
3,624	3,624	-
2,000	2,000	-
96,204	96,205	(1)
6,600	6,600	-
13,400	13,400	-
9,458	9,458	-
1,500	1,500	-
4,000	4,000	-
10,198	10,198	-
500	500	-
28,946	28,946	-
46,589	46,589	-
2,500	2,500	-
55,266	55,266	-
59,875	59,875	-
1,000	1,000	-
3,500	3,500	-

continued...

UNITED WAY OF THE LAKESHORE, INC.

Schedules of Allocations - Budget and Actual

	Year Ended December 31, 2017		
	Allocation	Budget	Allocation Over (Under) Budget
Member agencies - continued			
Oceana Council on Aging	\$ -	\$ -	\$ -
Salvation Army	23,496	23,496	-
True North Community Services	1,750	1,750	-
The Farm	-	-	-
Volunteer Muskegon	12,923	12,923	-
White Cloud Community Library	-	-	-
Total member agency allocations	1,015,143	1,026,972	(11,829)
Other			
Day of Caring	10,908	4,500	6,408
Oceana-Newaygo 211	18,000	17,000	1,000
Lights on After School	64,000	80,000	(16,000)
Hope Network	41,574	41,574	-
Emergency Needs Fund Grants	8,742	7,500	1,242
Response Grants	20,856	11,350	9,506
Summer Youth Program	171,054	180,000	(8,946)
Ride United	11,100	8,000	3,100
Dolly Parton Library	86,262	25,000	61,262
Harley Motorcycle	-	-	-
Other Non-Member Agencies	-	-	-
Total other allocations	432,496	374,924	57,572
Total allocations	\$ 1,447,639	\$ 1,401,896	\$ 45,743

See independent auditors' report on supplementary information.

Year Ended December 31, 2016

Allocation	Budget	Allocation Over (Under) Budget
\$ 1,250	\$ 1,250	\$ -
23,496	23,496	-
3,500	3,500	-
5,000	5,000	-
12,923	12,923	-
600	600	-
<u>1,057,058</u>	<u>1,072,327</u>	<u>(15,269)</u>
4,450	5,000	(550)
20,000	20,000	-
64,152	85,500	(21,348)
-	-	-
9,061	11,368	(2,307)
90,236	50,000	40,236
131,094	90,000	41,094
7,679	6,000	1,679
16,666	-	16,666
19,250	19,000	250
-	5,000	(5,000)
<u>362,588</u>	<u>291,868</u>	<u>70,720</u>
<u>\$ 1,419,646</u>	<u>\$ 1,364,195</u>	<u>\$ 55,451</u>

concluded

UNITED WAY OF THE LAKESHORE, INC.

Schedules of Program and Support Services - Budget and Actual

	Year Ended December 31, 2017		
	Allocation	Budget	Allocation Over (Under) Budget
Program and support services			
Salaries	\$ 570,797	\$ 500,754	\$ 70,043
Employee benefits	106,070	83,743	22,327
Payroll taxes	47,351	46,751	600
Contract services	36,435	43,610	(7,175)
Legal and audit	10,650	11,150	(500)
Office supplies	22,337	17,000	5,337
Telephone	7,486	9,211	(1,725)
Postage	7,563	9,000	(1,437)
Occupancy costs	46,611	90,800	(44,189)
Building and equipment maintenance	20,544	18,816	1,728
Printing	10,615	7,550	3,065
Dues and subscriptions	14,431	14,817	(386)
Automobile	4,800	4,800	-
Hotels, meals and transportation	15,810	17,100	(1,290)
Awards	5,959	1,750	4,209
Meeting supplies	26,806	21,492	5,314
Computer costs	14,428	11,930	2,498
Bonding insurance	2,608	2,700	(92)
Campaign supplies	8,843	6,150	2,693
Staff development	2,286	5,100	(2,814)
Training	8,598	3,000	5,598
Branding strategy	8,014	11,100	(3,086)
Depreciation	74,616	73,748	868
Miscellaneous	33,518	21,839	11,679
Total expenses before United Way Worldwide dues	1,107,176	1,033,911	73,265
United Way Worldwide dues	26,678	28,377	(1,699)
Total expenses	<u>\$ 1,133,854</u>	<u>\$ 1,062,288</u>	<u>\$ 71,566</u>

See independent auditors' report on supplementary information.

Year Ended December 31, 2016

Allocation	Budget	Allocation Over (Under) Budget
\$ 566,583	\$ 507,309	\$ 59,274
95,949	82,570	13,379
46,987	46,418	569
25,905	33,340	(7,435)
10,400	10,900	(500)
17,560	15,000	2,560
10,007	11,160	(1,153)
7,755	9,000	(1,245)
43,908	91,040	(47,132)
16,870	16,816	54
7,336	6,075	1,261
16,265	15,252	1,013
4,800	4,800	-
20,598	17,100	3,498
2,742	1,300	1,442
36,339	19,388	16,951
13,108	7,045	6,063
2,686	2,700	(14)
7,029	7,500	(471)
3,152	6,845	(3,693)
5,319	1,000	4,319
14,834	16,590	(1,756)
73,390	74,859	(1,469)
24,509	16,687	7,822
<u>1,074,031</u>	<u>1,020,694</u>	<u>53,337</u>
<u>28,937</u>	<u>27,051</u>	<u>1,886</u>
<u>\$ 1,102,968</u>	<u>\$ 1,047,745</u>	<u>\$ 55,223</u>