

**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.  
RED WING, MINNESOTA**

**FINANCIAL STATEMENTS  
MARCH 31, 2018**



**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**United Way of Goodhue, Wabasha & Pierce Counties, Inc.**  
Red Wing, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the United Way of Goodhue, Wabasha & Pierce Counties, Inc. (a nonprofit organization) which comprise the statement of financial position as of March 31, 2018, and the related statements of activity and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 principles 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 Goodhue, Wabasha & Pierce Counties, Inc. as of March 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the United Way of Goodhue, Wabasha & Pierce Counties, Inc.'s 2017 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Smith, Schepf and Associates, Ltd.*

Red Wing, Minnesota  
September 19, 2018

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UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.

STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2018 AND 2017

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 220,970	\$ 258,487
Pledges receivable, less allowance for doubtful accounts (2018 - \$69,527; 2017 - \$91,260) (Note 2)	198,781	238,719
Prepaid expenses	4,945	2,899
Total Current Assets	<u>424,696</u>	<u>500,105</u>
<b>Property and Equipment</b>		
Office and computer equipment	29,238	29,238
Less: Accumulated depreciation	26,509	25,956
Property and Equipment, Net	<u>2,729</u>	<u>3,282</u>
<b>Other Assets</b>		
Restricted cash		4,739
Funds held at Community Foundation (Note 3)	109,642	104,305
Total Other Assets	<u>109,642</u>	<u>109,044</u>
<b>TOTAL ASSETS</b>	<u>\$ 537,067</u>	<u>\$ 612,431</u>

See Notes to Financial Statements



**LIABILITIES AND NET ASSETS****2018****2017****Current Liabilities**

Accounts payable and accrued liabilities	\$ 15,894	\$ 21,125
Commitments to charitable agencies	234,120	236,950
Donor designations payable	21,058	19,980
	<hr/>	<hr/>
Total Current Liabilities	271,072	278,055

**Net Assets**

Unrestricted:		
Undesignated:		
General	187,103	255,343
Invested in property and equipment,	2,729	3,282
Board designated for operating reserve	76,163	71,012
	<hr/>	<hr/>
Total Unrestricted	265,995	329,637
Temporarily restricted (Note 4)		4,739
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Total Net Assets	265,995	334,376

**TOTAL LIABILITIES AND NET ASSETS****\$ 537,067 \$ 612,431**

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**STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2018  
(With Comparative Totals for the Year Ended March 31, 2017)**

	2018			2017 Totals
	Unrestricted	Temporarily Restricted	Totals	
<b>Public Support and Revenue</b>				
Gross campaign	\$ 477,233	\$	\$ 477,233	\$ 558,870
Prior campaign	10,539		10,539	9,277
Less: Donor designations	(10,715)		(10,715)	(13,983)
Campaign contributions	477,057		477,057	554,164
Less: Estimated uncollectible pledges	(35,079)		(35,079)	(42,127)
Net campaign contributions	441,978		441,978	512,037
Program income:				
Contributions - Imagination Library	2,629		2,629	1,394
Contributions - Packing for the Weekend	16,271		16,271	20,131
Administrative fees on designated amounts	3,491		3,491	3,301
Uncollected pledges adjustment	13,600		13,600	(1,340)
Interest and dividend income	1,921		1,921	1,628
Unrealized gain/(loss)	9,197		9,197	11,005
Miscellaneous Revenue	323		323	208
Administrative and investment fees	(1,385)		(1,385)	(1,311)
Total	488,025		488,025	547,053
<b>Net Assets Released from Restrictions</b>	4,739	(4,739)		
Total Support and Revenues	492,764	(4,739)	488,025	547,053
<b>Expenses</b>				
Program Services				
Gross funds awarded/distributed	244,835		244,835	250,933
Less: Donor designations	(10,715)		(10,715)	(13,983)
Distributions to community programs, net	234,120		234,120	236,950
Other program service expenses	226,319		226,319	241,985
StepsUp Project				83
Support Services				
Management and general expense	39,319		39,319	48,554
Fundraising expense	51,005		51,005	55,937
United Way dues	5,643		5,643	6,196
Total expenses	556,406		556,406	589,705
Increase (Decrease) in Net Assets	(63,642)	(4,739)	(68,381)	(42,652)
<b>Net Assets - April 1</b>	329,637	4,739	334,376	377,028
<b>Net Assets - March 31</b>	\$ 265,995	\$	\$ 265,995	\$ 334,376

**See Notes to Financial Statements**

**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended March 31, 2018**

**(With Comparative Totals for the Year Ended March 31, 2017)**

	Program Services	Management and General	Fundraising
Gross funds awarded/distributed	\$ 244,835	\$	\$
Less: Donor designations	(10,715)		
Community distributions, net	<u>234,120</u>		
Salaries	106,422	15,008	15,009
Employee benefits	4,070	574	574
Payroll taxes	<u>8,160</u>	<u>1,151</u>	<u>1,151</u>
Total salaries and related expenses	<u>118,652</u>	<u>16,733</u>	<u>16,734</u>
Grants paid	11,780		
Internal programs - other	7,003		
Program development			
Accounting and auditing		16,935	
Books and supplies - Imagination Library	29,152		
Campaign expenses			20,086
Education	2,103	297	296
Bank charges, credit card fees		1,625	
Insurance and bonds	2,779	392	392
Office supplies	1,435	202	203
Technology	10,629	1,499	1,499
Postage	1,755	225	270
Special event expenses			10,116
Occupancy	6,827	963	963
Membership and dues	835	118	117
Telephone	1,493	211	210
Volunteer and board expense	356	50	50
Miscellaneous expenses	59	8	8
Food	31,030		
Depreciation	<u>431</u>	<u>61</u>	<u>61</u>
Sub-Total	<u>107,667</u>	<u>22,586</u>	<u>34,271</u>
United Way Worldwide dues			
<b>TOTAL EXPENSES</b>	<u>\$ 460,439</u>	<u>\$ 39,319</u>	<u>\$ 51,005</u>

**See Notes to Financial Statements**

United Way		2018	2017
Worldwide		Total	Total
Dues			
\$	\$	244,835	\$ 250,933
		(10,715)	(13,983)
		234,120	236,950
		136,439	\$ 135,905
		5,218	5,414
		10,462	10,077
		152,119	151,396
		11,780	20,207
		7,003	
			1,450
		16,935	24,215
		29,152	28,821
		20,086	25,134
		2,696	2,943
		1,625	1,402
		3,563	3,362
		1,840	1,509
		13,627	18,656
		2,250	956
		10,116	13,538
		8,753	8,100
		1,070	1,370
		1,914	1,827
		456	424
		75	615
		31,030	39,961
		553	673
		164,524	195,163
		5,643	6,196
\$	\$	556,406	\$ 589,705

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**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017**

	2018	2017
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (68,381)	\$ (42,652)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation	553	673
Allowance for doubtful accounts	(21,733)	(3,175)
Beneficial interest in assets held by others	(5,337)	(7,126)
Decrease (increase) in operating assets		
Pledges receivable	61,671	4,261
Prepaid expenses	(2,046)	(127)
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	(5,231)	(5,685)
Commitments to agencies	(2,830)	950
Donor designation payables	1,078	(1,607)
Net Cash Provided By (Used In) Operating Activities	<u>(42,256)</u>	<u>(54,488)</u>
<b>Change in Cash and Cash Equivalents</b>	<b>(42,256)</b>	<b>(54,488)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>263,226</b>	<b>317,714</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 220,970</b>	<b>\$ 263,226</b>
<b>Summary of Cash and Cash Equivalents on Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 220,970	\$ 258,487
Restricted cash		4,739
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 220,970</b>	<b>\$ 263,226</b>
<b>Supplemental Disclosure of Non-cash Transactions</b>		
Contributed supplies and services received	\$ 22,797	\$ 26,330

**See Notes to Financial Statements**

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# UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of Activities and Summary of Significant Accounting Policies

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#### Nature of Activities

The United Way of Goodhue, Wabasha & Pierce Counties (the "Organization") is a Minnesota non-profit corporation. The mission of this Organization is to improve lives by mobilizing the caring power of our communities. The vision is to build stronger Goodhue, Wabasha and Pierce counties by mobilizing our communities to improve people's lives. The Organization conducts an annual fund raising campaign during the months of September through November. The Organization obtains pledges which are to be paid in full by December 31 of the following year. The Organization distributes the funds collected to various agencies on a quarterly basis during the following year payable on April 1, July 1, October 1, and January 1. The Organization budgets on an annual basis for the campaign and administrative costs.

#### Cash and Cash Equivalents

The Organization considers all demand deposits and investments with an original maturity of three months or less to be cash equivalents.

#### Pledges Receivable

Contributions are recognized when the donor makes a pledge to give to the organization, that is, in substance, unconditional. All pledges receivable are due within one campaign collection cycle. Pledges are recorded as receivables and allowances are provided for amounts estimated to be uncollectible. The provision for uncollectible pledges is computed based upon historical averages, adjusted by management's estimate of current economic factors, applied to the gross campaign receivable remaining at the end of each fiscal year. The pledges receivable are from individuals or companies located in Goodhue, Wabasha and Pierce Counties.

#### Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment consists of office equipment owned by the Organization. These assets are stated at cost, or estimated historical cost if the actual cost was unavailable. Fixed assets are being depreciated over a three to ten year life using the straight line method of depreciation. Depreciation for the periods applies 100% to assets carried at historical cost. It is the policy of the Organization to expense small equipment items costing under \$500.

#### Commitments to Charitable Agencies

Specific commitments to fund various charitable agencies on specific quarterly dates as discussed above are recorded as commitments to charitable agencies.

**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

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Support and Revenue

Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Amounts that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of non-cash assets are recorded at their fair values in the period received.

Many individuals have contributed a significant amount of time to the activities of the Organization. The Organization does not recognize these contributed services as revenues unless 1) the services received create or enhance existing facilities; or 2) require specialized skills and are provided by individuals possessing those skills. Contributed services recognized by the Organization during the years ended March 31, 2018 and 2017 totaled \$7,900 for each year.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Donor-Designated Contributions

The Organization accounts for donor-designated distributions to community programs as part of total campaign contribution revenue and not as an agency transaction in the Statement of Activities. Management believes that including these donor-designated campaign contributions as revenue better reflects total campaign results.

These donor-designated campaign contributions are distributed to the member agencies. The member agencies are requested to utilize the contributions in areas outlined in the Organization's fund distribution guidelines; however, the member agencies have the final decision-making authority as to the ultimate use of these contributions. These designated campaign contributions are included in fund distribution of campaign support in the Statement of Activities.

Distributions to community programs that are unpaid as of year-end are reflected as part of donor designations payable.

**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

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*Income Taxes*

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code, which qualifies contributions, bequests and legacies as deductions by the donor for income, estate and gift tax purposes. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized tax benefits that materially impact the financial statements or related disclosures. The Organization's federal income tax returns are subject to examination by the IRS, generally for three years after they were filed.

*Concentration of Credit Risk*

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and unsecured receivables. Management believes the Organization's cash balances are maintained with quality financial institutions in order to offset the risk of loss that may occur when balances exceed the Federal Deposit Insurance Corporation (FDIC) limits on each account of \$250,000. The ability to collect pledges resulting from resource recruitment efforts is affected by general economic conditions in Goodhue, Wabasha, and Pierce Counties.

*Functional Expenses*

Direct expenses are allocated to each functional expense category. Some expenses are allocated based on usage such as telephone, postage and copies. Salary and indirect expenses are allocated to each functional expense category based on employee time records.

*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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from the estimates.

*Prior Year Comparative Totals*

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's prior year financial statements, from which the summarized information was derived.

UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**2. Pledges Receivable**

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The amount due from Pledges Receivable as of March 31, 2018 and 2017 consisted of the following:

	As of March 31, 2018		
	2017	2018	Total
	Campaign	Campaign	
Pledges receivable	\$ 34,448	\$ 233,860	\$ 268,308
Less allowance for uncollectibles	34,448	35,079	69,527
Net	\$	\$ 198,781	\$ 198,781

  

	As of March 31, 2017		
	2016	2017	Total
	Campaign	Campaign	
Pledges receivable	\$ 49,133	\$ 280,846	\$ 329,979
Less allowance for uncollectibles	49,133	42,127	91,260
Net	\$	\$ 238,719	\$ 238,719

All pledges receivable at March 31, 2018 are due in less than twelve months. The Organization maintains an allowance for doubtful pledges, the amount of which is based on past history of pledge collections. The fair value of the promises to give (pledges receivable) is considered to be the net values shown above at March 31, 2018.

**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**3. Funds Held at Community Foundation:**

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During 2001, the Organization received a bequest of \$90,000 from a donor. The proceeds were used to establish the Red Wing Area United Way Endowment Fund (the "Fund") with The Saint Paul Foundation (the "Foundation"), St. Paul, Minnesota. All contributions to the Fund are irrevocable. The Foundation has ultimate authority and control over the Fund and all distributions from the Fund. The Foundation will distribute to the Organization such amounts of the Fund's net income or principal or both as determined by the spending policy adopted by the Foundation and amended from time to time, at such times as the Foundation deems appropriate.

Distributions are made to the Organization from the Fund annually in March. The Foundation has adopted a method for the distribution from endowment funds by using a spending policy factor to convert the current market value into a 16 quarter average market value. The payout calculation seeks to provide a consistent and predictable flow of income for charitable distribution while protecting principal. Fair value is measured using level two inputs defined as not priced using quoted market prices, but determined from market observable information. Activity and fair value for the years ended March 31, 2018 and 2017, respectively, were as follows:

Activity During Fiscal Year 2018:

Beginning Balance		\$	104,305
Investment Income:			
Interest and Dividends	\$	1,763	
Investment Gain/Loss		<u>9,197</u>	10,960
Administrative/Investment Fee			(1,385)
Distributions Received			<u>(4,238)</u>
Ending Balance		\$	<u>109,642</u>

Activity During Fiscal Year 2017:

Beginning Balance		\$	97,179
Investment Income:			
Interest and Dividends	\$	1,489	
Investment Gain		<u>11,005</u>	12,494
Administrative/Investment Fee			(1,311)
Distributions Received			<u>(4,057)</u>
Ending Balance		\$	<u>104,305</u>

**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Net Assets**

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*Summary of Temporarily Restricted Net Assets*

Temporarily restricted net assets were available for the following purposes or periods as of March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
StepsUp Project	<u>\$ 4,739</u>	<u>\$ 4,739</u>

Net assets released from restrictions during the years ended March 31, 2018 and 2017, respectively, were as follows:

	<u>2018</u>	<u>2017</u>
StepsUp Project	\$	\$ 83
Board Transfer to Unrestricted	<b>4,739</b>	
Total	<u>\$ 4,739</u>	<u>\$ 83</u>

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**5. Operating Leases**

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The Organization leases its office space on a month to month basis which is currently \$675 per month. Office lease costs for the years ending March 31, 2018 and 2017 were \$8,100 for each year.

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**6. Defined Contribution Plan**

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The Organization sponsors a saving incentive match plan (SIMPLE) for employees covering substantially all of its employees. Contributions are determined by a 3% company matching of the participating employee's compensation, and totaled \$3,597 and \$3,525, respectively, for the years ending March 31, 2018 and 2017.

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**7. Subsequent Events**

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In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 19, 2018, the date the financial statements were available to be issued.

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**UNITED WAY OF GOODHUE, WABASHA & PIERCE COUNTIES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**8. Accounting Pronouncements Issued But Not Yet Effective**

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In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding twelve months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for the year ending March 31, 2021. Early adoption is permitted. The impact of the adoption of this pronouncement has not yet been determined.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Organization for the year ending March 31, 2019. Entities are required to adopt the guidance retrospectively, but if comparative financial statements are presented, they have the option to omit certain information for any periods presented that are prior to the period of adoption. The impact of the adoption of this pronouncement has not yet been determined.