

Head of the Lakes United Way

Financial Report
June 30, 2016

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Head of the Lakes United Way
Duluth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Head of the Lakes United Way, which comprise the statements of financial position as of June 30, 2016, and 2015, 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.

Auditor's 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, United Way of Greater Duluth and United Way of Superior-Douglas County combined to form Head of the Lakes United Way. Our opinion is not modified with respect to this matter.

RSM US LLP

Duluth, Minnesota
October 5, 2016

Head of the Lakes United Way

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,039,564	\$ 799,313
Restricted (Note 2)	7,077	8,744
Contributions Receivable, less allowance for uncollectibles of \$49,305 in 2016 and \$44,654 in 2015	669,038	574,670
Other receivables	164,250	50,299
Prepaid expenses	6,768	5,905
Property and equipment, net (Note 3)	28,306	36,838
Beneficial interest in perpetual trust (Note 4)	3,776,678	3,799,322
Beneficial interest in assets held by others (Note 5)	556,889	612,490
Total assets	\$ 6,248,570	\$ 5,887,581
Liabilities and Net Assets		
Liabilities:		
Allocations and designations payable (Note 6)	\$ 959,769	\$ 908,315
Deposits held for others (Note 2)	7,077	8,744
Accounts payable	13,297	12,554
Accrued expenses	68,213	56,236
Total liabilities	1,048,356	985,849
Net assets:		
Unrestricted:		
Board designated (Note 11)	788,486	378,676
Property and equipment	28,306	36,838
United Way Endowment Fund (Note 5)	556,889	612,490
Total unrestricted net assets	1,373,681	1,028,004
Temporarily restricted (Note 7)	49,855	74,406
Permanently restricted (Note 7)	3,776,678	3,799,322
Total net assets	5,200,214	4,901,732
Total liabilities and net assets	\$ 6,248,570	\$ 5,887,581

See notes to financial statements.

Head of the Lakes United Way

Statements of Activities

Years Ended June 30, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenue:				
Gross campaign results	\$ 1,989,105	\$ 21,409	\$ -	\$ 2,010,514
Gross campaign results in prior year, released from restrictions	20,900	(20,900)	-	-
Total campaign results	2,010,005	509	-	2,010,514
Less donor designations (Note 6)	(137,745)	-	-	(137,745)
Less provision for uncollectible accounts	(43,481)	-	-	(43,481)
Net campaign revenue	1,828,779	509	-	1,829,288
Perpetual trust contribution	195,144	-	-	195,144
Duluth-Superior Area Community Foundation contribution	26,644	-	-	26,644
Other contributions	654	-	-	654
Grant income	54,139	23,000	-	77,139
Sponsorships	38,440	1,000	-	39,440
Bequests and memorials	255	-	-	255
Special events	18,966	-	-	18,966
Services revenue	83,342	-	-	83,342
Temporarily restricted net assets released	49,060	(49,060)	-	-
Total public support	2,295,423	(24,551)	-	2,270,872
Investment income	4,161	-	-	4,161
Change in beneficial interest in assets held by others	(27,714)	-	-	(27,714)
Change in beneficial interest in perpetual trust	-	-	(22,644)	(22,644)
Contribution received in the acquisition of United Way of Superior-Douglas County, Inc. (Note 13)	362,118	-	-	362,118
Donated services	19,675	-	-	19,675
Miscellaneous	14,027	-	-	14,027
Total revenue	2,667,690	(24,551)	(22,644)	2,620,495
Allocations and expenses:				
Allocations and program services:				
Gross allocations to agencies for programs	1,343,103	-	-	1,343,103
Less donor designations (Note 6)	(137,745)	-	-	(137,745)
Net allocations awarded (Note 8)	1,205,358	-	-	1,205,358
Initiatives distributions (Note 8)	-	-	-	-
Other program services	541,598	-	-	541,598
Total program expenses	1,746,956	-	-	1,746,956
Supporting services:				
Management and general	166,295	-	-	166,295
Fundraising	408,762	-	-	408,762
Total allocations and expenses	2,322,013	-	-	2,322,013
Increase (decrease) in net assets	345,677	(24,551)	(22,644)	298,482
Net assets:				
Beginning of year	1,028,004	74,406	3,799,322	4,901,732
End of year	\$ 1,373,681	\$ 49,855	\$ 3,776,678	\$ 5,200,214

See notes to financial statements.

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,773,854	\$ 20,900	\$ -	\$ 1,794,754
17,736	(17,736)	-	-
1,791,590	3,164	-	1,794,754
(61,983)	-	-	(61,983)
(71,419)	-	-	(71,419)
1,658,188	3,164	-	1,661,352
192,842	-	-	192,842
25,171	-	-	25,171
9,437	-	-	9,437
57,177	20,760	-	77,937
12,000	-	-	12,000
-	-	-	-
20,957	-	-	20,957
84,008	10,000	-	94,008
9,532	(9,532)	-	-
2,069,312	24,392	-	2,093,704
(1,537)	-	-	(1,537)
(4,055)	-	-	(4,055)
-	-	(13,916)	(13,916)
-	-	-	-
17,853	-	-	17,853
8,126	-	-	8,126
2,089,699	24,392	(13,916)	2,100,175
1,236,065	-	-	1,236,065
(61,983)	-	-	(61,983)
1,174,082	-	-	1,174,082
12,893	-	-	12,893
461,736	-	-	461,736
1,648,711	-	-	1,648,711
168,917	-	-	168,917
374,278	-	-	374,278
2,191,906	-	-	2,191,906
(102,207)	24,392	(13,916)	(91,731)
1,130,211	50,014	3,813,238	4,993,463
\$ 1,028,004	\$ 74,406	\$ 3,799,322	\$ 4,901,732

Head of the Lakes United Way

Statements of Functional Expenses
Years Ended June 30, 2016 and 2015

	2016			
	Program Services	Management and General	Fundraising	Total
Gross allocations to agencies for programs	\$ 1,343,103	\$ -	\$ -	\$ 1,343,103
Less donor designations	(137,745)	-	-	(137,745)
Net allocations awarded	1,205,358	-	-	1,205,358
Initiatives distributions	-	-	-	-
Salaries	339,178	98,011	233,656	670,845
Payroll taxes	27,652	8,341	18,988	54,981
Employee benefits	61,673	11,523	42,235	115,431
Total salaries and related expenses	428,503	117,875	294,879	841,257
Conferences, conventions, and meetings	14,789	2,330	17,450	34,569
Insurance	5,004	539	1,633	7,176
Membership dues	1,785	1,024	3,493	6,302
Other	2,063	412	6,354	8,829
Occupancy	17,755	4,845	14,680	37,280
Postage	707	756	2,379	3,842
Printing and marketing	4,085	565	10,774	15,424
Professional fees	8,692	28,005	3,950	40,647
Rental and maintenance of equipment	18,691	2,795	8,963	30,449
Supplies	4,287	497	4,737	9,521
Telephone and communications	5,332	1,194	5,500	12,026
Special events	6,028	473	9,154	15,655
Donated services	9,164	198	10,313	19,675
Community outreach	-	-	-	-
United Way Worldwide	10,996	2,600	7,876	21,472
Depreciation	3,717	2,187	6,627	12,531
Total other program services	541,598	166,295	408,762	1,116,655
Total allocations and expenses	\$ 1,746,956	\$ 166,295	\$ 408,762	\$ 2,322,013

See notes to financial statements.

2015

Program Services	Management and General	Fundraising	Total
\$ 1,236,065	\$ -	\$ -	\$ 1,236,065
(61,983)	-	-	(61,983)
1,174,082	-	-	1,174,082
12,893	-	-	12,893
305,646	96,575	211,029	613,250
20,063	6,414	14,262	40,739
58,544	8,001	39,556	106,101
384,253	110,990	264,847	760,090
4,473	1,575	12,023	18,071
1,936	285	734	2,955
535	1,085	3,151	4,771
1,994	1,829	6,425	10,248
14,238	6,242	16,072	36,552
1,481	699	2,621	4,801
1,398	353	11,097	12,848
10,875	36,537	5,769	53,181
14,544	2,472	8,534	25,550
3,507	336	2,758	6,601
5,977	1,364	3,526	10,867
2,256	-	5,609	7,865
-	-	17,853	17,853
504	-	-	504
10,449	2,707	6,969	20,125
3,316	2,443	6,290	12,049
461,736	168,917	374,278	1,004,931
\$ 1,648,711	\$ 168,917	\$ 374,278	\$ 2,191,906

Head of the Lakes United Way

Statements of Cash Flows Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 298,482	\$ (91,731)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	12,531	12,049
Loss on disposal of property and equipment	137	1,068
Contribution received in the acquisition of United Way of Superior-Douglas County, Inc.	(362,118)	-
Changes in:		
Beneficial interest in:		
Assets held by others	55,601	32,210
Perpetual trust	22,644	13,916
Assets and liabilities:		
Contributions receivable	52,658	136,114
Other receivables	(112,951)	(43)
Prepaid expenses	1,807	357
Allocations payable and designated pledges	(126,025)	(98,653)
Deposits held for others	(1,667)	36
Accounts payable	(3,392)	(6,406)
Accrued expenses	11,959	20,396
Net cash (used in) provided by operating activities	(150,334)	19,313
Cash flows from investing activities:		
Proceeds from sale of property and equipment	511	-
Purchase of property and equipment	(1,218)	(23,537)
Cash acquired through acquisition of United Way of Superior-Douglas County, Inc.	389,625	-
Net cash provided by (used in) investing activities	388,918	(23,537)
Net increase (decrease) in cash and cash equivalents	238,584	(4,224)
Cash and cash equivalents:		
Beginning	808,057	812,281
Ending	\$ 1,046,641	\$ 808,057
Supplemental schedule of noncash investing activities:		
Contribution of net assets from the acquisition of United Way of Superior-Douglas County, Inc.	\$ 362,118	\$ -

See notes to financial statements.

Head of the Lakes United Way

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Head of the Lakes United Way (the Organization) is a voluntary health and welfare nonprofit entity organized to lead a united response to the human service needs of the Ashland-Bayfield, Greater Duluth, North Shore and Superior-Douglas County Communities.

A summary of the Organization's significant accounting policies follows:

Net assets: Unrestricted net assets are those funds presently available for use by or on behalf of the Organization, including amounts available for general and administrative expenses. These unrestricted net assets may also include board designated funds. Temporarily restricted net assets are contributions that have donor-imposed stipulations that can be fulfilled by certain actions of the Organization. These contributions are restricted by time and/or for program expenditures in future years. Permanently restricted net assets are contributions that have donor-imposed restrictions whereby the amount of the gift is to be held in perpetuity and only the income generated can be used as stipulated by the donor.

Support and expenses: Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded as incurred in accordance with the accrual basis of accounting.

Donated services: Donated services are reflected in the statements of activities at their estimated values at date of receipt. During the years ended June 30, 2016 and 2015, the Organization recognized \$19,675 and \$17,853, respectively, of donated services relating to advertising. In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Organization's program services and fundraising campaigns. These donated services are not reflected in the financial statements since the services do not require specialized skills.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided using the straight-line method based on estimated useful lives of individual units of 3 - 5 years.

Cash and cash equivalents: Unrestricted highly liquid investments with an initial maturity of three months or less are considered cash equivalents. The carrying value approximates fair value.

Contributions receivable: All contributions receivable are due in less than one year. Management determines the allowance for uncollectible accounts by using historical collection experience applied to pledges received by the Organization and by identifying troubled accounts. Contributions receivable are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received.

Concentration of credit risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Head of the Lakes United Way

Notes to Financial Statements

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

Fair value measurement: The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability should be used to measure the fair value to the extent that observable inputs are not available.

The fair values of the beneficial interest in perpetual trust and the beneficial interest in assets held by others are determined using the Level 3 inputs described above.

Income taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Not-for-profit organizations may become subject to income taxes if qualification as a tax-exempt entity changes, if unrelated business income is generated, and in certain other instances. Not-for-profit organizations are required to assess the certainty of their tax positions related to these matters and, in some cases, record liabilities for potential taxes, interest and penalties accompanied by footnote disclosures. The Organization has not identified any uncertain tax positions that would require the accrual of an income tax provision.

Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2012.

Use of estimates in the preparation of financial statements: The preparation of financial statements 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 reporting period. Actual results could differ from those estimates.

Subsequent events: Management has evaluated subsequent events through October 5, 2016, the date the financial statements were issued, in preparing the financial statements and related footnotes.

Head of the Lakes United Way

Notes to Financial Statements

Note 2. Restricted Cash and Deposits Held for Others

The Organization was fiscal agent for the long-term flood recovery fund which solicits contributions and makes distributions to flood victims. The fund is managed by a third party committee. The Organization reports restricted cash and deposits held for others of \$0 and \$514 at June 30, 2016 and 2015 for the long-term flood recovery fund.

The Organization is fiscal agent for the Duluth Youth Coalition. The Organization reports restricted cash and deposits held for others of \$7,077 and \$8,230 at June 30, 2016 and 2015, respectively, for the Duluth Youth Coalition.

Note 3. Property and Equipment

	2016	2015
Office equipment	\$ 189,813	\$ 195,617
Leasehold improvements	47,553	47,553
	<u>237,366</u>	<u>243,170</u>
Less accumulated depreciation	209,060	206,332
	<u>\$ 28,306</u>	<u>\$ 36,838</u>

Note 4. Beneficial Interest in Perpetual Trust

The Organization is the sole beneficiary of the yearly income derived from the assets of United Way of Greater Duluth Trust. The beneficial interest in perpetual trust is recorded at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 1, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

	2016	2015
Beneficial interest, beginning of year	\$ 3,799,322	\$ 3,813,238
Increase in beneficial interest	172,500	178,926
Amount distributed	(195,144)	(192,842)
Beneficial interest, end of year	<u>\$ 3,776,678</u>	<u>\$ 3,799,322</u>

The change in the fair value of the beneficial interest in the trust is recognized in the statement of activities.

Head of the Lakes United Way

Notes to Financial Statements

Note 5. Beneficial Interest in Assets Held by Others

The United Way Endowment Fund (the Fund) was established with the Duluth-Superior Area Community Foundation (the Foundation) by both the Organization and third party donors. The Organization is the sole beneficiary of the Fund.

The portion of the Fund contributed by the Organization is reported as an asset of the Organization. The Organization has granted variance power to the Foundation. This variance power allows the Foundation to move funds received by the Foundation from the Fund to other Foundation endowment funds if deemed appropriate. The net income of the Fund shall be distributed at least annually to the Organization. The balance at June 30, 2016 and 2015, is included in the balance sheet under the caption "Beneficial Interest in Assets Held by Others." This portion is recorded at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 1, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

	2016	2015
Beneficial interest, beginning of year	\$ 612,490	\$ 644,700
Decrease in beneficial interest	(27,714)	(4,054)
Amount distributed	(27,887)	(28,156)
Beneficial interest, end of year	<u>\$ 556,889</u>	<u>\$ 612,490</u>

The portion of the Fund contributed by unrelated third party donors is considered a contribution to the Foundation, as the Foundation has been granted variance power over these assets. This portion of the Fund, \$577,946 and \$632,741 at June 30, 2016 and 2015, respectively, has not been recorded as an asset on these financial statements.

Note 6. Allocations and Designations Payable

	2016	2015
Community Care allocations payable	\$ 904,836	\$ 881,355
Donor designated pledges	54,933	26,960
	<u>\$ 959,769</u>	<u>\$ 908,315</u>

The Organization receives various donor pledges that are designated for specific beneficiaries. The Organization is considered an agent for the donor designated beneficiaries and, as such, records amounts received from the donor as a liability to the designated beneficiaries. The donor designated pledges are not included in revenue of the Organization. During the years ended June 30, 2016 and 2015, the Organization raised \$137,745 and \$61,983, respectively, of donor designated pledges, of which amounts due to the designated beneficiaries are included in the above table.

Head of the Lakes United Way

Notes to Financial Statements

Note 7. Restrictions on Net Assets

Temporarily restricted net assets as a result of program and/or time restrictions consisted of the following:

	2016	2015
2-1-1 Information and referral	\$ 23,000	\$ 30,760
Project Homeless Connect	-	4,332
Head Start Transportation Collaborative	-	6,393
Long Term Flood Relief/Flooding Homes with Hope	-	514
Heading Home	-	7,061
Contributions for the subsequent fiscal year's campaign	21,409	20,900
Sponsorships for the subsequent fiscal year	1,000	-
Women's Leadership Council	4,446	4,446
	<u>\$ 49,855</u>	<u>\$ 74,406</u>

Permanently restricted net assets of \$3,776,678 and \$3,799,322 include the beneficial interest in the United Way of Greater Duluth Trust at June 30, 2016 and 2015, respectively. Investment income received from the trust is unrestricted.

Head of the Lakes United Way

Notes to Financial Statements

Note 8. Allocations to Agencies

Allocations were as follows:

	2016			2015
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Red Cross - Northland Chapter	\$ 9,903	\$ 2,475	7,428	\$ 11,304
Arc Northland	8,056	2,013	6,043	9,195
Boys & Girls Club of the Northland	59,425	14,855	44,570	67,828
Center City Housing	25,338	6,334	19,004	28,921
Children's Dental Services	7,924	1,980	5,944	9,044
Churches United in Ministry	37,141	9,285	27,856	42,393
Community Action Duluth	47,044	11,761	35,283	53,697
Courage Center	7,428	1,856	5,572	8,478
Damiano Center	52,988	13,247	39,741	60,481
Domestic Abuse Intervention Program	4,952	1,238	3,714	5,652
Duluth Area Family YMCA	95,822	23,955	71,867	109,372
Girl Scouts - Northern Pine Council	5,448	1,362	4,086	6,218
Goodwill	26,411	6,603	19,808	30,146
Human Development Center	47,210	11,802	35,408	53,886
ISD #704	4,126	1,031	3,095	4,710
Lake Superior Community Health Center	49,850	12,462	37,388	56,899
Legal Aid Service of NE MN	44,569	11,142	33,427	50,871
Life House	37,636	9,409	28,227	42,958
Lutheran Social Service	49,188	12,297	36,891	56,145
Men as Peacemakers	23,109	5,777	17,332	26,377
Myers-Wilkins Comm Scholarship Collaborative	27,649	6,912	20,737	31,559
One Roof Community Housing	5,282	1,320	3,962	6,029
Positive Energy Outdoors	9,904	2,476	7,428	11,304
Safe Haven Shelter	30,043	7,511	22,532	34,291
Salvation Army	81,378	20,344	61,034	92,886
Second Harvest Northern Lakes Food Bank	20,055	5,014	15,041	22,892
SOAR Career Solutions	32,683	8,171	24,512	37,304
Valley Youth Center	64,377	16,094	48,283	73,480
Volunteer Attorney Program	8,254	2,063	6,191	9,421
Woodland Hills	31,198	7,799	23,399	35,610
YWCA	45,807	11,452	34,355	52,284
Duluth Area Community Care allocations	1,000,198	250,040	750,158	1,141,635
AEOA	-	-	-	6,736
Two Harbors Area Food Shelf	3,676	919	2,757	-
Community Partners	2,624	656	1,968	4,822
North Shore Horizons	3,674	919	2,755	4,669
Northshore Area Partners	2,624	656	1,968	1,853
Northshore Collaborative	1,050	263	787	6,889
Salvation Army Lake County	2,624	656	1,968	4,958
Socially Active Seniors	1,322	331	991	2,520
North Shore Community Care allocations	17,594	4,400	13,194	32,447

(Continued)

Head of the Lakes United Way

Notes to Financial Statements

Note 8. Allocations to Agencies (Continued)

	2016			2015
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Red Cross - Northern Minnesota Chapter	\$ 4,316	\$ 1,079	\$ 3,237	\$ -
Boys & Girls Clubs of the Northland	25,470	6,367	19,103	-
Catholic Community Services, Inc.	5,936	1,484	4,452	-
Center Against Sexual & Domestic Abuse, Inc.	16,190	4,047	12,143	-
Challenge Center	9,174	2,293	6,881	-
Douglas County 4-H Clubs, Inc.	5,936	1,484	4,452	-
Duluth Area Family YMCA	21,586	5,396	16,190	-
Faith United Methodist Church	20,507	5,126	15,381	-
Health Care Clinic	2,159	540	1,619	-
Human Development Center	8,634	2,159	6,475	-
Just Kids Dental	5,397	1,349	4,048	-
Lake Superior Community Health Center	3,238	810	2,428	-
Lutheran Social Service of Wisconsin and Upper Michigan, Inc	17,449	3,688	13,761	-
Salvation Army Wisconsin & Upper Michigan	1,079	270	809	-
School District of Superior	19,427	4,857	14,570	-
Superior Douglas County Family YMCA	11,872	2,968	8,904	-
Superior Vocation Center, Inc.	8,634	2,159	6,475	-
Twin Ports Guardianship & Payee Services	562	141	421	-
Superior/Douglas County Community Care allocations	187,566	46,217	141,484	-
Total Community Care allocations	1,205,358	300,657	904,836	1,174,082
Imagination Library	-	-	-	7,190
Big Red Book Shelf	-	-	-	3,703
Duluth Profile Project	-	-	-	2,000
Total Initiatives distributions	-	-	-	12,893
Total Agency allocations	\$ 1,205,358	\$ 300,657	904,836	\$ 1,186,975

These amounts do not include contributions that donors have designated for a specific beneficiary.

Note 9. Retirement Plan

The Organization has a defined contribution retirement plan covering substantially all full-time employees 21 years of age or older with at least one year of service. Contributions are 5.5 percent of each covered employee's salary with less than five years of service. Contributions are 6.0 percent of each covered employee's salary with five years or more of service. Total contributions were \$36,938 and \$29,016 for the years ended June 30, 2016 and 2015, respectively.

Note 10. Operating Lease

The Organization leases office space from the Ordean Foundation based upon an agreement renewed annually. Total office space rent expense was \$37,280 and \$36,552 for the years ended June 30, 2016 and 2015, respectively.

Head of the Lakes United Way

Notes to Financial Statements

Note 11. Board Designated Net Assets

Net assets have been designated by the Board to support strategic business practices and to ensure the long-term health of the Organization. Amounts are designated for, but are not limited to managing cash flow interruptions, minimizing the need for working capital borrowing, meeting commitments and obligations, and generating investment income. In addition, the contribution received related to the acquisition of United Way-Superior-Douglas County, Inc. less expenditures incurred related to United Way of Superior-Douglas County, Inc., has been designated for use to support the campaigns related to Wisconsin Programs. Designated net assets were as follows:

	2016	2015
Strategic business practices	\$ 533,885	\$ 378,676
Wisconsin programs	254,601	-
	<u>\$ 788,486</u>	<u>\$ 378,676</u>

Note 12. Risks and Uncertainties

The investments held in perpetual trust and by others in which the Organization has beneficial interests consist of various investment securities. Investment securities are exposed to risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's interest in such assets and the amounts reported in the statement of financial position.

Note 13. Acquisition of United Way of Superior-Douglas County, Inc.

United Way of Greater Duluth and United Way of Superior-Douglas County combined to form Head of the Lakes United Way on July 1, 2015. The campaign activities of United Way Superior-Douglas County were transferred to the new entity, with Head of the Lakes United Way continuing to run the four separate campaigns (Ashland-Bayfield, Greater Duluth, North Shore and Superior-Douglas County Communities) that existed prior to Head of the Lakes United Way's formation.

The acquisition-date fair value of the amounts transferred from United Way of Superior-Douglas County included cash of \$389,625; contribution receivables of \$147,026; and allocations payable of \$177,479. The Head of the Lakes United Way also recognized an inherent contribution of \$362,118 for the net assets transferred from United Way Superior-Douglas County.

Note 14. Pending Accounting Standards

The Financial Accounting Standards Board (FASB) has issued several accounting standards updates not yet implemented by the Foundation. Listed below are the accounting standards updates which may impact future financial statements of the Organization.

Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities* The amendments in this ASU, issued August 2016, will be effective for the Organization beginning with its year ending June 30, 2019. This Update will make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Head of the Lakes United Way
Duluth, Minnesota

We have audited the financial statements of Head of the Lakes United Way as of and for the years ended June 30, 2016 and 2015, and have issued our report thereon, dated October 5, 2016, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Duluth, Minnesota
October 5, 2016

Head of the Lakes United Way

Other Program Services
Years Ended June 30, 2016 and 2015

	2016			
	Community Impact	Fund Distribution	AFL-CIO Community Services	Volunteer Center
Salaries	\$ 106,989	\$ 6,571	\$ 37,567	\$ 38,558
Payroll taxes	8,863	510	3,097	2,861
Employee benefits	22,857	680	8,899	8,435
Total salaries and related expenses	138,709	7,761	49,563	49,854
Conferences, conventions, and meetings	10,222	265	3,696	606
Insurance	2,242	38	-	-
Membership dues	1,485	73	-	-
Other	2,005	29	-	29
Occupancy	4,308	343	3,140	3,066
Postage	329	65	34	175
Printing and marketing	964	40	683	1,781
Professional fees	7,735	613	64	57
Rental and maintenance of equipment	11,617	199	489	3,353
Supplies	2,101	35	313	1,013
Telephone and communications	1,921	85	461	817
Special events	2,938	34	24	3,032
Donated services	9,164	-	-	-
Community outreach	-	-	-	-
United Way Worldwide	10,811	185	-	-
Depreciation	1,945	155	184	605
	\$ 208,496	\$ 9,920	\$ 58,651	\$ 64,388

2016

2016				
2-1-1				
Information and				
Referral	Initiatives	Total	2015	
\$ 149,493	\$ -	\$ 339,178	\$	305,646
12,321	-	27,652		20,063
20,802	-	61,673		58,544
182,616	-	428,503		384,253
-	-	14,789		4,473
2,724	-	5,004		1,936
227	-	1,785		535
-	-	2,063		1,994
6,898	-	17,755		14,238
104	-	707		1,481
617	-	4,085		1,398
223	-	8,692		10,875
3,033	-	18,691		14,544
825	-	4,287		3,507
2,048	-	5,332		5,977
-	-	6,028		2,256
-	-	9,164		-
-	-	-		504
-	-	10,996		10,449
828	-	3,717		3,316
\$ 200,143	\$ -	\$ 541,598	\$	461,736

Head of the Lakes United Way

Fundraising Expenses

Years Ended June 30, 2016 and 2015

	2016			2015
	Resource Development	Marketing	Total	
Salaries	\$ 205,831	\$ 27,825	\$ 233,656	\$ 211,029
Payroll taxes	16,445	2,543	18,988	14,262
Employee benefits	33,870	8,365	42,235	39,556
Total salaries and related expenses	256,146	38,733	294,879	264,847
Conferences, conventions, and meetings	16,689	761	17,450	12,023
Insurance	1,459	174	1,633	734
Membership dues	3,162	331	3,493	3,151
Other	6,221	133	6,354	6,425
Occupancy	13,116	1,564	14,680	16,072
Postage	2,366	13	2,379	2,621
Printing and marketing	10,334	440	10,774	11,097
Professional fees	509	3,441	3,950	5,769
Rental and maintenance of equipment	8,061	902	8,963	8,534
Supplies	4,577	160	4,737	2,758
Telephone and communications	5,115	385	5,500	3,526
Special events	9,001	153	9,154	5,609
Donated services	10,313	-	10,313	17,853
United Way Worldwide	7,036	840	7,876	6,969
Depreciation	5,921	706	6,627	6,290
	\$ 360,026	\$ 48,736	\$ 408,762	\$ 374,278