

Head of the Lakes United Way

Financial Report
June 30, 2017

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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, 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.

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, 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.

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 effective July 1, 2015. Our opinion is not modified with respect to this matter.

RSM US LLP

Duluth, Minnesota
October 18, 2017

Head of the Lakes United Way

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,236,613	\$ 1,039,564
Restricted (Note 2)	7,182	7,077
Investments	9,830	-
Contributions Receivable, less allowance for uncollectibles of \$115,789 in 2017 and \$129,011 in 2016	659,944	669,038
Other receivables	89,932	164,250
Prepaid expenses	9,530	6,768
Property and equipment, net (Note 3)	71,008	28,306
Beneficial interest in perpetual trust (Note 4)	4,152,830	3,776,678
Beneficial interest in assets held by others (Note 5)	601,981	556,889
Total assets	\$ 6,838,850	\$ 6,248,570
Liabilities and Net Assets		
Liabilities:		
Allocations and designations payable (Note 6)	\$ 972,540	\$ 959,769
Deposits held for others (Note 2)	7,182	7,077
Accounts payable	6,144	13,297
Accrued expenses	45,735	68,213
Total liabilities	1,031,601	1,048,356
Net assets:		
Unrestricted:		
Non-designated	112,954	-
Board designated (Note 11)	825,560	788,486
Property and equipment	71,008	28,306
United Way Endowment Fund (Note 5)	601,981	556,889
Total unrestricted net assets	1,611,503	1,373,681
Temporarily restricted (Note 7)	42,916	49,855
Permanently restricted (Note 7)	4,152,830	3,776,678
Total net assets	5,807,249	5,200,214
Total liabilities and net assets	\$ 6,838,850	\$ 6,248,570

See notes to financial statements.

Head of the Lakes United Way

Statements of Activities

Years Ended June 30, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenue:				
Gross campaign results	\$ 2,004,911	\$ 18,470	\$ -	\$ 2,023,381
Gross campaign results in prior year, released from restrictions	21,409	(21,409)	-	-
Total campaign results	2,026,320	(2,939)	-	2,023,381
Less donor designated contributions (Note 6)	(93,399)	-	-	(93,399)
Less provision for uncollectible accounts	(59,153)	-	-	(59,153)
Net campaign revenue	1,873,768	(2,939)	-	1,870,829
Perpetual trust contribution	189,495	-	-	189,495
Duluth-Superior Area Community Foundation contribution	26,884	-	-	26,884
Other contributions	5,000	-	-	5,000
Grant income	35,079	20,000	-	55,079
Sponsorships	21,500	-	-	21,500
Bequests and memorials	156,349	-	-	156,349
Special events	16,871	-	-	16,871
Services revenue	95,809	-	-	95,809
Temporarily restricted net assets released	24,000	(24,000)	-	-
Total public support	2,444,755	(6,939)	-	2,437,816
Investment income	3,036	-	-	3,036
Change in beneficial interest in assets held by others	71,908	-	-	71,908
Change in beneficial interest in perpetual trust	-	-	376,152	376,152
Contribution received in the acquisition of United Way of Superior-Douglas County, Inc.	-	-	-	-
Donated goods and services	15,946	-	-	15,946
Miscellaneous	13,623	-	-	13,623
Total revenue	2,549,268	(6,939)	376,152	2,918,481
Allocations and expenses:				
Allocations and program services:				
Gross allocations to agencies for programs	1,332,025	-	-	1,332,025
Less donor designated contributions (Note 6)	(93,399)	-	-	(93,399)
Net allocations awarded (Note 8)	1,238,626	-	-	1,238,626
Initiatives distributions (Note 8)	2,000	-	-	2,000
Other program services	543,204	-	-	543,204
Total program expenses	1,783,830	-	-	1,783,830
Supporting services:				
Management and general	155,641	-	-	155,641
Fundraising	371,975	-	-	371,975
Total allocations and expenses	2,311,446	-	-	2,311,446
Increase (decrease) in net assets	237,822	(6,939)	376,152	607,035
Net assets:				
Beginning of year	1,373,681	49,855	3,776,678	5,200,214
End of year	\$ 1,611,503	\$ 42,916	\$ 4,152,830	\$ 5,807,249

See notes to financial statements.

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,989,105	\$ 21,409	\$ -	\$ 2,010,514
20,900	(20,900)	-	-
2,010,005	509	-	2,010,514
(137,745)	-	-	(137,745)
(43,481)	-	-	(43,481)
1,828,779	509	-	1,829,288
195,144	-	-	195,144
26,644	-	-	26,644
654	-	-	654
54,139	23,000	-	77,139
38,440	1,000	-	39,440
255	-	-	255
18,966	-	-	18,966
83,342	-	-	83,342
49,060	(49,060)	-	-
2,295,423	(24,551)	-	2,270,872
4,161	-	-	4,161
(27,714)	-	-	(27,714)
-	-	(22,644)	(22,644)
362,118	-	-	362,118
19,675	-	-	19,675
14,027	-	-	14,027
2,667,690	(24,551)	(22,644)	2,620,495
1,343,103	-	-	1,343,103
(137,745)	-	-	(137,745)
1,205,358	-	-	1,205,358
-	-	-	-
541,598	-	-	541,598
1,746,956	-	-	1,746,956
166,295	-	-	166,295
408,762	-	-	408,762
2,322,013	-	-	2,322,013
345,677	(24,551)	(22,644)	298,482
1,028,004	74,406	3,799,322	4,901,732
\$ 1,373,681	\$ 49,855	\$ 3,776,678	\$ 5,200,214

Head of the Lakes United Way

Statements of Functional Expenses
Years Ended June 30, 2017 and 2016

	2017			
	Program Services	Management and General	Fundraising	Total
Gross allocations to agencies for programs	\$ 1,332,025	\$ -	\$ -	\$ 1,332,025
Less donor designated contributions	(93,399)	-	-	(93,399)
Net allocations awarded	1,238,626	-	-	1,238,626
Initiatives distributions	2,000	-	-	2,000
Salaries	344,055	95,691	219,903	659,649
Payroll taxes	26,450	7,436	17,076	50,962
Employee benefits	72,531	9,730	36,096	118,357
Total salaries and related expenses	443,036	112,857	273,075	828,968
Conferences, conventions, and meetings	16,891	1,716	5,860	24,467
Insurance	4,400	294	897	5,591
Membership dues	1,508	1,012	3,230	5,750
Other	2,384	451	9,160	11,995
Occupancy	18,988	4,671	14,232	37,891
Postage	1,330	625	2,547	4,502
Printing and marketing	2,408	511	10,837	13,756
Professional fees	3,910	22,833	2,325	29,068
Rental and maintenance of equipment	20,173	3,366	11,761	35,300
Supplies	2,572	394	2,985	5,951
Telephone and communications	5,003	1,260	4,887	11,150
Special events	4,969	31	13,845	18,845
Donated services	450	873	1,873	3,196
United Way Worldwide	10,915	2,288	6,969	20,172
Depreciation	4,267	2,459	7,492	14,218
Total other program services	543,204	155,641	371,975	1,070,820
Total allocations and expenses	\$ 1,783,830	\$ 155,641	\$ 371,975	\$ 2,311,446

See notes to financial statements.

2016

Program Services	Management and General	Fundraising	Total
\$ 1,343,103	\$ -	\$ -	\$ 1,343,103
(137,745)	-	-	(137,745)
1,205,358	-	-	1,205,358
-	-	-	-
339,178	98,011	233,656	670,845
27,652	8,341	18,988	54,981
61,673	11,523	42,235	115,431
428,503	117,875	294,879	841,257
14,789	2,330	17,450	34,569
5,004	539	1,633	7,176
1,785	1,024	3,493	6,302
2,063	412	6,354	8,829
17,755	4,845	14,680	37,280
707	756	2,379	3,842
4,085	565	10,774	15,424
8,692	28,005	3,950	40,647
18,691	2,795	8,963	30,449
4,287	497	4,737	9,521
5,332	1,194	5,500	12,026
6,028	473	9,154	15,655
9,164	198	10,313	19,675
10,996	2,600	7,876	21,472
3,717	2,187	6,627	12,531
541,598	166,295	408,762	1,116,655
\$ 1,746,956	\$ 166,295	\$ 408,762	\$ 2,322,013

Head of the Lakes United Way

Statements of Cash Flows Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 607,035	\$ 298,482
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,218	12,531
Loss on disposal of property and equipment	162	137
Contribution received in the acquisition of United Way of Superior-Douglas County, Inc.	-	(362,118)
Changes in:		
Beneficial interest in:		
Assets held by others	(45,092)	55,601
Perpetual trust	(376,152)	22,644
Assets and liabilities:		
Contributions receivable	9,094	52,658
Other receivables	74,318	(112,951)
Prepaid expenses	(2,762)	1,807
Investments	(9,830)	-
Allocations payable and designated pledges	12,771	(126,025)
Deposits held for others	105	(1,667)
Accounts payable	(7,153)	(3,392)
Accrued expenses	(22,478)	11,959
Net cash provided by (used in) operating activities	254,236	(150,334)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	511
Purchase of property and equipment	(57,082)	(1,218)
Cash acquired through acquisition of United Way of Superior-Douglas County, Inc.	-	389,625
Net cash (used in) provided by investing activities	(57,082)	388,918
Net increase in cash and cash equivalents	197,154	238,584
Cash and cash equivalents:		
Beginning	1,046,641	808,057
Ending	\$ 1,243,795	\$ 1,046,641
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 goods and services: Donated goods and services are reflected in the statements of activities at their estimated values at date of receipt. During the years ended June 30, 2017 and 2016, the Organization recognized \$15,946 and \$19,675, respectively, of donated services relating to advertising and website development. 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.

Investments: Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss, including gains and losses on investments, interest, and dividends, is included in the statement of activities as increases or decreases in unrestricted net assets unless the gains or losses are restricted by donor stipulations or by law.

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.

Head of the Lakes United Way

Notes to Financial Statements

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

Other receivables: Other receivables include grant receivable, service fee receivable, and distribution receivable from the beneficial interest assets. All amounts are expected to be collected in less than one year.

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.

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 value of investments (equities) is determined using the Level 1 inputs described above and fair value 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 2013.

Head of the Lakes United Way

Notes to Financial Statements

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

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 18, 2017, the date the financial statements were issued, in preparing the financial statements and related footnotes.

Note 2. Restricted Cash and Deposits Held for Others

The Organization is fiscal agent for the Duluth Youth Coalition. The Organization reports restricted cash and deposits held for others of \$7,182 and \$7,077 at June 30, 2017 and 2016, respectively, for the Duluth Youth Coalition.

Note 3. Property and Equipment

	2017	2016
Office equipment	\$ 225,858	\$ 189,813
Leasehold improvements	47,553	47,553
	<u>273,411</u>	<u>237,366</u>
Less accumulated depreciation	202,403	209,060
	<u>\$ 71,008</u>	<u>\$ 28,306</u>

Note 4. Beneficial Interest in Perpetual Trust

The Organization is the sole beneficiary of the yearly income derived from the assets of Head of the Lakes United Way 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.

	2017	2016
Beneficial interest, beginning of year	\$ 3,776,678	\$ 3,799,322
Increase in beneficial interest	565,647	172,500
Amount distributed	(189,495)	(195,144)
Beneficial interest, end of year	<u>\$ 4,152,830</u>	<u>\$ 3,776,678</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, 2017 and 2016, 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.

	2017	2016
Beneficial interest, beginning of year	\$ 556,889	\$ 612,490
Increase (decrease) in beneficial interest	71,908	(27,714)
Amount distributed	(26,816)	(27,887)
Beneficial interest, end of year	<u>\$ 601,981</u>	<u>\$ 556,889</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, \$625,105 and \$577,946 at June 30, 2017 and 2016, respectively, has not been recorded as an asset on these financial statements.

Note 6. Allocations and Designations Payable

	2017	2016
Community Care allocations payable	\$ 933,272	\$ 904,836
Donor designated contributions	39,268	54,933
	<u>\$ 972,540</u>	<u>\$ 959,769</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 contributions are not included in revenue of the Organization. During the years ended June 30, 2017 and 2016, the Organization raised \$93,399 and \$137,745, respectively, of donor designated contributions, 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. Restricted Net Assets

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

	2017	2016
2-1-1 Information and referral	\$ 20,000	\$ 23,000
Contributions for the subsequent fiscal year's campaign	18,470	21,409
Sponsorships for the subsequent fiscal year	-	1,000
Women's Leadership Council	4,446	4,446
	<u>\$ 42,916</u>	<u>\$ 49,855</u>

Permanently restricted net assets of \$4,152,830 and \$3,776,678 include the beneficial interest in the Head of the Lakes United Way Trust at June 30, 2017 and 2016, 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:

	2017			2016
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Red Cross - Northland Chapter	\$ 10,511	\$ 2,628	\$ 7,883	\$ 9,903
Arc Northland	8,550	2,138	6,412	8,056
Boys & Girls Club of the Northland	39,921	9,981	29,940	59,425
Center City Housing	26,892	6,724	20,168	25,338
Children's Dental Services	8,410	2,103	6,307	7,924
Churches United in Ministry	39,418	9,856	29,562	37,141
Community Action Duluth	38,207	9,553	28,654	47,044
Courage Center	7,883	1,971	5,912	7,428
Damiano Center	56,236	14,060	42,176	52,988
Domestic Abuse Intervention Program	5,255	1,314	3,941	4,952
Duluth Area Family YMCA	101,698	25,426	76,272	95,822
Girl Scouts - Northern Pine Council	17,110	4,278	12,832	5,448
Goodwill	7,960	1,990	5,970	26,411
Human Development Center	50,105	12,527	37,578	47,210
ISD #704	-	-	-	4,126
Lake Superior Community Health Center	52,906	13,227	39,679	49,850
Legal Aid Service of NE MN	55,262	13,816	41,446	44,569
Life House	59,845	14,962	44,883	37,636
Lutheran Social Service	42,889	10,725	32,164	49,188
Men as Peacemakers	28,498	7,126	21,372	23,109
Myers-Wilkins Comm Scholarship Collaborative	30,423	7,606	22,817	27,649
One Roof Community Housing	-	-	-	5,282
Positive Energy Outdoors	10,512	2,628	7,884	9,904
Safe Haven Shelter	31,885	7,972	23,913	30,043
Salvation Army	86,369	21,593	64,776	81,378
Second Harvest Northern Lakes Food Bank	21,285	5,322	15,963	20,055
SOAR Career Solutions	41,127	10,283	30,844	32,683
Valley Youth Center	68,325	17,082	51,243	64,377
Volunteer Attorney Program	8,761	2,191	6,570	8,254
Woodland Hills	34,219	8,555	25,664	31,198
YWCA	48,615	12,154	36,461	45,807
Changes in 2016 Allocation Payable	(5,199)	-	-	-
Duluth Area Community Care allocations	1,033,878	259,791	779,286	1,000,198
Care Partners of Cook County	3,960	990	2,970	-
Two Harbors Area Food Shelf	5,659	1,415	4,244	3,676
Community Partners	5,659	1,415	4,244	2,624
Just Kids Dental	1,132	283	849	-
North Shore Horizons	2,263	566	1,697	3,674
Northshore Area Partners	5,659	1,415	4,244	2,624
Northshore Collaborative	1,132	283	849	1,050
Salvation Army Lake County	-	-	-	2,624
Socially Active Seniors	2,828	707	2,121	1,322
North Shore Community Care allocations	28,292	7,074	21,218	17,594

(Continued)

Head of the Lakes United Way

Notes to Financial Statements

Note 8. Allocations to Agencies (Continued)

	2017			2016
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Red Cross - Northern Minnesota Chapter	\$ 4,501	\$ 1,125	\$ 3,376	\$ 4,316
Boys & Girls Clubs of the Northland	25,000	6,249	18,751	25,470
Catholic Community Services, Inc. (funded programs: Foster Grandparents and RSVP Bookworms Project)	6,500	1,626	4,874	5,936
Center Against Sexual & Domestic Abuse, Inc.	16,885	4,221	12,664	16,190
Challenge Center	9,568	2,391	7,177	9,174
Douglas County 4-H Clubs, Inc.	5,016	1,254	3,762	5,936
Duluth Area Family YMCA	25,000	6,249	18,751	21,586
Faith United Methodist Church (funded program: Harbor House Crisis Shelters)	20,648	5,163	15,485	20,507
Health Care Clinic	2,252	564	1,688	2,159
Human Development Center	9,005	2,250	6,755	8,634
Just Kids Dental	5,629	1,407	4,222	5,397
Lake Superior Community Health Center	3,377	843	2,534	3,238
Lutheran Social Service of Wisconsin and Upper Michigan, Inc	4,502	1,125	3,377	
Salvation Army Wisconsin & Upper Michigan	-	-	-	17,449
School District of Superior	1,125	282	843	1,079
Superior Douglas County Family YMCA	20,000	5,001	14,999	19,427
Superior Vocation Center, Inc.	9,005	2,250	6,755	11,872
Twin Ports Guardianship & Payee Services	9,005	2,250	6,755	8,634
Changes in 2016 Allocation Payable	-	-	-	562
	(562)	-	-	-
Superior/Douglas County Community Care allocations	176,456	44,250	132,768	187,566
Total Community Care allocations	1,238,626	311,115	933,272	1,205,358
Duluth Profile Project	2,000	2,000	-	-
Total initiatives distributions	2,000	2,000	-	-
Total agency allocations	\$ 1,240,626	\$ 313,115	\$ 933,272	\$ 1,205,358

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 \$36,042 and \$36,938 for the years ended June 30, 2017 and 2016, 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 \$37,891 and \$37,280 for the years ended June 30, 2017 and 2016, 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:

	2017	2016
Strategic business practices	\$ 568,780	\$ 533,885
Wisconsin programs	256,780	254,601
	<u>\$ 825,560</u>	<u>\$ 788,486</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 recognized an inherent contribution of \$362,118 for the net assets transferred from United Way Superior-Douglas County.

Head of the Lakes United Way

Notes to Financial Statements

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) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for the Organization beginning with its year ending June 30, 2020. In April and May 2016, the FASB issued ASU Nos. 2016-10 and 2016-12, respectively, as amending and clarifying certain provisions of ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact the adoption of this standard will have on the financial statements.

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.

ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*, requiring the statement of cash flows to explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for the Organization for the fiscal year ending June 30, 2019.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
Head of the Lakes United Way

We have audited the financial statements of Head of the Lakes United Way as of and for the years ended June 30, 2017 and 2016, and have issued our report thereon, dated October 18, 2017, 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 18, 2017

Head of the Lakes United Way

Other Program Services
Years Ended June 30, 2017 and 2016

	2017			
	Community Impact	Fund Distribution	AFL-CIO Community Services	Volunteer Center
Salaries	\$ 103,749	\$ 18,071	\$ 41,447	\$ 29,707
Payroll taxes	7,672	1,405	3,242	2,336
Employee benefits	23,139	2,871	8,523	11,656
Total salaries and related expenses	134,560	22,347	53,212	43,699
Conferences, conventions, and meetings	12,350	375	3,304	862
Insurance	1,340	64	-	-
Membership dues	1,193	221	-	6
Other	2,219	98	-	45
Occupancy	4,713	1,020	3,885	2,423
Postage	1,081	134	62	20
Printing and marketing	1,153	237	833	20
Professional fees	3,180	122	57	61
Rental and maintenance of equipment	15,326	736	267	3,041
Supplies	1,817	438	51	66
Telephone and communications	1,866	253	424	463
Special events	1,825	7	-	3,137
Donated services	450	-	-	-
United Way Worldwide	10,415	500	-	-
Depreciation	2,481	537	-	605
	\$ 195,969	\$ 27,089	\$ 62,095	\$ 54,448

2017			
2-1-1 Information and Referral	Total		2016
\$ 151,081	\$ 344,055	\$	339,178
11,795	26,450		27,652
26,342	72,531		61,673
189,218	443,036		428,503
-	16,891		14,789
2,996	4,400		5,004
88	1,508		1,785
22	2,384		2,063
6,947	18,988		17,755
33	1,330		707
165	2,408		4,085
490	3,910		8,692
803	20,173		18,691
200	2,572		4,287
1,997	5,003		5,332
-	4,969		6,028
-	450		9,164
-	10,915		10,996
644	4,267		3,717
<u>\$ 203,603</u>	<u>\$ 543,204</u>	<u>\$</u>	<u>541,598</u>

Head of the Lakes United Way

Fundraising Expenses

Years Ended June 30, 2017 and 2016

	2017			2016
	Resource Development	Marketing	Total	
Salaries	\$ 173,330	\$ 46,573	\$ 219,903	\$ 233,656
Payroll taxes	13,431	3,645	17,076	18,988
Employee benefits	27,151	8,945	36,096	42,235
Total salaries and related expenses	213,912	59,163	273,075	294,879
Conferences, conventions, and meetings	4,970	890	5,860	17,450
Insurance	744	153	897	1,633
Membership dues	2,706	524	3,230	3,493
Other	8,928	232	9,160	6,354
Occupancy	11,810	2,422	14,232	14,680
Postage	2,546	1	2,547	2,379
Printing and marketing	10,572	265	10,837	10,774
Professional fees	1,435	890	2,325	3,950
Rental and maintenance of equipment	10,016	1,745	11,761	8,963
Supplies	2,780	205	2,985	4,737
Telephone and communications	4,169	718	4,887	5,500
Special events	13,829	16	13,845	9,154
Donated services	1,873	-	1,873	10,313
United Way Worldwide	5,783	1,186	6,969	7,876
Depreciation	6,217	1,275	7,492	6,627
	\$ 302,290	\$ 69,685	\$ 371,975	\$ 408,762