

Head of the Lakes United Way

Financial Report
June 30, 2018

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Independent Auditor's Report

To the Board of Directors
Head of the Lakes United Way

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, 2018, and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Duluth, Minnesota
October 17, 2018

Head of the Lakes United Way

**Statements of Financial Position
June 30, 2018 and 2017**

	2018	2017
Assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,368,274	\$ 1,236,613
Restricted (Note 2)	5,445	7,182
Investments	-	9,830
Contributions Receivable, less allowance for uncollectibles of \$92,816 in 2018 and \$115,789 in 2017	549,390	659,944
Other receivables	67,990	89,932
Prepaid expenses	8,444	9,530
Property and equipment, net (Note 3)	55,261	71,008
Beneficial interest in perpetual trust (Note 4)	4,441,173	4,152,830
Beneficial interest in assets held by others (Note 5)	622,373	601,981
Total assets	\$ 7,118,350	\$ 6,838,850
Liabilities and Net Assets		
Liabilities:		
Allocations and designations payable (Note 6)	\$ 963,766	\$ 972,540
Deposits held for others (Note 2)	5,445	7,182
Accounts payable	13,076	6,144
Accrued expenses	50,594	45,735
Total liabilities	1,032,881	1,031,601
Net assets:		
Unrestricted:		
Non-designated	102,208	112,954
Board designated (Note 11)	826,030	825,560
Property and equipment	55,261	71,008
United Way Endowment Fund (Note 5)	622,373	601,981
Total unrestricted net assets	1,605,872	1,611,503
Temporarily restricted (Note 7)	38,424	42,916
Permanently restricted (Note 7)	4,441,173	4,152,830
Total net assets	6,085,469	5,807,249
Total liabilities and net assets	\$ 7,118,350	\$ 6,838,850

See notes to financial statements.

Head of the Lakes United Way

Statements of Activities
Years Ended June 30, 2018 and 2017

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenue:				
Gross campaign results	\$ 1,859,541	\$ 11,978	\$ -	\$ 1,871,519
Gross campaign results in prior year, released from restrictions	18,470	(18,470)	-	-
Total campaign results	1,878,011	(6,492)	-	1,871,519
Less donor designated contributions (Note 6)	(89,719)	-	-	(89,719)
Less provision for uncollectible accounts	(31,745)	-	-	(31,745)
Net campaign revenue	1,756,547	(6,492)	-	1,750,055
Perpetual trust contribution	209,265	-	-	209,265
Duluth-Superior Area Community Foundation contribution	26,960	-	-	26,960
Other contributions	58	-	-	58
Grant income	27,708	20,000	-	47,708
Sponsorships	23,500	2,000	-	25,500
Bequests and memorials	-	-	-	-
Special events	14,219	-	-	14,219
Services revenue	115,897	-	-	115,897
Temporarily restricted net assets released	20,000	(20,000)	-	-
Total public support	2,194,154	(4,492)	-	2,189,662
Investment income	3,046	-	-	3,046
Change in beneficial interest in assets held by others	46,835	-	-	46,835
Change in beneficial interest in perpetual trust	-	-	288,343	288,343
Donated goods and services	28,071	-	-	28,071
Miscellaneous	9,775	-	-	9,775
Total revenue	2,281,881	(4,492)	288,343	2,565,732
Allocations and expenses:				
Allocations and program services:				
Gross allocations to agencies for programs	1,339,416	-	-	1,339,416
Less donor designated contributions (Note 6)	(89,719)	-	-	(89,719)
Net allocations awarded (Note 8)	1,249,697	-	-	1,249,697
Initiatives distributions (Note 8)	2,000	-	-	2,000
Other program services	539,422	-	-	539,422
Total program expenses	1,791,119	-	-	1,791,119
Supporting services:				
Management and general	189,020	-	-	189,020
Fundraising	307,373	-	-	307,373
Total allocations and expenses	2,287,512	-	-	2,287,512
(Decrease) increase in net assets	(5,631)	(4,492)	288,343	278,220
Net assets:				
Beginning of year	1,611,503	42,916	4,152,830	5,807,249
End of year	\$ 1,605,872	\$ 38,424	\$ 4,441,173	\$ 6,085,469

See notes to financial statements.

2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,004,911	\$ 18,470	\$ -	\$ 2,023,381
21,409	(21,409)	-	-
2,026,320	(2,939)	-	2,023,381
(93,399)	-	-	(93,399)
(59,153)	-	-	(59,153)
1,873,768	(2,939)	-	1,870,829
189,495	-	-	189,495
26,884	-	-	26,884
5,000	-	-	5,000
35,079	20,000	-	55,079
21,500	-	-	21,500
156,349	-	-	156,349
16,871	-	-	16,871
95,809	-	-	95,809
24,000	(24,000)	-	-
2,444,755	(6,939)	-	2,437,816
3,036	-	-	3,036
71,908	-	-	71,908
-	-	376,152	376,152
15,946	-	-	15,946
13,623	-	-	13,623
2,549,268	(6,939)	376,152	2,918,481
1,332,025	-	-	1,332,025
(93,399)	-	-	(93,399)
1,238,626	-	-	1,238,626
2,000	-	-	2,000
543,204	-	-	543,204
1,783,830	-	-	1,783,830
155,641	-	-	155,641
371,975	-	-	371,975
2,311,446	-	-	2,311,446
237,822	(6,939)	376,152	607,035
1,373,681	49,855	3,776,678	5,200,214
\$ 1,611,503	\$ 42,916	\$ 4,152,830	\$ 5,807,249

Head of the Lakes United Way

Statements of Functional Expenses
Years Ended June 30, 2018 and 2017

	2018			
	Program Services	Management and General	Fundraising	Total
Gross allocations to agencies for programs	\$ 1,339,416	\$ -	\$ -	\$ 1,339,416
Less donor designated contributions	(89,719)	-	-	(89,719)
Net allocations awarded	1,249,697	-	-	1,249,697
Initiatives distributions	2,000	-	-	2,000
Salaries	339,695	103,674	162,153	605,522
Payroll taxes	26,979	8,220	12,895	48,094
Employee benefits	68,869	12,041	28,979	109,889
Total salaries and related expenses	435,543	123,935	204,027	763,505
Conferences, conventions, and meetings	16,951	3,252	6,696	26,899
Insurance	4,744	352	724	5,820
Membership dues	1,976	1,220	2,598	5,794
Other	2,008	431	7,454	9,893
Occupancy	21,079	5,703	11,744	38,526
Postage	1,201	515	2,577	4,293
Printing and marketing	2,535	349	8,912	11,796
Professional fees	3,881	39,779	3,803	47,463
Rental and maintenance of equipment	17,857	3,206	6,641	27,704
Supplies	1,923	278	2,065	4,266
Telephone and communications	5,623	1,409	4,316	11,348
Special events	5,626	-	7,407	13,033
Donated services	450	2,256	25,365	28,071
United Way Worldwide	12,783	2,901	5,973	21,657
Depreciation	5,242	3,434	7,071	15,747
Total other program services	539,422	189,020	307,373	1,035,815
Total allocations and expenses	\$ 1,791,119	\$ 189,020	\$ 307,373	\$ 2,287,512

See notes to financial statements.

2017

Program Services	Management and General	Fundraising	Total
\$ 1,332,025	\$ -	\$ -	\$ 1,332,025
(93,399)	-	-	(93,399)
1,238,626	-	-	1,238,626
2,000	-	-	2,000
344,055	95,691	219,903	659,649
26,450	7,436	17,076	50,962
72,531	9,730	36,096	118,357
443,036	112,857	273,075	828,968
16,891	1,716	5,860	24,467
4,400	294	897	5,591
1,508	1,012	3,230	5,750
2,384	451	9,160	11,995
18,988	4,671	14,232	37,891
1,330	625	2,547	4,502
2,408	511	10,837	13,756
3,910	22,833	2,325	29,068
20,173	3,366	11,761	35,300
2,572	394	2,985	5,951
5,003	1,260	4,887	11,150
4,969	31	13,845	18,845
450	873	1,873	3,196
10,915	2,288	6,969	20,172
4,267	2,459	7,492	14,218
543,204	155,641	371,975	1,070,820
\$ 1,783,830	\$ 155,641	\$ 371,975	\$ 2,311,446

Head of the Lakes United Way

**Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 278,220	\$ 607,035
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	15,747	14,218
Loss on disposal of property and equipment	-	162
Changes in:		
Beneficial interest in:		
Assets held by others	(20,392)	(45,092)
Perpetual trust	(288,343)	(376,152)
Assets and liabilities:		
Contributions receivable	110,554	9,094
Other receivables	21,942	74,318
Prepaid expenses	1,086	(2,762)
Investments	9,830	(9,830)
Allocations payable and designated pledges	(8,774)	12,771
Deposits held for others	(1,737)	105
Accounts payable	6,932	(7,153)
Accrued expenses	4,859	(22,478)
Net cash provided by operating activities	129,924	254,236
Cash flows from investing activities:		
Purchase of property and equipment	-	(57,082)
Net cash used in investing activities	-	(57,082)
Net increase in cash and cash equivalents	129,924	197,154
Cash and cash equivalents:		
Beginning	1,243,795	1,046,641
Ending	\$ 1,373,719	\$ 1,243,795

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, 2018 and 2017, the Organization recognized \$28,071 and \$15,946, 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 2014.

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 17, 2018, 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 \$5,445 and \$7,182 at June 30, 2018 and 2017, respectively, for the Duluth Youth Coalition.

Note 3. Property and Equipment

	2018	2017
Office equipment	\$ 225,858	\$ 225,858
Leasehold improvements	47,553	47,553
	<u>273,411</u>	<u>273,411</u>
Less accumulated depreciation	218,150	202,403
	<u>\$ 55,261</u>	<u>\$ 71,008</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.

	2018	2017
Beneficial interest, beginning of year	\$ 4,152,830	\$ 3,776,678
Increase in beneficial interest	497,608	565,647
Amount distributed	(209,265)	(189,495)
Beneficial interest, end of year	<u>\$ 4,441,173</u>	<u>\$ 4,152,830</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, 2018 and 2017, 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.

	2018	2017
Beneficial interest, beginning of year	\$ 601,981	\$ 556,889
Increase in beneficial interest	46,835	71,908
Amount distributed	(26,443)	(26,816)
Beneficial interest, end of year	<u>\$ 622,373</u>	<u>\$ 601,981</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, \$640,287 and \$625,105 at June 30, 2018 and 2017, respectively, has not been recorded as an asset on these financial statements.

Note 6. Allocations and Designations Payable

	2018	2017
Community Care allocations payable	\$ 944,116	\$ 933,272
Donor designated contributions	19,650	39,268
	<u>\$ 963,766</u>	<u>\$ 972,540</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, 2018 and 2017, the Organization raised \$89,719 and \$93,399, 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:

	2018	2017
2-1-1 Information and referral	\$ 20,000	\$ 20,000
Contributions for the subsequent fiscal year's campaign	11,978	18,470
Sponsorships for the subsequent fiscal year	2,000	-
Women's Leadership Council	4,446	4,446
	<u>\$ 38,424</u>	<u>\$ 42,916</u>

Permanently restricted net assets of \$4,441,173 and \$4,152,830 include the beneficial interest in the Head of the Lakes United Way Trust at June 30, 2018 and 2017, 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:

	2018			2017
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Indian Community Housing Organization	\$ 10,962	\$ 2,741	\$ 8,221	\$ -
American Red Cross - Northern Minnesota Chapter	6,235	1,559	4,676	10,511
Arc Northland	9,908	2,478	7,430	8,550
Boys & Girls Clubs of the Northland	39,921	9,981	29,940	39,921
Center City Housing Corp.	25,968	6,493	19,475	26,892
Children's Dental Services	7,273	1,818	5,455	8,410
Churches United in Ministry	49,052	12,263	36,789	39,418
Community Action Duluth	38,207	9,553	28,654	38,207
Courage Center	7,866	1,967	5,899	7,883
Damiano Center	58,997	14,750	44,247	56,236
Domestic Abuse Intervention Program	-	-	-	5,255
Duluth Area Family YMCA	31,329	17,139	14,190	101,698
Duluth Community School Collaborative	30,423	7,606	22,817	30,423
Girl Scouts - Northern Pine Council	17,110	4,278	12,832	17,110
Goodwill	7,960	1,990	5,970	7,960
Human Development Center	42,316	10,579	31,737	50,105
Just Kids Dental	7,273	1,819	5,454	-
Lake Superior Community Health Center	54,080	13,520	40,560	52,906
Legal Aid Service of NE MN	54,201	13,551	40,650	55,262
Life House	95,309	23,828	71,481	59,845
Lutheran Social Service	38,188	9,549	28,639	42,889
Men as Peacemakers	28,498	7,126	21,372	28,498
Positive Energy Outdoors	10,512	2,628	7,884	10,512
Safe Haven Shelter	33,433	8,359	25,074	31,885
Salvation Army	53,957	13,490	40,467	86,369
Second Harvest Northern Lakes Food Bank	20,929	5,233	15,696	21,285
SOAR Career Solutions	41,127	10,283	30,844	41,127
The Hills Youth and Family Services, Inc.	51,624	12,907	38,717	34,219
Volunteer Attorney Program	7,793	1,949	5,844	8,761
Welch Center, Inc., DBA Valley Youth Center	112,123	17,082	95,041	68,325
YWCA	48,615	12,154	36,461	48,615
Changes in 2017 Allocation Payable	(1,423)	-	-	(5,199)
Duluth Area Community Care allocations	1,039,766	258,673	782,516	1,033,878
Care Partners of Cook County	3,820	955	2,865	3,960
Community Partners	8,190	2,049	6,141	5,659
Just Kids Dental	1,092	273	819	1,132
Northshore Area Partners	5,461	1,366	4,095	5,659
Northshore Collaborative	1,092	273	819	1,132
North Shore Horizons	2,184	546	1,638	2,263
Socially Active Seniors	-	-	-	2,828
Two Harbors Area Food Shelf	5,461	1,366	4,095	5,659
North Shore Community Care allocations	27,300	6,828	20,472	28,292

(Continued)

Head of the Lakes United Way

Notes to Financial Statements

Note 8. Allocations to Agencies (Continued)

	2018			2017
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Red Cross - Northern Minnesota Chapter	\$ 6,000	\$ 1,500	\$ 4,500	\$ 4,501
Boys & Girls Clubs of the Northland	25,000	6,249	18,751	25,000
Catholic Community Services, Inc. (funded programs: Foster Grandparents and RSVP Bookworms Project)	6,500	1,626	4,874	6,500
Center Against Sexual & Domestic Abuse, Inc.	21,565	5,391	16,174	16,885
Challenge Center	2,130	534	1,596	9,568
Douglas County 4-H Clubs, Inc.	5,016	1,254	3,762	5,016
Duluth Area Family YMCA	2,083	2,083	-	25,000
Faith United Methodist Church (funded program: Harbor House Crisis Shelters)	22,336	5,586	16,750	20,648
Health Care Clinic	1,065	267	798	2,252
Human Development Center	-	-	-	9,005
Just Kids Dental	5,325	1,332	3,993	5,629
Lake Superior Community Health Center	4,134	1,035	3,099	3,377
Lutheran Social Service of Wisconsin and Upper Michigan	2,130	534	1,596	4,502
Mentor North, Inc.	6,250	-	6,250	-
Salvation Army Wisconsin & Upper Michigan	-	-	-	1,125
School District of Superior	20,000	5,001	14,999	20,000
Superior Douglas County Family YMCA	5,325	1,332	3,993	9,005
Superior Vocation Center, Inc.	13,614	3,405	10,209	9,005
Welch Center, Inc., DBA Valley Youth Center	16,667	-	16,667	-
Changes in 2017 Allocation Payable	-	-	-	(562)
Superior/Douglas County Community Care allocations	165,140	37,129	128,011	176,456
Northwoods Women, Inc. (dba, New Day Shelter)	4,316	1,080	3,236	-
The BRICK Ministries, Inc	13,175	3,294	9,881	-
Ashland/Bayfield Community Care allocations	17,491	4,374	13,117	-
Total Community Care allocations	1,249,697	307,004	944,116	1,238,626
Duluth Profile Project	2,000	2,000	-	2,000
Total initiatives distributions	2,000	2,000	-	2,000
Total agency allocations	\$ 1,251,697	\$ 309,004	\$ 944,116	\$ 1,240,626

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 \$32,260 and \$36,042 for the years ended June 30, 2018 and 2017, 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 \$38,526 and \$37,891 for the years ended June 30, 2018 and 2017, 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:

	2018	2017
Strategic business practices	\$ 576,748	\$ 568,780
Wisconsin programs	249,282	256,780
	<u>\$ 826,030</u>	<u>\$ 825,560</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. 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, 2020.



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, 2018 and 2017, and have issued our report thereon, dated October 17, 2018, 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 17, 2018

Head of the Lakes United Way

Other Program Services
Years Ended June 30, 2018 and 2017

	2018			
	Community Impact	Fund Distribution	AFL-CIO Community Services	Volunteer Center
Salaries	\$ 117,815	\$ 17,454	\$ 40,248	\$ 24,350
Payroll taxes	9,349	1,399	3,191	1,971
Employee benefits	28,471	2,936	8,785	7,830
Total salaries and related expenses	155,635	21,789	52,224	34,151
Conferences, conventions, and meetings	11,886	1,182	3,329	386
Insurance	1,477	73	-	-
Membership dues	1,561	252	-	75
Other	1,887	116	-	5
Occupancy	6,488	1,178	4,645	1,768
Postage	923	234	36	4
Printing and marketing	1,219	72	1,229	15
Professional fees	1,763	49	58	153
Rental and maintenance of equipment	13,467	662	89	3,167
Supplies	1,166	312	22	9
Telephone and communications	2,326	380	628	505
Special events	3,931	-	-	1,695
Donated services	450	-	-	-
United Way Worldwide	12,184	599	-	-
Depreciation	3,909	709	-	302
	\$ 220,272	\$ 27,607	\$ 62,260	\$ 42,235

2018			
2-1-1			2017
Information and		Total	
Referral			
\$ 139,828	\$	339,695	\$ 344,055
11,069		26,979	26,450
20,847		68,869	72,531
171,744		435,543	443,036
168		16,951	16,891
3,194		4,744	4,400
88		1,976	1,508
-		2,008	2,384
7,000		21,079	18,988
4		1,201	1,330
-		2,535	2,408
1,858		3,881	3,910
472		17,857	20,173
414		1,923	2,572
1,784		5,623	5,003
-		5,626	4,969
-		450	450
-		12,783	10,915
322		5,242	4,267
\$ 187,048	\$	539,422	\$ 543,204

Head of the Lakes United Way

Fundraising Expenses
Years Ended June 30, 2018 and 2017

	2018			2017
	Resource Development	Marketing	Total	
Salaries	\$ 142,883	\$ 19,270	\$ 162,153	\$ 219,903
Payroll taxes	11,412	1,483	12,895	17,076
Employee benefits	23,977	5,002	28,979	36,096
Total salaries and related expenses	178,272	25,755	204,027	273,075
Conferences, conventions, and meetings	6,001	695	6,696	5,860
Insurance	649	75	724	897
Membership dues	2,337	261	2,598	3,230
Other	7,375	79	7,454	9,160
Occupancy	10,524	1,220	11,744	14,232
Postage	2,577	-	2,577	2,547
Printing and marketing	8,762	150	8,912	10,837
Professional fees	521	3,282	3,803	2,325
Rental and maintenance of equipment	5,955	686	6,641	11,761
Supplies	2,006	59	2,065	2,985
Telephone and communications	3,743	573	4,316	4,887
Special events	7,407	-	7,407	13,845
Donated services	25,365	-	25,365	1,873
United Way Worldwide	5,353	620	5,973	6,969
Depreciation	6,337	734	7,071	7,492
	\$ 273,184	\$ 34,189	\$ 307,373	\$ 371,975