

United Way of Northwest Michigan

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
United Way of Northwest Michigan

We have audited the accompanying statement of financial position of United Way of Northwest Michigan (the "Organization") as of December 31, 2009 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior period summarized comparative information has been derived from the Organization's December 31, 2008 financial statements and, in our report dated April 2, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Northwest Michigan as of December 31, 2009 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dennis, Gartland & Niergarth

March 29, 2010

United Way of Northwest Michigan

STATEMENT OF FINANCIAL POSITION

December 31, 2009
(With Comparative Totals as of December 31, 2008)

ASSETS	(Memorandum Only)				
	<u>Unrestricted</u>	Temporarily Restricted	Permanently Restricted	Totals	
				2009	2008
CURRENT ASSETS					
Cash and cash equivalents	\$ 32,664	\$ 226,889	\$ -	\$ 259,553	\$ 303,454
Accounts receivable	15,705	-	-	15,705	17,200
Pledges receivable, less allowance for uncollectibles \$97,100	45,178	338,419	-	383,597	505,989
Prepaid expenses	<u>782</u>	<u>-</u>	<u>-</u>	<u>782</u>	<u>8,372</u>
Total current assets	<u>94,329</u>	<u>565,308</u>	<u>-</u>	<u>659,637</u>	<u>835,015</u>
PROPERTY AND EQUIPMENT					
Land and improvements	55,133	-	-	55,133	55,133
Building and improvements	330,037	-	-	330,037	330,037
Furniture and equipment	<u>110,728</u>	<u>-</u>	<u>-</u>	<u>110,728</u>	<u>110,728</u>
Total property and equipment	495,898	-	-	495,898	495,898
Less accumulated depreciation	<u>(312,883)</u>	<u>-</u>	<u>-</u>	<u>(312,883)</u>	<u>(301,222)</u>
Total property and equipment, net	<u>183,015</u>	<u>-</u>	<u>-</u>	<u>183,015</u>	<u>194,676</u>
OTHER ASSETS					
Interest in recipient organization	<u>-</u>	<u>53,001</u>	<u>311,779</u>	<u>364,780</u>	<u>317,986</u>
Total assets	<u>\$ 277,344</u>	<u>\$ 618,309</u>	<u>\$ 311,779</u>	<u>\$ 1,207,432</u>	<u>\$ 1,347,677</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current portion of long-term liabilities	\$ 14,828	\$ -	\$ -	\$ 14,828	\$ 14,072
Accounts payable	417	-	-	417	29,010
Donor designations payable	66,645	-	-	66,645	64,271
Accrued vacation pay	11,316	-	-	11,316	9,244
Funds held for others	<u>-</u>	<u>1,813</u>	<u>-</u>	<u>1,813</u>	<u>15,587</u>
Total current liabilities	93,206	1,813	-	95,019	132,184
LONG-TERM LIABILITIES					
Mortgage payable	<u>85,039</u>	<u>-</u>	<u>-</u>	<u>85,039</u>	<u>99,808</u>
Total liabilities	<u>178,245</u>	<u>1,813</u>	<u>-</u>	<u>180,058</u>	<u>231,992</u>
NET ASSETS					
Unrestricted	99,099	-	-	99,099	218,566
Temporarily restricted for grant making	-	616,496	-	616,496	579,133
Permanently restricted for endowments	<u>-</u>	<u>-</u>	<u>311,779</u>	<u>311,779</u>	<u>317,986</u>
Total net assets	<u>99,099</u>	<u>616,496</u>	<u>311,779</u>	<u>1,027,374</u>	<u>1,115,685</u>
	<u>\$ 277,344</u>	<u>\$ 618,309</u>	<u>\$ 311,779</u>	<u>\$ 1,207,432</u>	<u>\$ 1,347,677</u>

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

United Way of Northwest Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

SUPPORT AND REVENUE	(Memorandum Only)				
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Totals	
				2009	2008
Campaign results					
Additional prior year campaign pledges received, net	\$ 139,906	\$ -	\$ -	\$ 139,906	\$ 102,403
Net 2008 campaign revenues released from timing restrictions	570,367	(570,367)	-	-	-
2009 campaign results	-	602,929	-	602,929	619,267
Less donor designations	(108,197)	-	-	(108,197)	(244,606)
Allowance for uncollectible pledges	<u>-</u>	<u>(48,200)</u>	<u>-</u>	<u>(48,200)</u>	<u>(48,900)</u>
Net campaign revenues	602,076	(15,638)	-	586,438	428,164
Grant income	128,573	-	-	128,573	137,521
Other revenue					
Rental income	19,810	-	-	19,810	18,967
Interest and dividends	312	-	-	312	5,858
Administrative reimbursements	-	-	-	-	2,520
Corporate sponsor income	12,500	-	-	12,500	20,500
Miscellaneous	<u>14,677</u>	<u>-</u>	<u>-</u>	<u>14,677</u>	<u>30,046</u>
Total revenue, grants and other support	<u>777,948</u>	<u>(15,638)</u>	<u>-</u>	<u>762,310</u>	<u>643,576</u>
EXPENSES					
Community investments, designations and other distributions	590,898	-	-	590,898	637,307
Less community investments funded through designations	<u>(139,323)</u>	<u>-</u>	<u>-</u>	<u>(139,323)</u>	<u>(275,271)</u>
Net community investments	<u>451,575</u>	<u>-</u>	<u>-</u>	<u>451,575</u>	<u>362,036</u>
Program services					
Volunteer services	85,849	-	-	85,849	99,640
R.S.V.P.	<u>107,217</u>	<u>-</u>	<u>-</u>	<u>107,217</u>	<u>89,783</u>
Total program services	<u>193,066</u>	<u>-</u>	<u>-</u>	<u>193,066</u>	<u>189,423</u>
Supporting services					
General and administrative	63,950	-	-	63,950	56,491
Resource development	154,297	-	-	154,297	145,141
Grant award process	<u>34,527</u>	<u>-</u>	<u>-</u>	<u>34,527</u>	<u>28,848</u>
Total supporting services	<u>252,774</u>	<u>-</u>	<u>-</u>	<u>252,774</u>	<u>230,480</u>
Total expenses	<u>897,415</u>	<u>-</u>	<u>-</u>	<u>897,415</u>	<u>781,939</u>
CHANGE IN NET ASSETS BEFORE OTHER INCREASES (DECREASES)	(119,467)	(15,638)	-	(135,105)	(138,363)
Increase (decrease) in interest in recipient organization	<u>-</u>	<u>53,001</u>	<u>(6,207)</u>	<u>46,794</u>	<u>(147,006)</u>
CHANGE IN NET ASSETS	(119,467)	37,363	(6,207)	(88,311)	(285,369)
Net assets, beginning of year	<u>218,566</u>	<u>579,133</u>	<u>317,986</u>	<u>1,115,685</u>	<u>1,401,054</u>
Net assets, end of the year	<u>\$ 99,099</u>	<u>\$ 616,496</u>	<u>\$ 311,779</u>	<u>\$ 1,027,374</u>	<u>\$ 1,115,685</u>

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

United Way of Northwest Michigan

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (88,311)	\$ (285,369)
Adjustment to reconcile change in net assets to net cash from operating activities		
Depreciation expense	11,660	11,498
Loss on disposal of fixed assets	-	5,964
Decrease in accounts receivable	1,495	1,171
Decrease in pledges receivable	122,392	51,272
(Increase) decrease in prepaid expenses	7,590	(25)
(Increase) decrease in interest in recipient organization, net	(46,794)	147,005
(Decrease) increase in accounts payable and accrued expenses	(26,520)	3,628
Increase (decrease) in donor designations	2,374	(12,504)
Decrease in funds held for others	(13,774)	(41,316)
Net cash flows used by operating activities	(29,888)	(118,676)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and fixtures	-	(23,818)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	32,499
Principal payments on long-term debt	(14,013)	(8,520)
Net cash provided (used) by financing activities	(14,013)	23,979
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,901)	(118,515)
Cash and cash equivalents, beginning of year	303,454	421,969
Cash and cash equivalents, end of year	\$ 259,553	\$ 303,454
Supplemental statement of cash flow disclosures		
Interest paid	\$ 5,703	\$ 5,387

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

United Way of Northwest Michigan

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	Program Services			Supporting Services				Total Expenses	2008 Total
	Volunteer Services	R.S.V.P.	Total Program Services	General and Administrative	Resource Development	Grant Award Process	Total Supporting Services		
Salaries and wages	\$ 46,591	\$ 54,368	\$ 100,959	\$ 21,687	\$ 90,161	\$ 23,513	\$ 135,361	\$ 236,320	\$ 214,256
Employee benefits	2,209	5,842	8,051	5,363	5,535	1,531	12,429	20,480	13,210
Payroll taxes	5,019	5,631	10,650	2,031	8,282	2,114	12,427	23,077	21,479
Total salaries and related expenses	53,819	65,841	119,660	29,081	103,978	27,158	160,217	279,877	248,945
Professional fees	6,535	5,257	11,792	5,489	13,444	1,187	20,120	31,912	41,795
Supplies	1,558	5,267	6,825	1,067	1,751	432	3,250	10,075	11,175
Telephone	3,009	2,175	5,184	927	2,672	2,099	5,698	10,882	7,095
Postage	221	1,134	1,355	787	3,507	112	4,406	5,761	4,792
Occupancy	3,243	3,243	6,486	2,911	6,725	890	10,526	17,012	17,781
Equipment maintenance/rental	432	432	864	375	4,730	1,490	6,595	7,459	10,445
Printing and copying	2,707	1,838	4,545	154	5,191	65	5,410	9,955	9,600
Travel	174	86	260	40	250	11	301	561	136
Insurance	846	811	1,657	5,023	1,564	199	6,786	8,443	5,754
Board/staff development	-	-	-	1,000	-	-	1,000	1,000	714
Meeting expense	781	633	1,414	1,507	1,149	142	2,798	4,212	2,608
Advertising and media	2,178	300	2,478	275	3,805	75	4,155	6,633	15,733
Volunteer costs	5,326	17,236	22,562	196	60	8	264	22,826	12,590
Dues	2,075	1,660	3,735	2,059	2,770	346	5,175	8,910	10,853
Miscellaneous	1,804	163	1,967	544	420	28	992	2,959	3,002
Total expense before depreciation and other related expenses	84,708	106,076	190,784	51,435	152,016	34,242	237,693	428,477	403,018
Depreciation and amortization	-	-	-	11,660	-	-	11,660	11,660	11,498
Interest	1,141	1,141	2,282	855	2,281	285	3,421	5,703	5,387
Total expenses	\$ 85,849	\$ 107,217	\$ 193,066	\$ 63,950	\$ 154,297	\$ 34,527	\$ 252,774	\$ 445,840	\$ 419,903

-6- The accompanying notes are an integral part of these financial statements.

United Way of Northwest Michigan

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The United Way of Northwest Michigan (the "Organization") conducts annual campaigns to raise support for grants for community services in the subsequent calendar year. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions and restrictions imposed by specific fund agreements. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Donor restricted funds with accumulated investment losses are classified as unrestricted net assets until future investment gains and/or unrestricted contributions restore the deficits.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donors or established fund advisory committees may, with the Organization's Board of Trustees approval, at any time, recommend that all or a portion of the fund's temporarily restricted net assets be maintained permanently within the fund, at which time the net assets are transferred to permanently restricted net assets as reported in the statement of activities.

Permanently Restricted Net Assets - Net assets subject to donor-imposed or Board imposed stipulations will be maintained permanently by the Organization. Under certain circumstances, the Organization's Board of Trustees may allow donors or their designated advisory committees to amend fund agreements and, thereby, release all or a portion of the fund's assets from permanent restriction. Net assets are reclassified to unrestricted or temporarily restricted as appropriate and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents for the year ended December 31, 2009 consisted of money market accounts and demand deposits.

Promises to Give/Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. The Organization has received no unconditional promises to give that extend beyond one year. Pledges are generally from individuals and businesses located in Northwestern Michigan and are unsecured.

Property and Equipment

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Land and building are stated at the estimated fair market value at the time they were donated to the Organization. Improvements and furniture and fixtures are stated at cost, net of accumulated depreciation. The Organization generally capitalizes items with costs of \$300 or more as expenses or betterments occur. Costs of maintenance and repairs are charged to expense when incurred.

Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets as follows:

Building and improvements	7 - 35 years
Furniture and fixtures	5 - 10 years
Office equipment	5 years

Contributed Goods and Services

A substantial number of volunteers have donated significant amounts of time in the Organization's administration and fundraising campaigns. However, the value of these services has not been quantified and as such, is not reflected in the accompanying statements.

Tax Status

United Way of Northwest Michigan qualifies as an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements.

Total Columns on Statement of Financial Position

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

NOTES TO FINANCIAL STATEMENTS - Continued

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - CASH AND CASH EQUIVALENTS

The Organization maintains its cash balances in accounts with Traverse City State Bank and Wells Fargo, located in Traverse City, Michigan. For the period ended December 31, 2009, the carrying amount of deposits were \$259,553 and the bank balances (without recognition of checks written but not yet cleared or of deposits in transit) were \$297,622. The entire bank balance was insured, covered by FDIC and SIPC depository insurance, in the amounts of \$219,154 and \$78,468, respectively.

NOTE C - INTEREST IN RECIPIENT ORGANIZATION

The Organization has an endowment fund in which the assets are held by investment managers, contracted and administered by a local community foundation. The Organization has specified itself as the beneficiary of these assets. The community foundation has no variance power over the fund. The Organization has adopted SFAS No. 136 and will recognize these assets as an interest in recipient organization in the accompanying statement of financial position, classifying them as either temporarily or permanently restricted according to the terms of the fund. Changes in the value of the endowment fund are recognized in the statement of activities.

NOTE D - MORTGAGE PAYABLE

The mortgage payable is due in monthly installments of \$1,643, including interest at the rate of 5.25% per annum and is secured by land and buildings. The mortgage matures November 2013.

Principal maturities of long-term debt are as follows:

<u>Years Ending</u> <u>December 31,</u>	
2010	\$ 14,828
2011	15,625
2012	16,466
2013	<u>52,948</u>
	<u>\$ 99,867</u>

Interest expense for the year ended December 31, 2009 was \$5,703.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE E - LEASE COMMITMENTS

The Organization rents office space to other entities on a monthly basis. Total rental income received for the year ended December 31, 2009 was \$19,810.

NOTE F - GRANT REVENUE

During the year ended December 31, 2009, grant revenue consisted of the following:

General operating grants	\$ 5,250
Retired and Senior Volunteer Program	73,938
Volunteer Center	<u>49,385</u>
	<u>\$ 128,573</u>

NOTE G - RETIREMENT PLAN

The Organization maintains a profit sharing plan to provide retirement benefits for its employees. Employees must have completed one year of service before they become eligible to participate. Contributions to the plan are determined by the Board of Directors each year. For the year ended December 31, 2009, the contribution was established at 4% for each period of compensation. Total retirement benefit expense for the year ended December 31, 2009 was \$7,098.

NOTE H - COMMUNITY INVESTMENTS

Community investments, including grants and donor designations, net of administration fees, were made as follows:

Acme Christian Thrift Store and Pantry	\$ 4,000
Addiction Treatment Services	27,097
American Red Cross	3,947
Benzie Housing Council	1,250
Big Brothers/Big Sisters	26,726
Boys & Girls Club	38,167
Catholic Human Services	43,692
Central United Methodist Church	2,426
Child & Family Services	6,774
Community Resource Development	8,000
District Health Dept #10	3,000
Father Fred	38,377
Fresh Food Partnership	3,750
Girl Scouts of Michigan Shore to Shore	5,027
Good Samaritan Family Services	4,500
Goodwill Industries/Goodwill Inn	59,904
Goodwill - Homeless Outreach	27,500

NOTES TO FINANCIAL STATEMENTS - Continued

GTA Literacy Council	\$ 1,700
GTCHD - Youth Health and Wellness	3,000
Grand Traverse Bay YMCA	13,968
Impact 1000	(783)
Jubilee House	1,700
Leelanau Christian Neighbors	5,000
Michael's Place	14,261
MSU Extension - Grand Traverse	3,280
MSU Extension - Kalkaska	10,000
MSU Extension - Leelanau	7,500
NW Michigan 4C Council	2,000
PRI - Disability Network	3,758
Salvation Army - Antrim	3,857
Scenic Trails Boy Scouts	23,886
St. Paul's Episcopal Church	1,700
TCAPS - Youth Corps Program	9,869
TCCPCAN	17,553
Third Level Crisis Center	33,011
Traverse Health Clinic	18,747
Women's Resource Center	31,843
Donor Directed to Non-Member	<u>56,486</u>
Net community investments	566,473
Add:	
Administration fee for donor designations	<u>24,425</u>
Gross community investments	<u>\$ 590,898</u>

NOTE I - COMMITMENTS

The Organization's Board has approved sustainability grants in addition to the donor designations for the 2010-2011 fiscal years in the amount of \$97,750 to the various agencies. These amounts are contingent on the Organization having successful collection of the various campaign pledges.

The grants are awarded as follows:

Addiction Treatment Services	\$ 5,000
Big Brothers/Big Sisters	5,000
Boys & Girls Club	8,500
Father Fred	17,500
Goodwill Industries/Goodwill Inn	30,000
Scenic Trails Boy Scouts	24,250
TCCPCAN	2,500
Third Level Crisis Center	<u>5,000</u>
Total sustainability grants	<u>\$ 97,750</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Time restrictions	
Net campaign pledges received for future periods	\$ 554,729
Purpose restrictions	
Spendable reserve - Grand Traverse Regional Community Foundation	53,001
Children's Dental Fund	<u>8,766</u>
	<u>\$ 616,496</u>

NOTE K - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through March 29, 2010, the date the financial statements were available to be issued.