

**United Way of the  
Eastern Upper Peninsula**

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**FINANCIAL STATEMENTS**

**June 30, 2009**

**UNITED WAY OF THE EASTERN UPPER PENINSULA**  
**BOARD OF DIRECTORS**  
**2009**

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Tom Ewing	President – Elect
Bill Munsell	Treasurer
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Dr. Rodney Lowman	Director
Rod Nelson	Director
Michelle Walk	Director
Alice Walker	Director
Ken Drenth	Director
Keith Krahnke	Director
Capt. Mark Huebschman	Liaison

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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**OFFICES IN**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
United Way of the Eastern Upper Peninsula  
P.O. Box 451  
Sault Ste. Marie, MI 49783

We have audited the accompanying statements of financial position of the United Way of the Eastern Upper Peninsula (a Michigan nonprofit corporation), as of June 30, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the United Way of the Eastern Upper Peninsula's 2008 financial statements and, in our report dated March 12, 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 the Eastern Upper Peninsula as of June 30, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of expressing an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the United Way of the Eastern Upper Peninsula. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Anderson Tackman & Co. PLLC*

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

October 23, 2009

# **Financial Statements**

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# United Way of the Eastern Upper Peninsula

## Statements of Financial Position June 30, 2009 with Comparative Totals For the Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
<b>ASSETS:</b>				
Current assets:				
Cash and equivalents	\$ 69,843	\$ -	\$ 69,843	\$ 117,602
Pledges receivable (Less allowance for uncollectible of \$10,610 and \$14,906, respectively)	112,975	-	112,975	97,366
Other receivables	500	15,120	15,620	5,044
Prepaid expenses	<u>-</u>	<u>1,176</u>	<u>1,176</u>	<u>1,176</u>
Total current assets	<u>183,318</u>	<u>16,296</u>	<u>199,614</u>	<u>221,188</u>
Noncurrent assets:				
Furniture and equipment (Less accumulated depreciation)	<u>11,739</u>	<u>-</u>	<u>11,739</u>	<u>11,743</u>
Total noncurrent assets	<u>11,739</u>	<u>-</u>	<u>11,739</u>	<u>11,743</u>
<b>TOTAL ASSETS</b>	<u>\$ 195,057</u>	<u>\$ 16,296</u>	<u>\$ 211,353</u>	<u>\$ 232,931</u>
<b>LIABILITIES AND NET ASSETS:</b>				
Current liabilities:				
Allocations and designations payable	\$ 84,550	\$ -	\$ 84,550	\$ 126,873
Operating payables	3,574	314	3,888	10,162
Deferred revenue	3,292	15,982	19,274	9,287
Other liabilities	<u>6,824</u>	<u>-</u>	<u>6,824</u>	<u>2,604</u>
Total current liabilities	<u>98,240</u>	<u>16,296</u>	<u>114,536</u>	<u>148,926</u>
Net Assets:				
Unrestricted				
Unappropriated	35,340	-	35,340	24,794
Board appropriated	<u>61,477</u>	<u>-</u>	<u>61,477</u>	<u>59,211</u>
Total net assets	<u>96,817</u>	<u>-</u>	<u>96,817</u>	<u>84,005</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 195,057</u>	<u>\$ -</u>	<u>\$ 211,353</u>	<u>\$ 232,931</u>

# United Way of the Eastern Upper Peninsula

## Statements of Activities For the Year Ended June 30, 2009 with Comparative Totals For the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
<b>PUBLIC SUPPORT AND REVENUE:</b>				
Gross campaign results	\$ 313,082	\$ -	\$ 313,082	\$ 316,683
(Less donor designations)	(84,540)	-	(84,540)	(76,064)
Net campaign revenue	228,542	-	228,542	240,619
Volunteer Center Expansion	-	7,096	7,096	13,079
Service fees	5,762	-	5,762	5,730
Special events	17,890	2,896	20,786	23,688
Other contributions	16,634	146	16,780	12,771
Grants and contracts	10,565	34,290	44,855	19,563
Investment income	387	-	387	2,205
Miscellaneous income	2,934	3,437	6,371	12,201
Net assets restrictions	(31,568)	31,568	-	8,543
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>251,146</b>	<b>79,433</b>	<b>330,579</b>	<b>338,399</b>
 <b>EXPENSES:</b>				
Program Services				
Gross funds awarded/distributed	191,863	-	191,863	266,975
(Less donor designations)	(84,540)	-	(84,540)	(76,064)
Net funds awarded/distributed	107,323	-	107,323	190,911
Other program services	61,304	76,200	137,504	109,207
<b>Total Program Services</b>	<b>168,627</b>	<b>76,200</b>	<b>244,827</b>	<b>300,118</b>
Supporting Services				
Organizational administration	33,702	-	33,702	25,692
Fundraising	35,887	-	35,887	45,386
United Way of America dues	3,351	-	3,351	3,551
<b>Total Supporting Services</b>	<b>72,940</b>	<b>-</b>	<b>72,940</b>	<b>74,629</b>
<b>TOTAL EXPENSES</b>	<b>241,567</b>	<b>76,200</b>	<b>317,767</b>	<b>374,747</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>9,579</b>	<b>3,233</b>	<b>12,812</b>	<b>(36,348)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>87,238</b>	<b>(3,233)</b>	<b>84,005</b>	<b>120,353</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 96,817</b>	<b>\$ -</b>	<b>\$ 96,817</b>	<b>\$ 84,005</b>

# United Way of the Eastern Upper Peninsula

## Statements of Cash Flows For the Year June 30, 2009 with Comparative Totals For the Year Ended June 30, 2008

	<u>2009</u> Total	<u>2008</u> Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 12,812	\$ (36,348)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,842	2,758
Allowance for uncollectible	(4,296)	38
(Increase) decrease in operating assets:		
Pledges receivable	(11,310)	13,059
Other receivables	(10,576)	5,357
Prepaid expenses	-	671
(Decrease) increase in operating liabilities:		
Allocations and designations payable	(42,323)	2,275
Operating payables	(6,274)	8,368
Deferred Revenue	9,987	-
Other liabilities	4,217	(2,871)
Total adjustments	<u>(56,733)</u>	<u>29,655</u>
Net cash provided (used) by operating activities	<u>(43,921)</u>	<u>(6,693)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash payments for purchase of equipment	<u>(3,838)</u>	<u>(7,210)</u>
Net cash (used) by investing activities	<u>(3,838)</u>	<u>(7,210)</u>
Net increase (decrease) in cash and equivalents	(47,759)	(13,903)
Cash and equivalents, beginning of year	<u>117,602</u>	<u>131,505</u>
Cash and equivalents, end of year	<u>\$ 69,843</u>	<u>\$ 117,602</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

There were no non-cash investing and financing activities in the current or prior year.

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**a. Nature of Activities**

United Way of the Eastern Upper Peninsula (the Agency) is a Michigan nonprofit corporation established on November 2, 1979 that administers an annual fundraising campaign in Chippewa County and surrounding areas, and uses those funds to support a variety of human services programs in Chippewa County and the surrounding areas. The Agency is governed by a 30 member volunteer board.

United Way of the Eastern Upper Peninsula changes lives and builds a stronger community by helping people create solutions to important health and human service issues. Through fundraising, volunteerism and increasing community sufficiency, the Agency makes Chippewa, Luce and Mackinac Counties a better place to live, work and raise a family.

The Agency's goals are to:

- Focus on the most critical needs in Chippewa, Luce and Mackinac Counties.
- Multiply the impact of donor contributions.
- Deliver results that are made possible through investment of donors' time, talent and financial support.

**b. Campaign Pledges and Appropriations**

An annual fundraising campaign is conducted each fall to obtain donations and pledges to fund the subsequent year's operations. Accordingly, a receivable is recorded at year end for any outstanding campaign pledges with an allowance for amounts estimated to be uncollectible. The amounts outstanding are primarily due from individuals through payroll deductions.

The allowance for uncollectible pledges is computed based upon the Agency's experience over the past two years and any information supplied by the donor agency.

Community-wide care donations and pledges are recorded as temporarily restricted revenues in the campaign year and released into unrestricted net assets as time restrictions are satisfied in the subsequent year. Donor designated pledges are accounted for as a liability until dispensed to the designated agency. Those amounts are not accounted for as revenue but are reported as part of Campaign Results from which the amounts are then deducted to arrive at Campaign Revenue.

Donor designated pledges may be assessed a processing fee of 10% based upon historical costs of fundraising and operations in accordance with United Way of America membership standards as outlined in their publication titled *United Way of America Implementation Requirements for Membership Standard M (Cost deduction for Designated Funds)*. However, the United Way of the Eastern Upper Peninsula does not assess a processing fee.

**c. Basis of Accounting**

The Agency maintains its accounting records on the accrual basis, in accordance with U.S. generally accepted accounting principles.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**d. Financial Statement Presentation**

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its *Statement of Financial Accounting Standards* (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, United Way of the Eastern Upper Peninsula is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency.

The Agency's Board of Directors may designate a portion of unrestricted net assets for a specific purpose. As of June 30, 2009, the Board has set two reserves – Operating and Agency Stabilization. Both are funded at two months of total estimated payments for the next fiscal year.

**e. Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily-restricted or permanently-restricted support that increases those net asset classes.

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported on the statement of activities as net assets released from restriction.

If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value.

**f. Furniture and Equipment**

The Agency's furniture and equipment are carried at historical cost or fair market value if donated, less accumulated depreciation. The Agency capitalizes assets with a life of one year or more and greater than \$500. The current year's depreciation is computed according to the straight-line method over the following estimated useful lives:

Furniture and Fixtures	3-5 years
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**g. Contributed Facilities, Property and Equipment**

Contributed facilities, property and equipment are recorded at fair value at the date of donation.

For the period January 15, 2009 through February 28, 2010, the Agency entered into an arrangement with a local bank for the use of office space at a rate of \$2,205 of which all but \$150 per month is donated. The fair market value of these facilities, as established by the donor, is set at \$12 per square foot. The Agency rents 1,161 square feet. The total fair market rent for the year is recorded as rent expense with an offset of unrestricted support in the amount of \$16,634.

If donors stipulate how long the assets must be used, then the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**h. Contributed Services**

No amounts have been reflected in the statements for contributed services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Agency's program services and in its fundraising campaigns.

**i. Cash and Equivalents**

For purposes of the statements of financial position and cash flows, the Agency considers all cash held in checking and savings accounts to be cash and cash equivalents. Management believes the Agency is not exposed to any significant credit risk on cash and cash equivalents.

**j. Functional Allocation of Expenses**

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and the fund-raising activities benefited.

**k. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowances for uncollectible pledges. Because of the inherent uncertainties in estimating uncollectible pledges, it is reasonably possible that management's estimates could change in the near term.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**l. Advertising**

Advertising costs are expensed in the year incurred. Total advertising expense for the year ended June 30, 2009 was \$18.

**m. Income Taxes**

United Way of the Eastern Upper Peninsula is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, no income taxes are accrued nor is a provision computed in the accompanying statements. The Agency did not have any unrelated business income.

**n. Combined Federal Campaign**

CFC contracts with the Agency to manage the campaign and administer the funds of CFC. In accordance with United Way of America's revised *Financial Statement Standards (Membership Standard H)*, campaign results of CFC are included in the gross campaign results of the Agency.

**o. Fundraising Costs**

The Agency expenses all fundraising costs as they are incurred.

**p. Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

**q. Prior Period Summarized Financial Information**

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 Agency's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

**NOTE 2 - RETIREMENT PLAN:**

In January 2003, the board instituted a SIMPLE Retirement Incentive Match plan for the Agency's three employees. The Agency will match employee's contributions up to 3% of compensation. Contributions to this plan were \$2,625 and \$2,434 and eligible wages were \$72,750 and \$81,120 for fiscal 2009 and 2008 respectively.

**NOTE 3 - FURNITURE AND EQUIPMENT:**

A summary of furniture and equipment as of and for the year ended June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 37,712	\$ 33,874
Less: Accumulated depreciation	<u>(25,973)</u>	<u>(22,131)</u>
Furniture and equipment, net	<u>\$ 11,739</u>	<u>\$ 11,743</u>

Depreciation expense for the year ended June 30, 2009 and 2008 amounted to \$3,842 and \$2,758.

**NOTE 4 - PLEDGES RECEIVABLE:**

Pledges Receivable is made up of the following unconditional promises and allowance for uncollectible accounts:

	2008	<u>Receivable Expected</u>		
	<u>Unrestricted</u>	<u>≤ 1 year</u>	<u>1-5 years</u>	<u>≥ 5 years</u>
Undesignated	\$ 123,585	<u>\$ 123,585</u>	<u>\$ -</u>	<u>\$ -</u>
Less Allowance for Uncollectible	<u>(10,610)</u>			
Pledges Receivable	<u>\$ 112,975</u>			

Allowance for uncollectible is computed based upon management's estimates of actual collections for the twelve month period after June 30, 2009.

**NOTE 5 - CASH AND EQUIVALENTS:**

The Agency's composition of cash and equivalents as of June 30, 2009 (carrying amount) is summarized as follows:

	<u>Use Composition</u>			<u>Deposit Composition</u>	
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>
Unrestricted	<u>\$ 69,843</u>	<u>\$ 117,602</u>	Checking and Savings	<u>\$ 69,843</u>	<u>\$ 117,602</u>
Totals	<u>\$ 69,843</u>	<u>\$ 117,602</u>		<u>\$ 69,843</u>	<u>\$ 117,602</u>

The bank balance of the Agency's deposits is \$76,081, of which 100% is covered by federal depository insurance. \$100,000 of deposits were insured for fiscal 2008.

**NOTE 6 - VOLUNTEER CENTER:**

All activity for the Center is shown in the Temporarily Restricted sections of the financial statements. As of the year ended June 30, 2009 the Center has incurred expenses in the amount of \$76,200.

The Volunteer Center is also the subrecipient of a Community Foundation of the Upper Peninsula endowment. The endowment balance as of June 30, 2009, is \$157,701. The earnings on the endowment balance granted to the Agency during the year were \$0 and must be used for Volunteer Center purposes under variance power granted by the foundation. Up to 5% of funds in the excess of their basis can be remitted each year. The United Way endowment fund balance was \$1,357.

**NOTE 7 - NET ASSETS:**

The components of net assets were as follows at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Unrestricted:		
Appropriated – Operational Reserves	\$ 18,998	\$ 16,683
– Agency Stabilization	<u>42,479</u>	<u>42,528</u>
Total Designated	61,477	59,211
Unappropriated	<u>35,340</u>	<u>24,794</u>
Total Unrestricted	<u>\$ 96,817</u>	<u>\$ 84,005</u>

**NOTE 8 - RELATED PARTIES:**

Various members of the Board of Directors are also involved with participating agencies providing volunteer services and donations.

United Way of the Eastern Upper Peninsula has a fiscal agent relationship with the U.P. North Michigan Area Combined Federal Campaign which is subject to annual renewal and was renewed in 2009 for the period of one year.

The Agency has paid monthly dues to the United Way of America, its national affiliate, in the amount of \$3,351 for the year ended June 30, 2009.

**NOTE 9 - FEDERAL AND STATE CONTRACTS:**

Expenditures related to federal and state contracts are subject to adjustment based upon review by the granting agencies. It is management’s assessment that the amounts, if any, of expenditures which may be disallowed would not have a material effect on the Agency’s financial position.

**NOTE 10 - CONCENTRATIONS OF CREDIT RISK:**

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash and pledges receivable. The Agency places its cash with financial institutions and limits the amount of credit exposure. Concentrations of credit with respect to pledges receivables are limited due to the large number of pledges comprising the Agency's donor base and their dispersion across different industries and geographic locations.

**NOTE 11 - LEASE AGREEMENT:**

The Agency leases certain copy equipment under an operating lease expiring in April 2010. Rental expense for fiscal 2009 was approximately \$1,500.

## **Supplementary Information**

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# United Way of the Eastern Upper Peninsula

## Statement of Functional Expenses As of June 30, 2009

	United Way of the Eastern Upper Peninsula - Unrestricted				Volunteer Center - Temporarily Restricted			Consolidated Total
	Program Services	Organizational Administration	Fundraising	Total	Program Services	Fundraising	Total	
EXPENSES								
Allocations/Awards	\$ 191,863	\$ -	\$ -	\$ 191,863	\$ -	\$ -	\$ -	\$ 191,863
(Less donor designations)	(84,540)	-	-	(84,540)	-	-	-	(84,540)
Sub-total	107,323	-	-	107,323	-	-	-	107,323
Salaries & Fringes	42,171	24,541	11,054	77,766	29,955	-	29,955	107,721
Sub-total	42,171	24,541	11,054	77,766	29,955	-	29,955	107,721
Supplies	-	313	6,578	6,891	25,902	-	25,902	32,793
Repairs	413	102	121	636	384	-	384	1,020
Professional services	2,126	523	621	3,270	1,767	-	1,767	5,037
Occupancy	11,124	2,738	3,252	17,114	245	-	245	17,359
Insurance	1,108	273	324	1,705	950	-	950	2,655
Telephone	536	132	157	825	1,677	-	1,677	2,502
Postage	1,616	398	472	2,486	300	-	300	2,786
Events	-	-	12,662	12,662	-	-	-	12,662
Advertising	-	-	-	-	18	-	18	18
Bank charges	-	180	-	180	-	-	-	180
Dues and subscriptions	-	100	-	100	987	-	987	1,087
Volunteer luncheon	-	-	-	-	1,651	-	1,651	1,651
Office expense	998	246	292	1,536	600	-	600	2,136
Volunteer Center Expansion	-	-	-	-	8,098	-	8,098	8,098
Miscellaneous	1,212	314	354	1,880	3,480	186	3,666	5,546
Depreciation expense	-	3,842	-	3,842	-	-	-	3,842
Sub-total	19,133	9,161	24,833	53,127	46,059	186	46,245	99,372
United Way of America dues	2,178	536	637	3,351	-	-	-	3,351
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 170,805</b>	<b>\$ 34,238</b>	<b>\$ 36,524</b>	<b>\$ 241,567</b>	<b>\$ 76,014</b>	<b>\$ 186</b>	<b>\$ 76,200</b>	<b>\$ 317,767</b>

# United Way of the Eastern Upper Peninsula

## Schedule of Agency Allocations As of June 30, 2009

	<u>Total</u>	<u>Designated</u>	<u>Net</u>
Community Health Access Coalition	\$ 1,285	\$ 690	\$ 595
Habitat For Humanity	7,500	3,333	4,167
EUP Food Bank	9,129	4,753	4,376
Salvation Army	18,750	8,333	10,417
EUP Community Dispute Resolution	3,000	1,000	2,000
New Hope House	13,500	5,666	7,834
Diane Peppler Resource Center	21,000	8,833	12,167
Catholic Charities	9,000	4,000	5,000
Sault Housing Safe Haven	2,792	1,362	1,430
Senior Citizens Club	676	250	426
Hospice of Chippewa County	20,250	8,500	11,750
Girl Scouts - Peninsula Waters	1,063	542	521
American Red Cross	16,500	7,333	9,167
Bay Cliff Health Camp	13,793	6,695	7,098
Boy Scouts - Hiawathaland	7,500	3,000	4,500
Big Brothers - Big Sisters	17,625	7,833	9,792
Meals on Wheels	13,500	5,750	7,750
Boys and Girls Club of Bay Mills	15,000	6,667	8,333
	<u>15,000</u>	<u>6,667</u>	<u>8,333</u>
Total Allocations	<u>\$ 191,863</u>	<u>\$ 84,540</u>	<u>\$ 107,323</u>



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**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

To the Board of Directors of the  
United Way of the Eastern Upper Peninsula  
P.O. Box 451  
Sault Ste. Marie, MI 49783

We have audited the financial statements of the United Way of the Eastern Upper Peninsula for the year ended June 30, 2009, and have issued our report thereon dated October 23, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 23, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 7, 2009.

**Significant Accounting Policies**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the United Way of the Eastern Upper Peninsula are described in Note 1 to the financial statements. New accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of Allowance for Uncollectible Pledges is based on management's estimates of actual collections for the three month period after June 30, 2009. We evaluated the key factors and assumptions used to develop the Allowance for Uncollectible Pledges in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of Depreciation Expense is based on the estimated useful life of the depreciable long-lived asset. We evaluated the key factors and assumptions used to develop Depreciation Expense in determining that it is reasonable in relation to the financial statements taken as a whole.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreement with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 23, 2009.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Comments and Recommendations***

**Deficit Net Assets (Prior Year)**

As of June 30, 2008, the United Way had a deficit balance in their temporary restricted net assets. It is recommended that the United Way develops a plan to eliminate this deficit and continues to monitor it in the future.

Status: Corrected.

**Expense Allocation**

The Agency should develop allocation bases appropriate to the type of expense for each allocatable cost. For instance, space costs should be allocated on square footage and management general based on a time study in accordance with Section V and Section VI of the Functional Expense guide. All allocations should be documented as to methodology and rates as well.

**Conclusion**

This information is intended solely for the use of the Board of Directors and management of the United Way of the Eastern Upper Peninsula and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that our staff, for the excellent cooperation we received while performing the audit. If we can be of any assistance in implementing the above recommendations, please contact us.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

October 23, 2009



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL

ROBERT L. HASKE, CPA  
TRISH D. BRAZIL, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

To the Board of Directors of the  
United Way of the Eastern Upper Peninsula  
P.O. Box 451  
Sault Ste. Marie, MI 49783

### **Communicating Internal Control**

In planning and performing our audit of the financial statements of the United Way of the Eastern Upper Peninsula as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the United Way of the Eastern Upper Peninsula's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

### **The Standards of Field Work**

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

- Lack of segregation of duties

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that none of the deficiencies constitute material weaknesses.

This communication is intended solely for the information and use of management, other within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

October 23, 2009