

**UNITED WAY OF MUSKINGUM, PERRY
AND MORGAN COUNTIES, INC.**

ANNUAL REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Muskingum, Perry
and Morgan Counties, Inc.

We have audited the accompanying statements of United Way of Muskingum, Perry and Morgan Counties, Inc. (the Agency), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 risk assessments 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 the United Way of Muskingum, Perry and Morgan Counties, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

Zanesville, Ohio
August 22, 2017

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 695,095	\$ 725,791
Trust endowment	78,761	75,312
Accounts Receivable	49	10,520
Pledges receivable	225,103	271,834
Less allowance for uncollectible pledges	(51,252)	(57,940)
	173,851	213,894
Prepaid expenses	10,803	13,070
Furniture and equipment	74,066	72,606
Accumulated Depreciation - Furniture and Equipment	(68,780)	(66,147)
	5,286	6,459
Beneficial interest in Perpetual Trusts	3,284,024	3,081,966
TOTAL ASSETS	\$ 4,247,869	\$ 4,127,012

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
Agency allocations payable	\$ 447,934	\$ 425,000
Specific designations payable	54,874	68,619
Accounts payable and accrued liabilities	11,988	29,123
TOTAL LIABILITIES	<u>514,796</u>	<u>522,742</u>
NET ASSETS		
Unrestricted		
Board Discretion	319,524	312,916
Unappropriated	129,525	208,888
Temporarily restricted	-	500
Permanently restricted	3,284,024	3,081,966
TOTAL NET ASSETS	<u>3,733,073</u>	<u>3,604,270</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,247,869</u></u>	<u><u>\$ 4,127,012</u></u>

See notes to financial statements.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanent Restricted</u>	<u>Totals</u>	<u>2016</u>
PUBLIC SUPPORT AND REVENUE					
Gross Campaign Results	\$ 665,036	\$ -	\$ -	\$ 665,036	\$ 750,809
Less: Provision of uncollectible pledges	(46,171)	-	-	(46,171)	(77,644)
Less: Specific designations by donors	(69,053)	-	-	(69,053)	(74,241)
Recovery of prior year uncollectible pledges	13,215	-	-	13,215	23,402
NET CAMPAIGN REVENUE	<u>563,027</u>	<u>-</u>	<u>-</u>	<u>563,027</u>	<u>622,326</u>
Administrative fees	3,685	-	-	3,685	3,398
In-Kind Revenue	164	-	-	164	1,829
Contributions	-	-	-	-	500
FSP Revenue	25,000	-	-	25,000	25,000
FSP - Foodbanks	9,025	-	-	9,025	10,000
Bequests and Trusts	153,369	-	-	153,369	232,011
Miscellaneous Income	6,121	-	-	6,121	3,791
Sub Sale	-	-	-	-	3,394
Unrealized Gains/(Losses)	3,067	-	202,058	205,125	(322,984)
Interest income	548	-	-	548	463
TOTAL REVENUE	<u>764,006</u>	<u>-</u>	<u>202,058</u>	<u>966,064</u>	<u>579,728</u>
EXPENSES					
Program Services					
Gross Funds Awarded/Distributed	495,720	-	-	495,720	492,739
Less: Donor Designations	(51,703)	-	-	(51,703)	(67,739)
Net Funds Awarded	<u>444,017</u>	<u>-</u>	<u>-</u>	<u>444,017</u>	<u>425,000</u>
Program Services Allocated to Awards	212,359	-	-	212,359	200,169
Support Services					
United Way of America Dues	171,080	-	-	171,080	181,360
Total supporting services	9,805	-	-	9,805	8,844
TOTAL EXPENSES	<u>180,885</u>	<u>-</u>	<u>-</u>	<u>180,885</u>	<u>190,204</u>
TOTAL EXPENSES	<u>837,261</u>	<u>-</u>	<u>-</u>	<u>837,261</u>	<u>815,373</u>
INCREASE IN UNRESTRICTED NET ASSETS	(73,255)	-	202,058	128,803	(235,645)
NET ASSETS AT BEGINNING OF YEAR	<u>521,804</u>	<u>500</u>	<u>3,081,966</u>	<u>3,604,270</u>	<u>3,839,915</u>
NET ASSETS RELEASED FROM RESTRICTIONS	500	(500)	-	-	-
NET ASSETS AT END OF YEAR	<u>\$ 449,049</u>	<u>\$ -</u>	<u>\$ 3,284,024</u>	<u>\$ 3,733,073</u>	<u>\$ 3,604,270</u>

See notes to financial statements.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Program Services			Support Services				2017	2016	
	Allocation Services	Community Impact	211 Service	Total	Organization Administrative	Fundraising	UWA Dues	Total	Total	Total
Allocations/Awards (Less Donor Designations)	\$ 495,720	\$ -	\$ -	\$ 495,720	\$ -	\$ -	\$ -	\$ -	\$ 495,720	\$ 492,739
	(51,703)	-	-	(51,703)	-	-	-	-	(51,703)	(67,739)
	444,017	-	-	444,017	-	-	-	-	444,017	425,000
Salaries	54,077	43,416	-	97,493	43,991	38,593	-	82,584	180,077	177,908
Payroll Taxes	4,676	4,177	-	8,853	3,803	3,337	-	7,140	15,993	15,258
Employee Benefits	9,165	6,703	-	15,868	7,456	6,541	-	13,997	29,865	31,571
	67,918	54,296	-	122,214	55,250	48,471	-	103,721	225,935	224,737
Marketing and Events	875	-	-	875	705	1,567	-	2,272	3,147	3,732
Professional Fees	1,578	-	51,969	53,547	35,664	1,127	-	36,791	90,338	90,021
Trusts Distributions	6,735	-	-	6,735	-	-	-	-	6,735	8,295
Office Supplies	428	-	35	463	349	306	-	655	1,118	1,267
Telephone	1,363	285	-	1,648	1,109	972	-	2,081	3,729	3,991
Postage and Printing	457	40	-	497	372	326	-	698	1,195	1,640
Web Page	305	-	-	305	248	217	-	465	770	770
In-Kind Expense	-	-	-	-	-	-	-	-	-	1,605
Sub Sale Expense	-	-	-	-	-	-	-	-	-	1,150
Insurance	2,080	-	-	2,080	1,692	1,485	-	3,177	5,257	4,997
Utilities	1,690	698	-	2,388	1,374	1,205	-	2,579	4,967	3,002
Repairs-Building	1,530	70	-	1,600	1,244	1,092	-	2,336	3,936	4,737
Repairs-Equipment	1,094	40	-	1,134	890	781	-	1,671	2,805	1,630
Equipment Lease	414	262	-	676	337	296	-	633	1,309	1,307
Copier Lease	208	-	-	208	169	148	-	317	525	520
Depreciation	1,042	-	-	1,042	848	744	-	1,592	2,634	5,135
Community Impact Expenses	1,357	1,680	-	3,037	-	-	-	-	3,037	-
Campaign Supplies/Meals	-	47	-	47	-	6,034	-	6,034	6,081	4,452
Subscriptions	-	-	-	-	-	-	-	-	-	248
Staff Travel	402	771	-	1,173	327	402	-	729	1,902	1,639
Conference and Meetings	1,827	33	-	1,860	1,376	1,209	-	2,585	4,445	2,322
Miscellaneous	279	8,547	-	8,826	228	577	-	805	9,631	10,189
State and Local Dues	1,139	-	-	1,139	1,127	812	-	1,939	3,078	2,643
Muskingum/Morgan/Perry	865	-	-	865	-	-	-	-	865	1,500
	25,668	12,473	52,004	90,145	48,059	19,300	-	67,359	157,504	156,792
United Way of America Dues	-	-	-	-	-	-	9,805	9,805	9,805	8,844
	<u>537,603</u>	<u>66,769</u>	<u>52,004</u>	<u>656,376</u>	<u>103,309</u>	<u>67,771</u>	<u>9,805</u>	<u>180,885</u>	<u>837,261</u>	<u>815,373</u>

See notes to financial statements.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 128,803	\$ (235,645)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,634	5,135
Unrealized (gain) loss on beneficial interests	(202,058)	320,383
(Increase) decrease in operating assets		
Pledges receivable	40,043	31,524
Accounts Receivable	10,471	(10,520)
Prepaid expenses	2,267	(3,093)
Increase (decrease) in operating liabilities		
Agency allocations payable	22,934	25,514
Specific designations payable	(13,745)	(31,164)
Accounts payable and accrued liabilities	(17,135)	12,009
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(25,786)	114,143
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,461)	(4,882)
Trust endowment	(3,449)	5,815
NET CASH (USED) BY INVESTING ACTIVITIES	(4,910)	933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,696)	115,076
BEGINNING CASH AND CASH EQUIVALENTS	725,791	610,715
ENDING CASH AND CASH EQUIVALENTS	\$ 695,095	\$ 725,791

See notes to financial statements.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Agency

The United Way of Muskingum, Perry and Morgan Counties, Inc., is a tax-exempt Agency under section 501(c)(3) of the Internal Revenue Code. The mission of the Agency is to mobilize the caring power of communities to create lasting changes in conditions that improve lives. It accomplishes this through continual assessment of the need for service programs, development of financial resources, and investment of these resources in community programs.

The largest single source of funding for the Agency is the annual campaign that is conducted in the fall. Proceeds from this initiative are distributed to programs in the community through an application process in the subsequent year. Campaign contributions are recognized as revenue in the year the contributions are designated to be used by the donor. Allocations are made to agencies monthly based on the board approved allocations. Cash designations are paid out by February, and all other designated funds are distributed quarterly starting in April. All contributions are considered unrestricted unless specifically restricted by the donor.

The Agency also receives additional sources of revenue through beneficial interest trusts, foundation awards, and grants.

Public Support, Revenue, and Promises To Give

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Specific designations by donors are separately stated as a contra account and properly reflect the donor's restriction.

The Agency uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis.

Contributed Services

During the years ended June 30, 2017 and 2016, the value of contributed services meeting the requirement for recognition in the financial statements was \$164 and \$1,829, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

The Operating Fund

The Operating Fund, which includes unrestricted and restricted funds, is used to account for resources over which the Board of Directors has discretionary control which are used to carry out the operations of the Agency in accordance with its bylaws. Restricted funds, which are identified in the accompanying financial statements as appropriated for future allocations, and support designated for future periods, represent funds which have been designated by the Board of Directors as reserved specifically for future agency and non-agency allocations.

Income Taxes

The Agency is exempt from federal income taxes under Internal Revenue Code Section 501(C)(3) and has been recognized as non-profit by the State of Ohio. Therefore, no tax provisions have been made in the accompanying financial statements.

United Way of Muskingum, Perry and Morgan Counties, Inc.'s Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Restricted Assets

The Agency has beneficial interests in Perpetual Trusts which are permanently restricted to its use. The United Way records its share of these trusts at market value. Temporarily restricted assets are contributions received for the next year's campaign.

Concentrations

The Agency's operational fund receives the majority of its revenue from the public support of the communities of Muskingum, Perry, and Morgan counties. The Agency relies on and continues to need the support of the public.

Federal Filings

The Agency files a Form 990 each year and a copy can be retrieved from the IRS (www.irs.gov) or the Agency's website (www.unitedwayofmpm.org).

Subsequent Events

The Agency has evaluated subsequent events through August 22, 2017, the date that the financial statements were available to be issued.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FURNITURE AND EQUIPMENT

Office furniture and fixtures are stated at cost or, if acquired by gift or donation, at the estimated fair value at the date of receipt of the gift or donation, or if financed by capital lease agreements, at the present value of future minimum lease payments. Depreciation is provided over the estimated useful lives of the related assets ranging from 5 years to 7 years, using the straight-line method.

NOTE 3 - EMPLOYEE PENSION PLAN

The United Way offers a Simple IRA so eligible employees have an opportunity to save for retirement. An employee is eligible to participate in the plan provided the employee is reasonably expected at least \$5,000 in compensation for the calendar year. Participation in the Plan is voluntary.

For each calendar year, the United Way will contribute a matching contribution to each employee's SIMPLE IRA account, equal to the employee's salary deduction contributions but not to exceed up to a limit of 3% of the employee's compensation for the calendar year. The expense associated with this plan was \$3,697 and \$2,732 for the year ended June 30, 2017 and June 30, 2016, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

During the audit, consideration was given to the existence of related party transactions requiring disclosure in accordance with Statement of Financial Accounting Standards (SFAS) number 57. Accordingly, the following related party transactions are disclosed. The Agency provides contributions to the United Way of America and Ohio. Contributions for the year ended June 30, 2017 and 2016 was \$12,446 and \$11,166, respectively.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – OVERHEAD RATE DETERMINATION

The overhead ratio is equal to fund-raising, management and general expenses divided by total campaign support and all other revenue sources. The ratio is calculated below using the Net Method recommended in “Functional Expenses and Overhead Reporting Standards for United Ways”, United Way of America, 2004, after a time study has been performed and a portion of the functional expenses have been allocated to program services. These items are reported below as stated on the Form 990 as required by the above standard.

	2017	2016
Management and General Expenses	\$ 103,309	\$ 105,295
Fundraising Expenses	67,771	76,065
Payments to Affiliates	9,805	8,844
Numerator: Supporting Services and General	\$ 180,885	\$ 190,204
Net Campaign Revenue	632,080	696,567
Other Revenue	200,979	277,785
Unrealized Gain/(Loss)	202,058	(320,383)
Denominator: Total Support and Other Revenue	\$ 1,035,117	\$ 653,969
Numerator/Denominator expressed as a percentage	17.40%	29.08%
Overhead Percentage without Market Value	21.71%	19.52%

The denominator includes the increase/decrease in market value of the Beneficial Interests in Perpetual Trusts as this financial statement agrees to the Form 990 as required by the United Way of America. This value will fluctuate as the market changes and can make the overhead rate appear better or worse than actual. As of June 30, 2017, the Agency had a market gain of \$202,058 and as of June 30, 2016, the Agency had a market loss of \$320,383.

NOTE 6 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Agency has a partial interest in the assets of the following trusts: Littick Charitable Trust, M. Findeiss Trust, R. Findeiss Trust, Hagar Residual Trust, Sulsberger Trust and the Emmitt France Trust. These trusts are made up of investments in marketable securities. The trusts are administered by local financial institutions. The Agency will receive annually the following percentage of income generated by these trusts in perpetuity: 2% of the Littick Charitable Trust, 12.5% of the M. Findeiss and R. Findeiss Trusts, 20% of the Hagar Residual Trust, 10% of the Sulsberger Trust, 8.0325% of the Emmitt France Trust and 100% of the Lewis Trust. The Agency may not invade the principal of the trust. These trusts have been recorded at the percentages stated above of the market value as of June 30, 2017.