

UNITED WAY OF RACINE COUNTY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2016

**UNITED WAY OF RACINE COUNTY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Racine County, Inc.
Racine, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Racine County, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 United Way of Racine County, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of Racine County, Inc.'s 2015 financial statements, and our report dated March 23, 2016 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, per table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state contracts is also presented for 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards and the Provider Agency Audit Guide*, we have also issued our report dated March 20, 2017, on our consideration of United Way of Racine County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Provider Agency Audit Guide* in considering United Way of Racine County, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Racine, Wisconsin
March 20, 2017

UNITED WAY OF RACINE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,045,318	\$ 1,828,430
Certificates of Deposit	1,471,422	1,671,632
Short-Term Investments	694,925	621,948
Accrued Interest Receivable	1,038	443
Accounts Receivable	976	-
Grants Receivable	45,690	61,753
Prepaid Expenses and Other Assets	31,749	33,716
Current Portion of Promises to Give, Less Allowance of \$370,475 in 2016 and \$396,390 in 2015	2,570,396	2,681,828
Total Current Assets	6,861,514	6,899,750
PROPERTY AND EQUIPMENT, NET	31,786	43,507
OTHER ASSETS		
Long-Term Certificates of Deposit	586,345	381,055
Investments - Racine Community Foundation	1,122,677	1,091,701
Promises to Give, Less Current Portion	167,732	327,732
Total Other Assets	1,876,754	1,800,488
Total Assets	\$ 8,770,054	\$ 8,743,745
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 103,213	\$ 128,529
Accrued Vacation	46,223	41,154
Campaign Funds Payable to Agencies	239,949	252,918
Agency Allocations Payable	1,112,660	1,205,348
Total Current Liabilities	1,502,045	1,627,949
NET ASSETS		
Unrestricted	2,197,627	2,122,478
Temporarily Restricted	4,503,564	4,426,500
Permanently Restricted	566,818	566,818
Total Net Assets	7,268,009	7,115,796
Total Liabilities and Net Assets	\$ 8,770,054	\$ 8,743,745

See accompanying Notes to Financial Statements.

UNITED WAY OF RACINE COUNTY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
REVENUES, GAINS, AND PUBLIC SUPPORT					
Gross Campaign Results (Net of Uncollectible Pledges of \$172,864 in 2016 and \$161,890 in 2015)	\$ 97,122	\$ 3,933,435	\$ -	\$ 4,030,557	\$ 4,457,742
Less Donor Designations		(239,949)	-	(239,949)	(252,918)
Net Campaign Revenue - Current Year	97,122	3,693,486	-	3,790,608	4,204,824
Gross Campaign Results, Prior Period Campaigns	757,981	-	-	757,981	532,718
Less Donor Designations	(143,708)	-	-	(143,708)	(144,161)
Net Campaign Revenue - Prior Year	614,273	-	-	614,273	388,557
Grants:					
Racine County Human Services Department	6,405	-	-	6,405	163,610
Emergency Shelter/Transitional Housing Grant	280,185	-	-	280,185	314,905
Children's Trust Fund	61,222	-	-	61,222	144,980
Investment Income (Loss)	56,218	-	-	56,218	(13,698)
Endowment Fund Investment Gains (Losses)	-	78,386	-	78,386	(13,850)
Net Assets Released from Restrictions	3,694,808	(3,694,808)	-	-	-
Total Revenues, Gains, and Public Support	4,810,233	77,064	-	4,887,297	5,189,328
EXPENSES					
Allocation Expenses	2,933,469	-	-	2,933,469	3,417,629
Functional Expenses:					
Advancing Family Assets	145,201	-	-	145,201	294,232
Community Impact	308,434	-	-	308,434	392,541
Schools of Hope	145,188	-	-	145,188	152,780
Imagination Library	111,860	-	-	111,860	55,611
Community Schools	63,991	-	-	63,991	-
VITA	21,930	-	-	21,930	-
Fundraising	498,404	-	-	498,404	525,363
Management and General	506,607	-	-	506,607	474,767
Total Functional Expenses	1,801,615	-	-	1,801,615	1,895,294
Total Expenses	4,735,084	-	-	4,735,084	5,312,923
CHANGES IN NET ASSETS	75,149	77,064	-	152,213	(123,595)
Net Assets - Beginning of Year	2,122,478	4,426,500	566,818	7,115,796	7,239,391
NET ASSETS - END OF YEAR	<u>\$ 2,197,627</u>	<u>\$ 4,503,564</u>	<u>\$ 566,818</u>	<u>\$ 7,268,009</u>	<u>\$ 7,115,796</u>

See accompanying Notes to Financial Statements.

UNITED WAY OF RACINE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016										2015		
	Program Services						Supporting Services				Total Functional Expenses	Total Functional Expenses	
	Advancing Family Assets	Community Impact	Schools of Hope	Imagination Library	Community Schools	Volunteer Income Tax Assistance	Total Program Services	Fund- Raising	Management and General	Total Supporting Services			
EXPENSES													
Salaries	\$ 22,097	\$ 171,800	\$ 77,082	\$ 36,106	\$ 39,073	\$ 17,020	\$ 363,178	\$ 232,029	\$ 244,042	\$ 476,071	\$ 839,249	\$ 939,136	
Temporary Help	-	-	-	-	-	-	-	21,043	-	21,043	21,043	20,852	
Payroll Taxes and Employee Benefits	33,380	66,321	30,533	21,283	11,816	3,493	166,826	60,473	116,024	176,497	343,323	408,591	
Total Payroll Expenses	55,477	238,121	107,615	57,389	50,889	20,513	530,004	313,545	360,066	673,611	1,203,615	1,368,579	
Professional Fees	75,119	20,429	2,839	463	329	-	99,179	15,509	25,271	40,780	139,959	68,254	
Office Expenses:													
Supplies	1,991	8,832	8,411	45,011	1,352	419	66,016	6,595	11,150	17,745	83,761	70,144	
Telephone	5,143	4,909	3,085	813	1,580	396	15,926	9,297	4,925	14,222	30,148	26,759	
Postage	67	754	521	468	26	-	1,836	4,136	1,420	5,556	7,392	10,269	
Occupancy	2,961	9,441	4,372	1,741	1,079	-	19,594	41,994	14,936	56,930	76,524	85,114	
Repairs and Maintenance	-	-	81	-	-	-	81	-	15,921	15,921	16,002	18,867	
Printing and Publications	-	534	1,050	630	1,057	-	3,271	77,272	3,424	80,696	83,967	63,755	
Travel and Training	919	10,637	4,690	3,442	5,562	570	25,820	15,190	27,887	43,077	68,897	89,205	
Meeting Expenses	80	834	9,271	277	116	32	10,610	-	-	-	10,610	12,582	
Membership Dues	2,794	95	3,049	1,524	1,905	-	9,367	256	8,739	8,995	18,362	10,593	
Professional Liability Insurance	210	638	204	102	96	-	1,250	638	664	1,302	2,552	2,504	
State and National Dues	-	13,210	-	-	-	-	13,210	13,972	14,353	28,325	41,535	48,443	
Family Support Funds	440	-	-	-	-	-	440	-	-	-	440	5,656	
Depreciation	-	-	-	-	-	-	-	-	17,851	17,851	17,851	14,570	
Total Expenses	<u>\$ 145,201</u>	<u>\$ 308,434</u>	<u>\$ 145,188</u>	<u>\$ 111,860</u>	<u>\$ 63,991</u>	<u>\$ 21,930</u>	<u>\$ 796,604</u>	<u>\$ 498,404</u>	<u>\$ 506,607</u>	<u>\$ 1,005,011</u>	<u>\$ 1,801,615</u>	<u>\$ 1,895,294</u>	

See accompanying Notes to Financial Statements.

UNITED WAY OF RACINE COUNTY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 152,213	\$ (123,595)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	17,851	14,570
Provision for Uncollectible Pledges	(25,915)	3,292
(Gain) Loss on Endowment Funds	(78,386)	13,850
Gain on Mutual Funds	(72,977)	(3,926)
Interest Income on Certificates of Deposit	(5,080)	(4,683)
Contributions Restricted for Long-Term Purposes	(180,000)	(180,000)
Effects of Changes in Operating Assets and Liabilities:		
Promises to Give	297,347	(134,464)
Accounts Receivable	(976)	70
Grants Receivable	16,063	61,504
Accrued Interest Receivable	(595)	236
Prepaid Expenses and Other Assets	1,967	1,198
Accounts Payable	(25,316)	(64,252)
Accrued Vacation	5,069	3,233
Campaign Funds Payable to Agencies	(12,969)	(66,335)
Agency Allocations Payable	(92,688)	(19,788)
Agency Fund Liability - Higher Expectations	-	(44,314)
Net Cash Used by Operating Activities	(4,392)	(543,404)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(6,130)	(32,138)
Proceeds from Endowment Fund	47,410	30,000
Net Cash Provided (Used) by Investing Activities	41,280	(2,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Purposes	180,000	180,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	216,888	(365,542)
Cash and Cash Equivalents - Beginning of Year	1,828,430	2,193,972
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,045,318	\$ 1,828,430

See accompanying Notes to Financial Statements.

**UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

United Way of Racine County, Inc. (the Organization) is a human services organization in the Racine County community through which volunteers can channel their concern for people in need. It uses a consolidated effort to raise funds for agency programs which results in more time and money expended for the direct benefit of people in need. United Way of Racine County, Inc. promotes social work in the Racine County area by coordination of the work of supported agencies, as well as other local public and private organizations, to deal with social welfare problems and to promote cooperation and economy in the operation of such organizations. Its central activity in this effort is Community Impact which allocates funds to such organizations and social purposes based on the local community's needs. This includes the direct management of programs and initiatives governed by the board of directors such as the current initiatives: Advancing Family Assets (AFA), Schools of Hope, Imagination Library, Community Schools, and Volunteer Income Tax Assistance (VITA). AFA addresses low-income families in Racine County accessing additional education, skill building, and family support opportunities enabling them to increase their financial stability. Schools of Hope is a program in partnership with Racine Unified School District using volunteer tutors to address early grade reading proficiency. Imagination Library is a program that provides books to children from birth to age five. Community Schools is a place-based strategy that creates partnerships between neighborhoods and resources. Community Schools is based on the Community School Model found in 5,000 Communities across the nation, it has an integrated focus on academics, health and social services, community engagement, and development. VITA is a national program staffed by local volunteers to provide free preparation and electronic filing of tax returns.

Significant accounting policies followed by the Organization are presented below.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Certificates of Deposit

Certificates of deposit are carried at cost which approximates fair value. They are classified as short-term or long-term dependent upon their maturity date when purchased.

Investment income is reported in the statement of activities as unrestricted, temporarily restricted, or permanently restricted revenue based upon donor-imposed restrictions.

UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value. 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. Purchases and sales of investments are recorded on a trade date basis. Net appreciation (depreciation) in fair value of investments includes both realized and unrealized investment gains and losses. Interest is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the pledge is received and as assets depending on the form of the benefits received. An allowance for uncollectible promises is recorded based on the prior history of uncollectible promises to give and current economic and industry trends.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation and amortization are provided on the straight-line basis over their estimated useful lives, ranging from 3-10 years. Capitalization occurs when the fair market value of donated assets or the cost of purchased assets with useful lives of one or more years, exceeds \$1,000.

Expenditures for maintenance, including those for planned major maintenance projects, repairs, and minor renewals to maintain facilities in operating condition are generally expensed as incurred. Major replacements and renewals are capitalized.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted - Unrestricted net assets include all net assets which are neither temporarily or permanently restricted.

Temporarily Restricted - Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. Certain temporarily restricted contributions whose restrictions are met in the same year as received are presented as unrestricted revenue.

Permanently Restricted - Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a 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.

Annual campaigns are conducted in the fall of each year for raising funds for the next year. These amounts have been temporarily restricted until 2017 when both the time restriction ends and when donor designated funds are expended. Donor designated funds are tracked and spent according to the donor designation as part of United Way of Racine County, Inc.'s normal allocation process in the following year. Pledges received from donors who have designated a specific agency with their support are recognized as a corresponding liability by United Way of Racine County, Inc.

Donated Services

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its operations. No amounts have been recognized in the accompanying statement of activities for donated services since the recognition criteria has not been met.

**UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Campaign contributions and income from special events and fund-raising are recognized in the year pledged. Pledges receivable and related revenue are recorded when the pledge is received, and allowances are provided for amounts estimated to be uncollectible. The allowances are based on past history, adjusted for current conditions, as considered appropriate by management.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the financial statements. Expenses that can be identified with a specific function are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's use of estimates.

Income Taxes

No provision or benefit from income taxes has been included in these financial statement since the entity is exempt from federal income taxes, except for tax on unrelated business income, under section 501(c)(3) of the Internal Revenue Code. The Organization had no unrelated business income for the year ended. Management analyzed the requirements for uncertain tax positions. The Organization determined that it was not required to record a liability related to uncertain tax positions at December 31, 2016.

NOTE 2 PRIOR YEAR SUMMARIZED 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 INVESTMENTS

Investments of all funds of United Way of Racine County, Inc. are reviewed and controlled by a volunteer Finance Committee, which functions under policies approved by the board of directors. Investments are stated at fair market value. The following is a summary of the types and amounts of investments held at December 31, 2016:

United Way of Racine County, Inc. maintains investment accounts at several financial institutions. Mutual funds of \$694,925 are protected by the Securities Investor Protection Corporation up to \$500,000, of which \$100,000 is available for cash claims. The mutual funds increased in value by \$72,977 for the year. Total net investment income for the year was \$56,218, including mutual fund gains from above and income from interest-bearing checking, money market accounts, and certificates of deposit, net of investment fees of \$20,765.

In 1997, United Way of Racine County, Inc. established an endowment fund with the Racine Community Foundation for Success by Six programming. The principal portion of these funds can only be distributed to United Way of Racine County, Inc. with approval of the Racine Community Foundation board of directors and 75% approval of the United Way of Racine County, Inc. board of directors. The principal balance is intended to be permanently restricted with investment income used for programs for age zero to six children. The balance of this endowment fund is \$656,362 at December 31, 2016, of which \$450,000 is permanently restricted.

In 1993, United Way of Racine County, Inc. established an endowment fund known as the United Way of Racine County, Inc./W.R. Wadewitz fund at the Racine Community Foundation. This endowment fund has a balance of \$371,159 at December 31, 2016, of which \$116,818 is permanently restricted. The remaining balance is temporarily restricted for providing emergency capital needs to United Way of Racine County, Inc. and United Way of Racine County, Inc. funded agencies. Funds are periodically distributed as needed based on advisory recommendations from United Way of Racine County, Inc.

In 2001, United Way of Racine County, Inc. established an endowment fund known as the United Way of Racine County, Inc. Fund at the Racine Community Foundation. This endowment fund has a balance of \$95,156 at December 31, 2016. The principal portion of these funds can only be distributed to United Way of Racine County, Inc. with the approval of the Racine Community Foundation board of directors and 75% approval of the United Way of Racine County, Inc. board of directors. The purpose of this fund is to provide program services in Racine County. These funds are temporarily restricted.

The endowment investments held by the Racine Community Foundation are in pooled investment accounts and are uninsured. Investments held by the foundation are common stocks, mutual funds, and other fixed income accounts. The investment income earned (net of trustee fees) is allocated to United Way of Racine County, Inc.'s endowment funds based on the endowment's average monthly balance in relationship to total funds invested by the Foundation. The endowment funds' investment income is composed of interest, dividends, capital gains (losses), net realized gains (losses), and unrealized gains (losses).

UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

Pooled separate accounts are valued at the net asset value of units of the fund held by the Organization based on the fair value of the underlying investments of the fund. Pooled separate accounts do not have finite lives, unfunded commitments relating to these types of investments, or significant restrictions on redemptions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds:				
Index	\$ 694,925	\$ 694,925	\$ -	\$ -
Pooled Separate Accounts	1,122,677	-	1,122,677	-
Total	<u>\$ 1,817,602</u>	<u>\$ 694,925</u>	<u>\$ 1,122,677</u>	<u>\$ -</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Equipment	\$ 239,402
Leasehold Improvements	75,000
Total, at Cost	<u>314,402</u>
Less: Accumulated Depreciation	<u>(282,616)</u>
Total Property and Equipment	<u>\$ 31,786</u>

NOTE 6 PROMISES TO GIVE

The total net value of unconditional promises to give is \$2,738,128. An allowance of \$370,475 for uncollectible promises is recorded based on the prior history of uncollectible promises to give and current economic and industry trends. The allowance was maintained this year at 5% of pledges made during the 2016 campaign. Based on prior history and management's estimate, the full amount less the allowance is expected to be collected in the following year.

During the year ending December 31, 2014, United Way of Racine County, Inc. entered into an agreement with Higher Expectations Community Impact Initiative, to raise money on their behalf. The purpose of this agreement is to develop a community collective impact strategy that will work to ensure Racine County children graduate and successfully enter post-secondary education and the workforce without remediation. As of December 31, 2016, there was \$340,000 of pledges receivable relating to this agreement. Management has determined that any uncollectible pledges related to the initiative are not significant.

**UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 PROMISES TO GIVE (CONTINUED)

Pledges receivable as of December 31, 2016 are as follows:

Receivable in Less than One-Year	\$ 2,940,871
Receivable in One to Five Years	180,000
Total Pledges Receivable	3,120,871
Less:	
Discount to Net Present Value	(12,268)
Allowance for Doubtful Pledges	(370,475)
Pledges Receivable - Net	2,738,128
Less - Current Portion	2,570,396
Pledges Receivable, Less Current Portion	\$ 167,732

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 discount on these long-term pledges are computed using a rate of 1.69% as of December 31, 2016.

NOTE 7 ALLOCATIONS, AGENCY ALLOCATION PAYABLE , AND CAMPAIGN FUNDS PAYABLE TO AGENCIES

United Way of Racine County, Inc. has approved and allocated \$2,933,469 to supported agencies, community building programs, and other projects in the 2016 year. Of this amount, \$1,112,660 is unpaid and reported as a liability, agency allocations payable, as of December 31, 2016.

United Way of Racine County, Inc. has entered into contracts with supported agencies which, among other things, provide that in the event an agency did not properly use the amount of its allocation, the agency may be required to return all or part of the improperly used or unused portion. Known refunds and any related receivables are recorded in the financial statements as a return of previous year allocations. The amount of refunds for the year under audit are unknown. As a result, no amount is reflected in the financial statements for these potential refund receivables.

United Way of Racine County, Inc. has recognized a liability in the amount of \$239,949 as campaign funds payable to various agencies. This amount represents current campaign pledges received from donors who have designated a specific agency for their support.

**UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8 OPERATING LEASE COMMITMENTS

The Organization entered into a lease for office space in Burlington, Wisconsin on March 1, 2013, which expired on February 28, 2014. The Organization continues to pay on a month-to-month basis subsequent to the lease term. Rent expense for 2016 under this lease was \$7,200.

The Organization entered into a lease for office space in Racine, Wisconsin on April 1, 2014, which expires on March 31, 2019. Rent expense for 2016 under this lease was \$58,799.

The Organization entered into a lease for additional office space in Racine, Wisconsin which commenced on April 1, 2015 and expires March 31, 2021. Rent expense for 2016 under this lease was \$7,095.

Future minimum lease payments under these lease contracts are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 65,894
2018	65,894
2019	21,795
2020	7,095
2021	1,774
Total	<u>\$ 162,452</u>

NOTE 9 WISCONSIN UNEMPLOYMENT RESERVE FUND

Under provision of the Wisconsin Unemployment Compensation law, the Organization has elected to reimburse the state of Wisconsin for the actual unemployment benefit claims paid to former employees. A letter of credit amounting to \$11,180 has been deposited with the Wisconsin Department of Industry, Labor, and Human Relations as collateral for future unemployment compensation requirements of the Corporation and affiliates. The letter of credit currently is valid through December 31, 2020.

NOTE 10 DEFINED CONTRIBUTION PLAN – 401(K)

United Way of Racine County, Inc. has a defined contribution plan for the Organization's employees. The defined contribution plan contributes 8% of annual salaries for eligible employees. Total retirement expense under this plan for the year was \$84,293.

**UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Emergency Capital Needs (Wadewitz)	\$ 254,341
Education	210,859
Health	65,942
Income	51,898
Success by Six	206,362
Western Racine County	31,025
Planned Giving	95,156
Advancing Family Assets	20,100
Sponsorships	23,680
Community Schools	56,310
Imagination Library	9,116
School of Hope	7,732
UW Leadership Event	10,000
Greening Greater Racine	11,492
VITA	10,000
Women United Brighter Future Fund	160
Higher Expectations Community Impact Initiative	567,653
Periods after December 31, 2016	2,871,738
Total	<u>\$ 4,503,564</u>

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS

As of December 31, 2016, permanently restricted net assets consists of \$450,000 in the Success by Six fund and \$116,818 in the United Way of Racine County, Inc./W.R. Wadewitz fund. These amounts are invested in endowment funds with Racine Community Foundation as defined in Note 3.

NOTE 13 ENDOWMENTS

United Way of Racine County, Inc.'s endowments consist of various funds established to benefit United Way of Racine County, Inc. for a variety of purposes. United Way of Racine County, Inc.'s endowments include donor-restricted endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 13 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

United Way of Racine County, Inc.'s Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's Board. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return Objectives and Risk Parameters

United Way of Racine County, Inc. has adopted investment and spending policies for certain endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the fair value of the endowment assets. See Note 3 for further information.

Spending Policy

The Organization has a policy of appropriating for distribution each year varying amounts based on current budgeted activity. In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

**UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 13 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

To achieve its investment goals, United Way of Racine County, Inc. targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control. United Way of Racine County, Inc.'s asset allocations included a blend of equity and debt securities and cash equivalents.

Endowment Net Assets Composition by Type of Fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 555,859	\$ 566,818	\$ 1,122,677
Board Designated Endowment Funds	-	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ 555,859</u>	<u>\$ 566,818</u>	<u>\$ 1,122,677</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

Net Assets - Beginning of Year	\$ -	\$ 524,883	\$ 566,818	\$ 1,091,701
Investment Return:				
Investment Income	-	15,033	-	15,033
Net Appreciation	-	<u>63,353</u>	-	<u>63,353</u>
Total	-	603,269	566,818	1,170,087
Contributions				-
Appropriation of Endowment Assets for Expenditure	-	<u>(47,410)</u>	-	<u>(47,410)</u>
Net Assets - End of Year	<u>\$ -</u>	<u>\$ 555,859</u>	<u>\$ 566,818</u>	<u>\$ 1,122,677</u>

NOTE 14 SIGNIFICANT CONCENTRATIONS

FDIC Limits

United Way of Racine County, Inc. invests its cash in interest bearing checking and money market accounts at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured.

Customer Concentrations

Due to the limited number of large companies in the Racine area, four companies and their employees represent 68% of the total contributions pledged for the current year campaign ended December 31, 2016. One of the four employers and its employees represent 42% of the total contributions pledged in 2016. The remaining balances are comprised of a diverse base of companies and contributors each comprising less than 5% of total contributions pledged and the pledges receivable balance.

UNITED WAY OF RACINE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 15 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 20, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to March 20, 2017 that provided additional evidence about conditions that existed at December 31, 2016, has been recognized in the financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2016.

UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF REVENUE AND EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE INFORMATION AS OF DECEMBER 31, 2015)

	2016									2015	
	Campaign and Allocations	Advancing Family Assets	Community Impact	Schools of Hope	Imagination Library	Community Schools	Volunteer Income Tax Assistance	Fund- Raising	Management and General	Total	Total
REVENUES, GAINS, AND PUBLIC SUPPORT											
Net Assets Released from Restrictions:											
Campaign Contributions	\$ 3,694,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,694,808	\$ 4,128,753
Contributions	97,122	-	-	-	-	-	-	-	-	97,122	75,758
Contributions, Prior Period Campaigns	614,273	-	-	-	-	-	-	-	-	614,273	388,557
Governmental Grants	347,812	-	-	-	-	-	-	-	-	347,812	623,495
Investment Gain (Loss) and Interest Income	56,218	-	-	-	-	-	-	-	-	56,218	(13,698)
Revenues, Gains, and Public Support Before Allocation	4,810,233	-	-	-	-	-	-	-	-	4,810,233	5,202,865
Allocation of Revenue to Support Functions	(1,801,615)	145,201	308,434	145,188	111,860	63,991	21,930	498,404	506,607	-	-
TOTAL REVENUES, GAINS, AND PUBLIC SUPPORT	3,008,618	145,201	308,434	145,188	111,860	63,991	21,930	498,404	506,607	4,810,233	5,202,865
EXPENSES											
Salaries	-	22,097	171,800	77,082	36,106	39,073	17,020	232,029	244,042	839,249	939,136
Temporary Help	-	-	-	-	-	-	-	21,043	-	21,043	20,852
Payroll Taxes and Employee Benefits	-	33,380	66,321	30,533	21,283	11,816	3,493	60,473	116,024	343,323	408,591
Total Payroll Expenses	-	55,477	238,121	107,615	57,389	50,889	20,513	313,545	360,066	1,203,615	1,368,579
Professional Fees	-	75,119	20,429	2,839	463	329	-	15,509	25,271	139,959	68,254
Office Expenses											
Supplies	-	1,991	8,832	8,411	45,011	1,352	419	6,595	11,150	83,761	70,144
Telephone	-	5,143	4,909	3,085	813	1,580	396	9,297	4,925	30,148	26,759
Postage	-	67	754	521	468	26	-	4,136	1,420	7,392	10,269
Occupancy	-	2,961	9,441	4,372	1,741	1,079	-	41,994	14,936	76,524	85,114
Repairs and Maintenance	-	-	-	81	-	-	-	-	15,921	16,002	18,867
Printing and Publications	-	-	534	1,050	630	1,057	-	77,272	3,424	83,967	63,755
Travel and Training	-	919	10,637	4,690	3,442	5,562	570	15,190	27,887	68,897	89,205
Meeting Expenses	-	80	834	9,271	277	116	32	-	-	10,610	12,582
Membership Dues	-	2,794	95	3,049	1,524	1,905	-	256	8,739	18,362	10,593
Professional Liability Insurance	-	210	638	204	102	96	-	638	664	2,552	2,504
State and National Dues	-	-	13,210	-	-	-	-	13,972	14,353	41,535	48,443
Family Support Funds	-	440	-	-	-	-	-	-	-	440	5,656
Depreciation	-	-	-	-	-	-	-	-	17,851	17,851	14,570
Allocations	2,933,469	-	-	-	-	-	-	-	-	2,933,469	3,417,629
TOTAL EXPENSES	2,933,469	145,201	308,434	145,188	111,860	63,991	21,930	498,404	506,607	4,735,084	5,312,923
CHANGE IN NET ASSETS, UNRESTRICTED	\$ 75,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,149	\$ (110,058)

UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF RESTRICTED PROGRAM REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2016

RESTRICTED REVENUES

Racine County Human Services Department	\$ 6,405
Emergency Shelter/Transitional Housing Grant	280,185
Children's Trust Fund	61,222
United Way of Racine County Allocation	<u>152,224</u>
Total Restricted Revenues	<u>500,036</u>

EXPENSES

Advancing Family Assets	145,201
Family Resource Center Network	78,450
Emergency Shelter/Transitional Housing	<u>276,385</u>
Total Expenses	<u>500,036</u>

EXCESS (DEFICIENCY)	<u><u>\$ -</u></u>
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**UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF ALLOCATIONS
YEAR ENDED DECEMBER 31, 2016**

EDUCATION

Big Brothers Big Sisters of Racine and Kenosha Co. Inc. - One-to-One Outcome Based Mentoring	\$ 81,250
Board of Regents of the University of Wisconsin System, UW - Extension - Touchpoints Project	20,775
Born Learning Trails	3,232
Girl Scouts of Wisconsin Southeast - Urban and Latina Girl Scout Leadership Experience	39,000
John XXIII Educational Center - John XXIII Educational Center	53,725
Racine Family YMCA - School Achievers	38,000
Racine Family YMCA - Teen Achievers	12,000
Racine Family YMCA - Young Achievers	25,000
Racine Youth Sports, Inc. - Racine Youth Sports	(4,663)
SAFE Haven of Racine County, Inc. - Girls Inc. of Racine	39,000
Three Harbors Council, Boy Scouts of America, Inc. - Comprehensive Youth Program	25,000
Youth for Christ - Southeast Wisconsin - JAMS-Juvenile Aftercare Ministry for Success	26,000

HEALTH

Alliance on Mental Illness of Racine County, Inc. - NAMI Racine	54,000
The ARC of Racine County, Inc. - Advocacy, Support, & Educational Programs	40,000
Catholic Charities of the Archdiocese of Milwaukee, Inc. - Behavioral Health Counseling Services	40,000
Cerebral Palsy Agency of Racine County, Inc. - RADD	43,000
Children's Hospital of Wisconsin, Community Services - Racine Child and Family Counseling Program	86,000
Children's Hospital of Wisconsin, Community Services - RCCAC: Racine County Child Advocacy Center	32,500
Family Service of Racine, Inc. - Counseling and Psychotherapy Program	105,000
Focus on Community - FAST (Families and Schools Together)	45,000
Focus on Community - Substance Abuse Prevention Program	70,000
Health Care Network, Inc. - Health Care Services	119,500
Lutheran Social Services of WI and Upper MI, Inc. - S.C.A.N. - Stop Child Abuse & Neglect	38,980
Lutheran Social Services of WI and Upper MI, Inc. - Sexual Assault Services	51,000
Racine Friendship Clubhouse - Racine Friendship Clubhouse Program	18,590
Women's Resource Center of Racine, Inc. - Safety Services for Victims of Domestic Violence, Sexual Assault, and Human Trafficking	115,000

INCOME

Catherine Marian Housing, Inc. - Bethany Apartments	29,200
Catholic Charities of the Archdiocese of Milwaukee, Inc. - Outreach & Case Management Services	18,000
Homeless Assistance Leadership Organization, Inc. - HALO	217,000
IMPACT - Alcohol and Other Drug Abuse Services, Inc. - Food Pantry Gateway Program	29,248
Racine County Food Bank - Emergency Food Distribution	79,200
Racine Family YMCA - Focus on Fathers Initiative	33,000
Racine Literacy Council, Inc. - Adult Literacy Program	72,000
Racine Vocational Ministry, Inc. - Walk-In Program	50,200
SAFE Haven of Racine, Inc. - Youth Shelter and Outreach Programs	57,882
The Salvation Army - Racine Corps - Child Nutrition Program	9,400
Transitional Living Center, Burlington, Burlington - Shelter Program	19,000

**UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF ALLOCATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

COMMUNITY PARTNERS

Asset Builders of America - Money Conference	\$ 4,000
Burlington Senior Center	2,000
Easter Seals - Project Search Racine	4,000
Gateway Technical College Foundation - Gateway Promise	5,000
Green Path, Inc. - Racine Family Financial Health Initiative	6,500
IMPACT - Alcohol and Other Drug Abuse Services, Inc. - IMPACT 211	15,000
Racine Area Manufacturers and Commerce Inc. - Leadership Racine	4,500
Senior Companion Program	17,500
Training for Partner Providers	11,000
UWP Center for Community Partnerships - Nonprofit Development Program	4,000
Volunteer Center of Racine County, Inc. - Get Connected	10,000
Volunteer Center of Racine County, Inc. - Skill Bank	2,000
Workforce Development Center - High School CNC Boot Camp	6,425

YOUTH INITIATIVES/YOUTH AS RESOURCES

Program Expenses	982
Grants	1,000

GRANT EXPENSES

Children's Trust Fund - Family Resource Center Network	78,450
Emergency Shelter Grant - Racine County - State of Wisconsin	141,855
Emergency Shelter Grant - Racine County - City of Racine	134,530

Fiscal Sponsorships

Higher Expectations (STRIVE)	414,055
Visioning a Greater Racine	46,224
Greening a Greater Racine	1,536

Community Schools

The ARC of Racine County, Inc. - Health Matters: Have Fun and Get Fit	1,500
Children's Hospital of Wisconsin, Community Services - Child and Family Counseling Program	69,483
Focus on Community - Multi-Hub FAST (Families & Schools Together)	40,000
Gateway Technical College - Maker Girl	1,800
Racine Art Museum - AfterSchool Art Club and Family Nights	6,130
Racine Family YMCA - The School Achievers Program - Knapp	41,893
SAFE Haven of Racine, Inc. - Girls in the Game	7,500
Sweatshop Movement (SWEAT School)	1,000

Effective Connections

Project Expenses	6,674
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Wadewitz Fund

HALO - Storm Drainage Project	7,179
Racine County Food Bank - Storm Drainage Project	5,482
Catherine Marian Housing, Inc. - Replacement of Furnace	3,252

TOTAL ALLOCATIONS

\$ 2,933,469

**UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE CONTRACTS
YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
U.S. Department of Administration			
Emergency Shelter Grant/Transitional Housing Grant/Homeless Prevention Program	14.231	N/A	\$ 280,185
U.S. Department of Health and Human Services			
Pass through from State of Wisconsin Community-Based Child Abuse Prevention Grants	93.590	N/A	<u>61,222</u>
TOTAL EXPENDITURES OF FEDERAL CONTRACTS			341,407
State and Other Grantor/Program	State Identifying Number	Contract Number	Expenditures
Racine County Human Services Department			
Community Family Center	N/A	N/A	<u>6,405</u>
TOTAL EXPENDITURES OF STATE AND OTHER CONTRACTS			<u>6,405</u>
TOTAL CONTRACTS			<u><u>\$ 347,812</u></u>

UNITED WAY OF RACINE COUNTY, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE CONTRACTS
DECEMBER 31, 2016

NOTE A BASIS OF PRESENTATION

The accompanying "Schedule of Expenditures of Federal and State Contracts" include the federal and state grant activity of United Way of Racine County, Inc. and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS AND THE PROVIDER AGENCY AUDIT GUIDE**

Board of Directors
United Way of Racine County, Inc.
Racine, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Provider Agency Audit Guide*, the financial statements of United Way of Racine County, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Racine County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Racine County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Racine County, Inc.'s internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of Racine County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and the Provider Agency Audit Guide*.

United Way of Racine County, Inc.'s Response to Findings

United Way of Racine County, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. United Way of Racine County, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Provider Agency Audit Guide* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Racine, Wisconsin
March 20, 2017

**UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued?	Unmodified
Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Non-compliance material to the financial statements noted?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 2016-001 - Preparation of Financial Statements

To establish proper internal control over the preparation of its financial statements, including disclosures, the Organization should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. The Board and management share the ultimate responsibility for the Organization's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The Organization engages CliftonLarsonAllen LLP to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CliftonLarsonAllen LLP cannot be considered part of the Organization's internal control system.

However, the Organization's personnel have not monitored recent accounting developments to the extent necessary to enable them to review the disclosures in the financial statements to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected. The Organization does however perform a detailed review of the financial statements, including disclosures to ensure that reported amounts are complete and accurate.

Such review procedures should continue to be performed by an individual possessing a thorough understanding of applicable accounting principles generally accepted in the United States of America and knowledge of the Organization's activities and operations.

Management's Response

The Organization agrees with the condition and will continue to rely on an independent auditor based on a cost-benefit analysis of the time and cost related to continuing education to monitor new accounting standards. In addition, it should be noted that the auditors do not propose significant adjustments to the records prepared by the Organization.

**UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Corrective Action Plan (CAP)

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The entity will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

Official Responsible for Ensuring CAP:

The governing board is responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

The CAP is ongoing.

Plan to Monitor Completion of CAP:

The governing board will monitor this corrective action plan.

**UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016**

SECTION III - OTHER ISSUES

Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Provider Agency Audit Guide*:

Department of Health Services	No
Department of Workforce Development	N/A
Department of Corrections	N/A

Was a management letter or other document conveying audit comments issued as a result of this audit? No



Name and signature of principal

Steven C. Johnson, CPA

Date of report

March 20, 2017

**UNITED WAY OF RACINE COUNTY, INC.
SCHEDULE OF STATUS OF PRIOR YEAR ENDINGS
YEAR ENDED DECEMBER 31, 2016**

The prior year finding is repeated as finding 2016-001.