

United Way of Greater Duluth, Inc.

Financial Report
June 30, 2014

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Independent Auditor's Report

To the Board of Directors
United Way of Greater Duluth, Inc.
Duluth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Greater Duluth, Inc., which comprise the statements of financial position as of June 30, 2014, and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Greater Duluth, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Duluth, Minnesota
November 26, 2014

United Way of Greater Duluth, Inc.

Statements of Financial Position
June 30, 2014 and 2013

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and Cash Equivalents | | |
| Unrestricted | \$ 803,573 | \$ 807,767 |
| Restricted (Note 2) | 8,708 | 14,455 |
| Contributions Receivable, less allowance for uncollectibles of \$50,111 in 2014 and \$50,850 in 2013 | 710,784 | 696,531 |
| Other Receivables | 50,256 | 26,294 |
| Prepaid Expenses | 6,262 | 17,557 |
| Property and Equipment, net (Note 3) | 26,418 | 26,564 |
| Beneficial Interest in Perpetual Trust (Note 4) | 3,813,238 | 3,307,451 |
| Beneficial Interest in Assets Held by Others (Note 5) | 644,700 | 697,092 |
| Total assets | \$ 6,063,939 | \$ 5,593,711 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Allocations and designations payable (Note 6) | \$ 1,006,968 | \$ 1,089,327 |
| Deposits held for others (Note 2) | 8,708 | 14,455 |
| Accounts payable | 18,960 | 27,179 |
| Accrued expenses | 35,840 | 49,148 |
| Total liabilities | 1,070,476 | 1,180,109 |
| Net Assets | | |
| Unrestricted: | | |
| Board designated (Note 11) | 459,093 | 422,882 |
| Property and equipment | 26,418 | 26,564 |
| United Way Endowment Fund (Note 5) | 644,700 | 577,092 |
| Total unrestricted net assets | 1,130,211 | 1,026,538 |
| Temporarily restricted (Note 7) | 50,014 | 79,613 |
| Permanently restricted (Note 7) | 3,813,238 | 3,307,451 |
| Total net assets | 4,993,463 | 4,413,602 |
| Total liabilities and net assets | \$ 6,063,939 | \$ 5,593,711 |

See Notes to Financial Statements.

United Way of Greater Duluth, Inc.

Statements of Activities
Years Ended June 30, 2014 and 2013

| | 2014 | | | |
|--|------------------|------------------------|------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Public Support and Revenue | | | | |
| Gross campaign results | \$ 1,950,596 | \$ 17,735 | \$ - | \$ 1,968,331 |
| Gross campaign results in prior year, released from restrictions | 36,921 | (36,921) | - | - |
| Total campaign results | 1,987,517 | (19,186) | - | 1,968,331 |
| Less donor designations (Note 6) | (93,455) | - | - | (93,455) |
| Less provision for uncollectible accounts | (66,646) | - | - | (66,646) |
| Net campaign revenue | 1,827,416 | (19,186) | - | 1,808,230 |
| Perpetual trust contribution | 158,221 | - | - | 158,221 |
| Duluth-Superior Area Community Foundation contribution | 22,965 | - | - | 22,965 |
| Other contributions | 3,449 | - | - | 3,449 |
| Grant income | 75,297 | 7,500 | - | 82,797 |
| Sponsorships | 20,395 | - | - | 20,395 |
| Bequests and memorials | 1,000 | - | - | 1,000 |
| Special events | 38,446 | - | - | 38,446 |
| Services revenue | 126,196 | - | - | 126,196 |
| Temporarily restricted net assets released | 17,913 | (17,913) | - | - |
| Total public support | 2,291,298 | (29,599) | - | 2,261,699 |
| Investment income | 3,441 | - | - | 3,441 |
| Change in beneficial interest in assets held by others | 94,770 | - | - | 94,770 |
| Change in beneficial interest in perpetual trust | - | - | 505,787 | 505,787 |
| Donated services | 3,017 | - | - | 3,017 |
| Miscellaneous | 11,390 | - | - | 11,390 |
| Total revenue | 2,403,916 | (29,599) | 505,787 | 2,880,104 |
| Allocations and Expenses | | | | |
| Allocations and program services: | | | | |
| Gross allocations to agencies for programs | 1,335,980 | - | - | 1,335,980 |
| Less donor designations (Note 6) | (93,455) | - | - | (93,455) |
| Net allocations awarded (Note 8) | 1,242,525 | - | - | 1,242,525 |
| Initiatives distributions (Note 8) | 109,263 | - | - | 109,263 |
| Other program services | 429,305 | - | - | 429,305 |
| Total program expenses | 1,781,093 | - | - | 1,781,093 |
| Supporting services: | | | | |
| Management and general | 190,823 | - | - | 190,823 |
| Fundraising | 328,327 | - | - | 328,327 |
| Total allocations and expenses | 2,300,243 | - | - | 2,300,243 |
| Increase (decrease) in net assets | 103,673 | (29,599) | 505,787 | 579,861 |
| Net Assets | | | | |
| Beginning of year | 1,026,538 | 79,613 | 3,307,451 | 4,413,602 |
| End of year | \$ 1,130,211 | \$ 50,014 | \$ 3,813,238 | \$ 4,993,463 |

See Notes to Financial Statements.

2013

| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--------------|------------------------|------------------------|--------------|
| \$ 1,956,348 | \$ 36,921 | \$ - | \$ 1,993,269 |
| 34,525 | (34,525) | - | - |
| 1,990,873 | 2,396 | - | 1,993,269 |
| (105,178) | - | - | (105,178) |
| (32,447) | - | - | (32,447) |
| 1,853,248 | 2,396 | - | 1,855,644 |
| 150,303 | - | - | 150,303 |
| 20,767 | - | - | 20,767 |
| 4,875 | 2,631 | - | 7,506 |
| 64,949 | - | - | 64,949 |
| 15,165 | - | - | 15,165 |
| 225 | - | - | 225 |
| 45,719 | - | - | 45,719 |
| 102,782 | - | - | 102,782 |
| 33,870 | (33,870) | - | - |
| 2,291,903 | (28,843) | - | 2,263,060 |
| 448 | - | - | 448 |
| 42,139 | - | - | 42,139 |
| - | - | 287,487 | 287,487 |
| 26,252 | - | - | 26,252 |
| 23,446 | - | - | 23,446 |
| 2,384,188 | (28,843) | 287,487 | 2,642,832 |
| 1,467,862 | - | - | 1,467,862 |
| (105,178) | - | - | (105,178) |
| 1,362,684 | - | - | 1,362,684 |
| 111,133 | - | - | 111,133 |
| 472,145 | - | - | 472,145 |
| 1,945,962 | - | - | 1,945,962 |
| 154,848 | - | - | 154,848 |
| 349,096 | - | - | 349,096 |
| 2,449,906 | - | - | 2,449,906 |
| (65,718) | (28,843) | 287,487 | 192,926 |
| 1,092,256 | 108,456 | 3,019,964 | 4,220,676 |
| \$ 1,026,538 | \$ 79,613 | \$ 3,307,451 | \$ 4,413,602 |

United Way of Greater Duluth, Inc.

Statements of Functional Expenses
Years Ended June 30, 2014 and 2013

| | 2014 | | | |
|--|---------------------|------------------------------|-------------------|---------------------|
| | Program Services | Management and General | Fundraising | Total |
| Gross Allocations to Agencies for Programs | \$ 1,335,980 | \$ - | \$ - | \$ 1,335,980 |
| Less Donor Designations | (93,455) | - | - | (93,455) |
| Net allocations awarded | 1,242,525 | - | - | 1,242,525 |
| Initiatives Distributions | 109,263 | - | - | 109,263 |
| Salaries | 255,194 | 106,471 | 168,522 | 530,187 |
| Payroll Taxes | 20,527 | 8,546 | 13,730 | 42,803 |
| Employee Benefits | 41,875 | 11,396 | 43,775 | 97,046 |
| Total salaries and related expenses | 317,596 | 126,413 | 226,027 | 670,036 |
| Conferences, Conventions, and Meetings | 7,191 | 2,346 | 14,458 | 23,995 |
| Insurance | 1,127 | 289 | 680 | 2,096 |
| Membership Dues | 1,420 | 511 | 1,205 | 3,136 |
| Other | 278 | 78 | 5,648 | 6,004 |
| Occupancy | 17,308 | 7,687 | 18,119 | 43,114 |
| Postage | 1,178 | 728 | 2,016 | 3,922 |
| Printing and Marketing | 2,505 | 1,073 | 7,717 | 11,295 |
| Professional Fees | 28,273 | 41,734 | 10,275 | 80,282 |
| Rental and Maintenance of Equipment | 22,350 | 3,401 | 8,401 | 34,152 |
| Supplies | 2,420 | 560 | 3,613 | 6,593 |
| Telephone and Communications | 5,689 | 936 | 2,207 | 8,832 |
| Special Events | 1,740 | - | 12,996 | 14,736 |
| Donated Services | - | - | 3,017 | 3,017 |
| Community Outreach | 4,262 | - | - | 4,262 |
| United Way Worldwide | 11,140 | 2,853 | 6,729 | 20,722 |
| Depreciation | 4,828 | 2,214 | 5,219 | 12,261 |
| Total other program services | 429,305 | 190,823 | 328,327 | 948,455 |
| Total allocations and expenses | \$ 1,781,093 | \$ 190,823 | \$ 328,327 | \$ 2,300,243 |

See Notes to Financial Statements.

2013

| Program Services | Management and General | Fundraising | Total |
|------------------|------------------------|-------------|--------------|
| \$ 1,467,862 | \$ - | \$ - | \$ 1,467,862 |
| (105,178) | - | - | (105,178) |
| 1,362,684 | - | - | 1,362,684 |
| 111,133 | - | - | 111,133 |
| 279,217 | 87,516 | 170,340 | 537,073 |
| 22,330 | 6,991 | 14,077 | 43,398 |
| 45,593 | 20,030 | 48,360 | 113,983 |
| 347,140 | 114,537 | 232,777 | 694,454 |
| 7,666 | 630 | 7,966 | 16,262 |
| 1,103 | 229 | 589 | 1,921 |
| 2,191 | 427 | 1,199 | 3,817 |
| 311 | 64 | 4,459 | 4,834 |
| 16,918 | 6,426 | 16,525 | 39,869 |
| 2,217 | 162 | 3,721 | 6,100 |
| 6,072 | 710 | 10,987 | 17,769 |
| 25,496 | 22,005 | 1,537 | 49,038 |
| 18,118 | 2,481 | 7,374 | 27,973 |
| 3,100 | 437 | 5,491 | 9,028 |
| 6,583 | 938 | 2,528 | 10,049 |
| 2,516 | - | 16,364 | 18,880 |
| 3,600 | - | 22,652 | 26,252 |
| 7,796 | - | - | 7,796 |
| 11,813 | 2,452 | 6,308 | 20,573 |
| 9,505 | 3,350 | 8,619 | 21,474 |
| 472,145 | 154,848 | 349,096 | 976,089 |
| \$ 1,945,962 | \$ 154,848 | \$ 349,096 | \$ 2,449,906 |

United Way of Greater Duluth, Inc.

**Statements of Cash Flows
Years Ended June 30, 2014 and 2013**

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Increase in net assets | \$ 579,861 | \$ 192,926 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 12,261 | 21,474 |
| Changes in: | | |
| Beneficial interest in: | | |
| Assets held by others | 52,392 | (16,987) |
| Perpetual trust | (505,787) | (287,487) |
| Assets and liabilities: | | |
| Contributions receivable | (14,253) | 142,758 |
| Other receivables | (23,962) | 3,031 |
| Prepaid expenses | 11,295 | (1,816) |
| Allocations payable and designated pledges | (82,359) | (17,751) |
| Deposits held for others | (5,747) | (416) |
| Accounts payable | (8,219) | 14,652 |
| Accrued expenses | (13,308) | 855 |
| Net cash provided by operating activities | 2,174 | 51,239 |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (12,115) | (19,924) |
| Net cash used in investing activities | (12,115) | (19,924) |
| Net increase (decrease) in cash and cash equivalents | (9,941) | 31,315 |
| Cash and Cash Equivalents | | |
| Beginning | 822,222 | 790,907 |
| Ending | \$ 812,281 | \$ 822,222 |

See Notes to Financial Statements.

United Way of Greater Duluth, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: United Way of Greater Duluth, Inc. (the Organization) is a voluntary health and welfare nonprofit entity organized to lead a united response to the human service needs of the Greater Duluth Community.

A summary of the Organization's significant accounting policies follows:

Net assets: Unrestricted net assets are those funds presently available for use by or on behalf of the Organization, including amounts available for general and administrative expenses. These unrestricted net assets may also include board designated funds. Temporarily restricted net assets are contributions that have donor-imposed stipulations that can be fulfilled by certain actions of the Organization. These contributions are restricted by time and/or for program expenditures in future years. Permanently restricted net assets are contributions that have donor-imposed restrictions whereby the amount of the gift is to be held in perpetuity and only the income generated can be used as stipulated by the donor.

Support and expenses: Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded as incurred in accordance with the accrual basis of accounting.

Donated services: Donated services are reflected in the statements of activities at their estimated values at date of receipt. During the years ended June 30, 2014 and 2013, the Organization recognized \$3,017 and \$26,252, respectively, of donated services relating to advertising. In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Organization's program services and fundraising campaigns. These donated services are not reflected in the financial statements since the services do not require specialized skills.

Property and equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided using the straight-line method based on estimated useful lives of individual units of 3 - 5 years.

Cash and cash equivalents: Unrestricted highly liquid investments with an initial maturity of three months or less are considered cash equivalents. The carrying value approximates fair value.

Contributions receivable: All contributions receivable are due in less than one year. Management determines the allowance for uncollectible accounts by using historical collection experience applied to pledges received by the Organization and by identifying troubled accounts. Contributions receivable are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received.

Concentration of credit risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

United Way of Greater Duluth, Inc.

Notes to Financial Statements

Fair value measurement: The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability should be used to measure the fair value to the extent that observable inputs are not available.

The fair values of the beneficial interest in perpetual trust and the beneficial interest in assets held by others are determined using the Level 3 inputs described above.

Income taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Not-for-profit organizations may become subject to income taxes if qualification as a tax-exempt entity changes, if unrelated business income is generated, and in certain other instances. Not-for-profit organizations are required to assess the certainty of their tax positions related to these matters and, in some cases, record liabilities for potential taxes, interest and penalties accompanied by footnote disclosures. The Organization has not identified any uncertain tax positions that would require the accrual of an income tax provision.

Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2010.

Use of estimates in the preparation of financial statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: Management has evaluated subsequent events through November 26, 2014, the date the financial statements were issued, in preparing the financial statements and related footnotes.

Note 2. Restricted Cash and Deposits Held for Others

During 2014, the Organization became fiscal agent for the long-term flood recovery fund. The long-term flood recovery fund solicits contributions and makes distributions to flood victims. The fund is managed by a third party committee. The Organization reports restricted cash and deposits held for others of \$514 and \$7,064 at June 30, 2014 and 2013, respectively, for the long-term flood recovery fund.

United Way of Greater Duluth, Inc.

Notes to Financial Statements

The Organization is also fiscal agent for the Duluth Youth Coalition. The Organization reports restricted cash and deposits held for others of \$8,194 and \$7,391 at June 30, 2014 and 2013, respectively, for the Duluth Youth Coalition.

Note 3. Property and Equipment

| | 2014 | 2013 |
|-------------------------------|------------------|------------------|
| Office equipment | \$ 173,301 | \$ 186,203 |
| Leasehold improvements | 51,539 | 51,539 |
| | <u>224,840</u> | <u>237,742</u> |
| Less accumulated depreciation | 198,422 | 211,178 |
| | <u>\$ 26,418</u> | <u>\$ 26,564</u> |

Note 4. Beneficial Interest in Perpetual Trust

The Organization is the sole beneficiary of the yearly income derived from the assets of United Way of Greater Duluth Trust. The beneficial interest in perpetual trust is recorded at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 1, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

| | 2014 | 2013 |
|--|---------------------|---------------------|
| Beneficial interest, beginning of year | \$ 3,307,451 | \$ 3,019,964 |
| Increase in beneficial interest | 664,007 | 437,790 |
| Amount distributed | (158,220) | (150,303) |
| Beneficial interest, end of year | <u>\$ 3,813,238</u> | <u>\$ 3,307,451</u> |

The change in the fair value of the beneficial interest in the trust is recognized in the statement of activities.

Note 5. Beneficial Interest in Assets Held by Others

The United Way Endowment Fund (the Fund) was established with the Duluth-Superior Area Community Foundation (the Foundation) by both the Organization and third party donors. The Organization is the sole beneficiary of the Fund.

The portion of the Fund contributed by the Organization is reported as an asset of the Organization. The Organization has granted variance power to the Foundation. This variance power allows the Foundation to move funds received by the Foundation from the Fund to other Foundation endowment funds if deemed appropriate. The net income of the Fund shall be distributed at least annually to the Organization. The balance at June 30, 2014 and 2013, is included in the balance sheet under the caption "Beneficial Interest in Assets Held by Others." This portion is recorded at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 1, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

United Way of Greater Duluth, Inc.**Notes to Financial Statements**

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Beneficial interest, beginning of year | \$ 577,092 | \$ 680,105 |
| Increase in beneficial interest | 94,770 | 42,139 |
| Amount distributed | <u>(27,162)</u> | <u>(25,152)</u> |
| Beneficial interest, end of year | 644,700 | 697,092 |
| Beneficial interest designated (a) | - | (120,000) |
| Net assets, United Way Endowment Fund | <u>\$ 644,700</u> | <u>\$ 577,092</u> |

- (a) The Organization requested a \$120,000 distribution from its beneficial interest which was approved by the Foundation prior to June 30, 2013 and was received from the Foundation subsequent to June 30, 2013.

The portion of the Fund contributed by unrelated third party donors is considered a contribution to the Foundation, as the Foundation has been granted variance power over these assets. This portion of the Fund, \$651,265 and \$578,985 at June 30, 2014 and 2013, respectively, has not been recorded as an asset on these financial statements.

Note 6. Allocations and Designations Payable

| | 2014 | 2013 |
|------------------------------------|---------------------|---------------------|
| Community Care allocations payable | \$ 932,632 | \$ 1,035,993 |
| Donor designated pledges | 74,336 | 53,334 |
| | <u>\$ 1,006,968</u> | <u>\$ 1,089,327</u> |

The Organization receives various donor pledges that are designated for specific beneficiaries. The Organization is considered an agent for the donor designated beneficiaries and, as such, records amounts received from the donor as a liability to the designated beneficiaries. The donor designated pledges are not included in revenue of the Organization. During the years ended June 30, 2014 and 2013, the Organization raised \$93,455 and \$105,178, respectively, of donor designated pledges, of which amounts due to the designated beneficiaries are included in the above table.

Note 7. Restrictions on Net Assets

Temporarily restricted net assets as a result of program and/or time restrictions consisted of the following:

| | 2014 | 2013 |
|---|------------------|------------------|
| 2-1-1 Information and referral | \$ 2,556 | \$ 13,284 |
| Project Homeless Connect | 4,326 | 6,632 |
| Head Start Transportation Collaborative | 6,390 | 5,633 |
| Long Term Flood Relief/Flooding Homes with Hope | - | 2,631 |
| Heading Home | 7,061 | 7,061 |
| Contributions for the subsequent fiscal year's campaign | 25,235 | 36,921 |
| Prosperity Agenda | - | 3,079 |
| Women's Leadership Council | 4,446 | 4,372 |
| | <u>\$ 50,014</u> | <u>\$ 79,613</u> |

Permanently restricted net assets of \$3,813,238 and \$3,307,451 include the beneficial interest in the United Way of Greater Duluth Trust at June 30, 2014 and 2013, respectively. Investment income received from the trust is unrestricted.

United Way of Greater Duluth, Inc.

Notes to Financial Statements

Note 8. Allocations to Agencies

Allocations were as follows:

| | 2014 | | | 2013 |
|--|---------------------|-------------------|-------------------|---------------------|
| | Total Allocations | Amount Paid | Amount Payable | Total Allocations |
| American Red Cross - Northld Chpt | \$ 11,932 | \$ 2,983 | \$ 8,949 | \$ 17,682 |
| Arc Northland | 9,705 | 2,427 | 7,278 | 12,200 |
| Boys & Girls Club of the Northland | 71,594 | 17,899 | 53,695 | 82,300 |
| Boy Scouts - Voyageurs Area Council | - | - | - | 12,800 |
| Center City Housing | 30,527 | 7,632 | 22,895 | 25,282 |
| Children's Dental Services | 9,546 | 2,387 | 7,159 | 12,000 |
| Churches United in Ministry | 44,747 | 11,187 | 33,560 | 45,000 |
| Community Action Duluth | 56,679 | 14,170 | 42,509 | 71,250 |
| Courage Center | 8,949 | 2,238 | 6,711 | 18,363 |
| Damiano Center | 63,838 | 15,960 | 47,878 | 67,200 |
| Domestic Abuse Intervention Program | 5,966 | 1,492 | 4,474 | 7,966 |
| Duluth Area Family YMCA | 115,445 | 28,862 | 86,583 | 107,150 |
| Girl Scouts of MN & WI Lakes & Pines | 6,563 | 1,641 | 4,922 | 15,750 |
| Goodwill | 31,820 | 7,955 | 23,865 | 40,000 |
| Grant Cmty School Collaborative | - | - | - | 33,500 |
| Human Development Center | 56,878 | 14,220 | 42,658 | 71,500 |
| ISD#704 | 4,972 | 1,243 | 3,729 | - |
| Lake Sup'r Community Health Ctr | 60,059 | 15,015 | 45,044 | 75,500 |
| Legal Aid Service of NE MN | 53,696 | 13,424 | 40,272 | 58,259 |
| Life House | 45,343 | 11,336 | 34,007 | 39,000 |
| Little Treasures Ctr | - | - | - | 20,768 |
| Lutheran Social Service | 59,264 | 14,816 | 44,448 | 62,483 |
| Men as Peacemakers | 27,842 | 6,961 | 20,881 | - |
| Myers-Wilkins Comm Sch Collaborative | 33,311 | 8,328 | 24,983 | - |
| North Country R.I.D.E. | 4,972 | 1,243 | 3,729 | 7,000 |
| One Roof Community Housing | 6,364 | 1,591 | 4,773 | 8,000 |
| Positive Energy Outdoors | 11,932 | 2,983 | 8,949 | - |
| Safe Haven Shelter | 36,195 | 9,049 | 27,146 | 39,963 |
| Salvation Army | 98,044 | 24,511 | 73,533 | 107,850 |
| 2nd Harvest No. Lakes Food Bank | 24,163 | 6,041 | 18,122 | 19,162 |
| SOAR Career Solutions | 39,376 | 9,844 | 29,532 | 49,500 |
| Valley Youth Center | 77,560 | 19,390 | 58,170 | 104,500 |
| Volunteer Attorney Program | 9,944 | 2,486 | 7,458 | - |
| Woodland Hills | 37,587 | 9,397 | 28,190 | 39,500 |
| YWCA | 55,187 | 13,797 | 41,390 | 57,186 |
| Duluth Area Community Care allocations | <u>1,210,000</u> | <u>302,508</u> | <u>907,492</u> | <u>1,328,614</u> |
| AEOA | 7,000 | 1,750 | 5,250 | - |
| Community Partners | 5,000 | 1,250 | 3,750 | 7,000 |
| Girl Scouts of MN & WI Lakes & Pines | - | - | - | 3,000 |
| North Shore Horizons | 6,971 | 1,750 | 5,250 | 6,445 |
| Northshore Area Partners | 4,093 | 1,250 | 3,750 | 4,669 |
| Northshore Collaborative | 1,970 | 500 | 1,500 | 5,000 |
| Salvation Army Lake County | 4,971 | 1,250 | 3,750 | 4,956 |
| Socially Active Seniors | 2,520 | 630 | 1,890 | 3,000 |
| North Shore Community Care allocations | <u>32,525</u> | <u>8,380</u> | <u>25,140</u> | <u>34,070</u> |
| Total Community Care allocations | <u>1,242,525</u> | <u>310,888</u> | <u>932,632</u> | <u>1,362,684</u> |
| Head Start Transportation | 7,525 | 7,525 | - | 5,100 |
| Imagination Library | 89,738 | 89,738 | - | 93,599 |
| Community Action Duluth/Tax Sites | 12,000 | 12,000 | - | 12,434 |
| Total Initiatives distributions | <u>109,263</u> | <u>109,263</u> | <u>-</u> | <u>111,133</u> |
| Total Agency allocations | <u>\$ 1,351,788</u> | <u>\$ 420,151</u> | <u>\$ 932,632</u> | <u>\$ 1,473,817</u> |

These amounts do not include contributions that donors have designated for a specific beneficiary.

United Way of Greater Duluth, Inc.

Notes to Financial Statements

Note 9. Retirement Plan

The Organization has a defined contribution retirement plan covering substantially all full-time employees 21 years of age or older with at least one year of service. Contributions are 5.5 percent of each covered employee's salary with less than five years of service. Contributions are 6.0 percent of each covered employee's salary with five years or more of service. Total contributions were \$26,616 and \$23,455 for the years ended June 30, 2014 and 2013, respectively.

Note 10. Operating Lease

The Organization leases office space from the Ordean Foundation based upon an agreement renewed annually. Total office space rent expense was \$43,114 and \$39,869 for the years ended June 30, 2014 and 2013, respectively.

Note 11. Board Designated Net Assets

Net assets have been designated by the Board to support strategic business practices and to ensure the long-term health of the Organization. Amounts are designated for, but are not limited to managing cash flow interruptions, minimizing the need for working capital borrowing, meeting commitments and obligations, and generating investment income. Designated net assets were \$466,774 and \$422,882 at June 30, 2014 and 2013, respectively.

Note 12. Risks and Uncertainties

The investments held in perpetual trust and by others in which the Organization has beneficial interests consist of various investment securities. Investment securities are exposed to risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's interest in such assets and the amounts reported in the statement of financial position.



Independent Auditor's Report on the Supplementary Information

To the Board of Directors
United Way of Greater Duluth, Inc.
Duluth, Minnesota

We have audited the financial statements of United Way of Greater Duluth, Inc. as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

Duluth, Minnesota
November 26, 2014

United Way of Greater Duluth, Inc.

Other Program Services
Years Ended June 30, 2014 and 2013

| | 2014 | | | |
|--|---------------------|----------------------|----------------------------------|---------------------|
| | Community Impact | Fund Distribution | AFL-CIO Community Services | Volunteer Center |
| Salaries | \$ 74,103 | \$ 12,340 | \$ 27,071 | \$ 22,708 |
| Payroll taxes | 6,140 | 1,031 | 2,332 | 1,431 |
| Employee benefits | 7,798 | 1,124 | 9,111 | 4,873 |
| Total salaries and related expenses | 88,041 | 14,495 | 38,514 | 29,012 |
| Conferences, conventions, and meetings | 2,369 | 1,608 | 762 | 685 |
| Insurance | 1,082 | 45 | - | - |
| Membership dues | 455 | 80 | - | 185 |
| Other | 232 | 9 | 27 | 10 |
| Occupancy | 9,583 | 1,200 | 2,356 | - |
| Postage | 24 | 64 | 115 | 74 |
| Printing and marketing | 698 | 103 | 641 | 90 |
| Professional fees | 14,958 | 1,314 | 50 | 7,701 |
| Rental and maintenance of equipment | 13,783 | 650 | 147 | 4,968 |
| Supplies | 2,099 | 87 | 68 | 28 |
| Telephone and communications | 3,676 | 146 | 252 | 168 |
| Special events | - | - | 14 | 1,726 |
| Donated services | - | - | - | - |
| Community outreach | 3,316 | - | - | - |
| United Way Worldwide | 10,694 | 446 | - | - |
| Depreciation | 2,234 | 345 | 370 | 491 |
| | \$ 153,244 | \$ 20,592 | \$ 43,316 | \$ 45,138 |

| 2014 | | | | |
|--------------------------|-----------------|-------------------|-------------------|------|
| 2-1-1 Information and | | | | 2013 |
| Referral | Initiatives | Total | | |
| \$ 118,972 | \$ - | \$ 255,194 | \$ 279,217 | |
| 9,593 | - | 20,527 | 22,330 | |
| 18,969 | - | 41,875 | 45,593 | |
| 147,534 | - | 317,596 | 347,140 | |
| 264 | 1,503 | 7,191 | 7,666 | |
| - | - | 1,127 | 1,103 | |
| 100 | 600 | 1,420 | 2,191 | |
| - | - | 278 | 311 | |
| 4,169 | - | 17,308 | 16,918 | |
| 901 | - | 1,178 | 2,217 | |
| - | 973 | 2,505 | 6,072 | |
| 204 | 4,046 | 28,273 | 25,496 | |
| 2,691 | 111 | 22,350 | 18,118 | |
| 13 | 125 | 2,420 | 3,100 | |
| 1,447 | - | 5,689 | 6,583 | |
| - | - | 1,740 | 2,516 | |
| - | - | - | 3,600 | |
| - | 946 | 4,262 | 7,796 | |
| - | - | 11,140 | 11,813 | |
| 1,388 | - | 4,828 | 9,505 | |
| <u>\$ 158,711</u> | <u>\$ 8,304</u> | <u>\$ 429,305</u> | <u>\$ 472,145</u> | |

United Way of Greater Duluth, Inc.

Fundraising Expenses
Years Ended June 30, 2014 and 2013

| | 2014 | | | 2013 |
|--|-------------------------|------------------|-------------------|-------------------|
| | Resource Development | Marketing | Total | |
| Salaries | \$ 131,807 | \$ 36,715 | \$ 168,522 | \$ 170,340 |
| Payroll taxes | 10,697 | 3,033 | 13,730 | 14,077 |
| Employee benefits | 27,152 | 16,623 | 43,775 | 48,360 |
| Total salaries and related expenses | 169,656 | 56,371 | 226,027 | 232,777 |
| Conferences, conventions, and meetings | 13,408 | 1,050 | 14,458 | 7,966 |
| Insurance | 551 | 129 | 680 | 589 |
| Membership dues | 976 | 229 | 1,205 | 1,199 |
| Other | 5,623 | 25 | 5,648 | 4,459 |
| Occupancy | 14,680 | 3,439 | 18,119 | 16,525 |
| Postage | 2,016 | - | 2,016 | 3,721 |
| Printing and marketing | 7,421 | 296 | 7,717 | 10,987 |
| Professional fees | 9,807 | 468 | 10,275 | 1,537 |
| Rental and maintenance of equipment | 6,877 | 1,524 | 8,401 | 7,374 |
| Supplies | 3,254 | 359 | 3,613 | 5,491 |
| Telephone and communications | 1,788 | 419 | 2,207 | 2,528 |
| Special events | 12,996 | - | 12,996 | 16,364 |
| Donated services | 3,017 | - | 3,017 | 22,652 |
| United Way Worldwide | 5,450 | 1,279 | 6,729 | 6,308 |
| Depreciation | 4,228 | 991 | 5,219 | 8,619 |
| | \$ 261,748 | \$ 66,579 | \$ 328,327 | \$ 349,096 |