

UNITED WAY OF FREEBORN COUNTY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015

UNITED WAY OF FREEBORN COUNTY, INC.
December 31, 2015

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UNITED WAY OF FREEBORN COUNTY, INC.
December 31, 2015
BOARD OF DIRECTORS

Chair

Vice-Chair

Secretary

Treasurer

Director

Director

Director

Director

Director

Director

Director

Director

Director

AGENCY REPRESENTATIVES

The Arc of
Freeborn County
Crime Victim's Crisis
Center

Jo Lowe

Andrea Mauer

Ann Austin

Executive Director

Amy Gauthier

Administrative Assistant

STAFF

HILL, LARSON, WALTH & BENDA, P. A.

Certified Public Accountants

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Ronald P. Walth, C.P.A.

Heather L. Benda, C.P.A.
Lance E. Skov, C.P.A.
Andrew M. Berrau, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Freeborn County, Inc.
Albert Lea, MN 56007

We have audited the accompanying financial statements of United Way of Freeborn County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Freeborn County, Inc as of December 31, 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on page 12 and schedule of allocations to agencies on page 13 are presented for purposes of additional analysis and are 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.

Report on Summarized Comparative Information

We have previously audited the United Way of Freeborn County, Inc. 2014 financial statements, and our report dated June 16, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hill, Larson, Walth & Benda, P.A.

Hill, Larson, Walth & Benda, P.A.

June 15, 2016

FINANCIAL STATEMENTS

UNITED WAY OF FREEBORN COUNTY, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2015
 (With Comparative Totals for December 31, 2014)

| ASSETS | 2015 | 2014 |
|--|------------|------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 415,246 | \$ 457,317 |
| Current year pledges receivable (less allowance for uncollectible pledges of \$28,284) | 316,816 | 316,812 |
| Prior year pledges receivable (less allowance for uncollectible pledges of \$68,062) | 71,178 | 56,085 |
| Total Current Assets | 803,240 | 830,214 |
| Property and Equipment | | |
| Office furniture and equipment | 10,216 | 10,216 |
| Accumulated depreciation | (9,804) | (9,166) |
| Net Property and Equipment | 412 | 1,050 |
| Other Assets | | |
| Assets held by the Minnesota Community Foundation | 79,580 | 83,868 |
| Total Assets | \$ 883,232 | \$ 915,132 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ - | \$ - |
| Total Current Liabilities | - | - |
| Net Assets | | |
| Unrestricted | 195,205 | 202,672 |
| Board designated - general | 412 | 1,050 |
| Designated - office furniture and equipment | 191,732 | 161,621 |
| Undesignated | 387,349 | 365,343 |
| Total Unrestricted Net Assets | 495,883 | 549,789 |
| Temporarily restricted | 883,232 | 915,132 |
| Total Net Assets | 883,232 | 915,132 |
| Total Liabilities and Net Assets | \$ 883,232 | \$ 915,132 |

The accompanying notes are an integral part of these statements

UNITED WAY OF FREEBORN COUNTY, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2015
(With Comparative Totals for December 31, 2014)

| | Temporarily Restricted | 2015 | 2014 |
|--|---------------------------|------------|------------|
| Public Support and Revenue | | | |
| Campaign revenue received in prior periods | \$ | \$ | \$ |
| (released from restriction) | 590,001 | 34,489 | 33,204 |
| Campaign revenue received for next allocation period | - | 480,620 | 532,191 |
| Released by Board action | (33,160) | 33,160 | - |
| Allocations designated to specified beneficiaries | - | 16,110 | 17,103 |
| Less payments to other local United Way Agency's | (4,356) | (4,356) | (2,665) |
| Less allowance for uncollectible pledges | - | (28,284) | (31,556) |
| Total Campaign | 552,485 | 498,579 | 548,277 |
| Investment income (loss) | 121 | 121 | 5,493 |
| Other revenue | 3,789 | 3,789 | 9,208 |
| Custodial income | 214 | 214 | 399 |
| Donated services | 6,760 | 6,760 | 20,596 |
| Grant | 13,000 | 13,000 | 12,000 |
| Event income | 6,463 | 6,463 | 8,740 |
| Total Miscellaneous Revenue | 30,347 | 30,347 | 56,436 |
| Total Public Support and Revenue | 582,832 | 528,926 | 604,713 |
| Expenses | | | |
| Program services | 359,907 | 359,907 | 402,448 |
| Allocations to member agencies | - | - | 74,487 |
| Community and agency services | 114,863 | 114,863 | 36,419 |
| Management and administrative | 36,473 | 36,473 | 62,389 |
| Fund raising | 49,583 | 49,583 | 575,743 |
| Total Expenses | 560,826 | 560,826 | 28,970 |
| Change in Net Assets | 22,006 | (53,906) | (31,900) |
| Net assets, beginning of year | 365,343 | 549,789 | 915,132 |
| Net assets, end of year | \$ 387,349 | \$ 495,883 | \$ 915,132 |

The accompanying notes are an integral part of these statements

UNITED WAY OF FREEBORN COUNTY, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2015
(With Comparative Totals for December 31, 2014)

| | 2015 | 2014 | |
|--|-------------|------------|---|
| | \$ (31,900) | \$ 28,970 | Change in net assets |
| | | | Non-cash transactions |
| | 638 | 1,510 | Depreciation expense |
| | | | Adjustments to reconcile increase in net assets to net cash |
| | | | provided (uses by operations) |
| | | | Decrease (increase) in assets |
| | | | Pledges receivable - net |
| | (15,097) | (12,249) | Increase (decrease) in operating liabilities |
| | | | Accounts payable |
| | (46,359) | 18,231 | Net cash provided by operating activities |
| | | | Cash flows from operating activities: |
| | | | (Increase) decrease in property and equipment |
| | 4,288 | (1,294) | Assets held by the Minnesota Community Foundation |
| | 4,288 | (1,294) | Net cash provided (used) by investing activities |
| | | | Increase (decrease) in cash |
| | 457,317 | 440,380 | Cash, beginning of year |
| | \$ 415,246 | \$ 457,317 | Cash, end of year |

The accompanying notes are an integral part of these statements

UNITED WAY OF FREEBORN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way of Freeborn County, Inc. (the Organization) is a nonprofit, voluntary welfare agency organized under the laws of Minnesota. The Organization is dedicated to raising monies for other member agencies, substantially all of which are local charities. The mission of the Organization is to enhance the organized capacity of people to care for one another.

Basis of Presentation

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted

Those resources over which the Board of Directors has discretionary control. Designated amounts represent amounts, which the Board has set aside for a particular purpose.

Temporarily Restricted

Those resources subject to donor-imposed restrictions, which will be satisfied by actions of the Organization or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted

Those resources subject to donor restrictions, which will be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization follows Statement of Financial Accounting Standards (SFAS) No. 136. The Standard states that if the Organization allows the donor to specifically designate an Organization to receive his or her campaign contribution other than the United Way Organization that is soliciting, then the soliciting United Way Organization can not include that designated in its campaign revenue.

Estimates

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

Fixed Assets

Fixed assets of the Organization are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Donated equipment is recorded at fair market value at the time of the gift. The Organization has \$638 and \$1,510 of depreciation expense for the years ended December 31, 2015 and 2014, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. Cash consists of petty cash, two checking accounts, one savings accounts and one money market account.

Income Taxes

The Organization is a tax exempt Organization under IRS Code Section 501(c) (3) and consequently records no provision for income taxes. It has been classified as an Organization that is not a private foundation under Section 509(a) (2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors. However, the Organization is required to pay state and federal taxes on unrelated business income. The Organization had no income tax liability for the year ended December 31, 2015. The Organization has not been audited by the Internal Revenue Service or Minnesota Revenue, and accordingly the tax returns for the past three and one-half years are open to examination.

Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. During the years ended December 31, 2015 and 2014, the Organization received donated services for advertising valued at \$6,760 and \$20,596, respectively. No other amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Concentrations of Credit Risk

The Organization raises funds for allocation to its member agencies. Pledges receivable consist of pledges due from donors, substantially all of whom are county residents.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or the Board of Directors. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Method of Accounting

These financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE 2: ASSETS HELD BY THE MINNESOTA COMMUNITY FOUNDATION

Assets of \$79,580 and \$83,868 at December 31, 2015 and 2014, respectively, are held by the Minnesota Community Foundation (the Foundation) in a fund for the benefit of United Way. The funds consist of assets that previously have been transferred to the Foundation by United Way with United Way naming itself as beneficiary. The Foundation has variance powers over the funds that include the right to modify the terms of the fund agreements, including the beneficiary of the funds, if, in the judgment of the Foundation's board of directors, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. These funds are included at their fair value in the statement of financial position.

NOTE 3: PROMISES TO GIVE - PLEDGES RECEIVABLE

Unconditional promises to give are recorded net of any allowance of uncollectible accounts; the method is based on management's judgment. Accounts are written off when known to be uncollectible. Payment is required upon determination of pledge amount

| | 2015 | 2014 | |
|--|------------|------------|--|
| | \$ 345,100 | \$ 348,368 | Current Year Campaign – Undesignated |
| | 139,240 | 98,036 | Prior Year Campaign – Undesignated |
| | 484,340 | 446,404 | Gross Unconditional Pledges |
| | (96,346) | (73,507) | Less Allowance for Uncollectible Pledges |
| | \$ 387,994 | \$ 360,648 | Amount Due in Less than One Year |

NOTE 4: UNRESTRICTED NET ASSETS – BOARD DESIGNATED

As of December 31, 2015 and 2014, \$195,205 and \$202,672, respectively, was designated for future unexpected needs of the United Way of Freeborn County, Inc., its agencies and other needs deemed necessary by the Board of Directors.

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

During the year \$55,512 was moved from temporarily restricted to unrestricted in satisfaction of the campaign in 2014. The year end balance of \$495,883 is from the campaign during 2015 and is to be released and used in 2016.

NOTE 6: LEASES

The Organization rents office space monthly in the amount of \$440 per month for 2015. Rent expense for office space amounted to \$5,280 and \$5,100 for the years ended December 31, 2015 and 2014, respectively. A new lease was signed in December 2015 and is effective until December 31, 2018. The lease agreement calls for monthly lease payments of \$455 for 2016, \$470 for 2017 and \$485 for 2018.

In January 2015, the Organization entered into a sixty month lease extension agreement for a copier with Tri State Business Machines Inc. The lease calls for monthly lease payments of \$108.50. The lease expires on June 1, 2020.

Future minimum rentals under these leases are as follows:

| <u>Year ending</u> | <u>Amount</u> |
|--------------------|---------------|
| 2016 | \$6,762 |
| 2017 | 6,942 |
| 2018 | 7,122 |
| 2019 | 1,302 |
| 2020 | 651 |

NOTE 7: RELATED PARTY TRANSACTIONS

During the years ended December 31, 2015 and 2014, the Organization paid dues to the National and State affiliate of the United Way. The amount of dues for the years ended December 31, 2015 and 2014 were \$6,423 and \$6,149, respectively.

NOTE 8: CONCENTRATION OF CREDIT RISK

The Organization maintains their checking, savings and certificate of deposit accounts at four banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization had sufficient collateral at the end of the year

NOTE 9: SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 15, 2016, the date the financial statements were available to be issued.

NOTE 10: FAIR VALUE MEASUREMENTS

Financial accounting Standards Board Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements in financial statements. ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market

UNITED WAY OF FREEBORN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

data obtained from independent sources, whereas unobservable inputs reflect the Organization's market assumptions. The fair value hierarchy specified by ASC 820 is as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities.

The following table presents, for each of the fair value hierarchy levels, the Organization's financial assets and liabilities that are measured at fair value on a recurring basis:

| | | 2015 Fair Value Measurements using | | | |
|--------|--------------------------------|------------------------------------|----------|-----------|-----------|
| | | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets | Minnesota Community Foundation | \$79,580 | \$ - | \$ 79,580 | \$ - |
| | | Total assets at fair value | \$79,580 | \$ - | \$ 79,580 |
| | | 2014 Fair Value Measurements using | | | |
| | | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets | Minnesota Community Foundation | \$83,868 | \$ - | \$ 83,868 | \$ - |
| | | Total assets at fair value | \$83,868 | \$ - | \$ 83,868 |

Fair values for the investment are determined from information provided by the Minnesota Community Foundation on relevant information generated by market transactions.

SUPPLEMENTARY INFORMATION

UNITED WAY OF FREEBORN COUNTY, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Year Ended December 31, 2015
 (With Comparative Totals for December 31, 2014)

| Supporting Services | | Fund Raising | | Management and General | | Program Services | | Totals | |
|---------------------|------------|--------------|-----------|------------------------|-----------|------------------|------------|------------|------------|
| 2015 | Totals | 2015 | Totals | 2015 | Totals | 2015 | Totals | 2014 | Totals |
| \$ 74,790 | \$ 74,790 | \$ 18,697 | \$ 18,697 | \$ 18,698 | \$ 18,698 | \$ 37,395 | \$ 37,395 | \$ 74,354 | \$ 74,354 |
| 6,101 | 6,101 | 1,525 | 1,525 | 1,526 | 1,526 | 3,050 | 3,050 | 6,109 | 6,109 |
| 5,083 | 5,083 | 1,270 | 1,270 | 1,271 | 1,271 | 2,542 | 2,542 | 5,500 | 5,500 |
| 38,037 | 38,037 | - | - | - | - | 38,037 | 38,037 | 12,204 | 12,204 |
| 1,886 | 1,886 | 518 | 518 | 519 | 519 | 849 | 849 | 1,409 | 1,409 |
| 1,133 | 1,133 | - | - | 1,133 | 1,133 | - | - | 871 | 871 |
| 5,280 | 5,280 | 1,452 | 1,452 | 1,452 | 1,452 | 2,376 | 2,376 | 5,100 | 5,100 |
| 2,854 | 2,854 | 785 | 785 | 785 | 785 | 1,284 | 1,284 | 2,681 | 2,681 |
| 2,549 | 2,549 | 701 | 701 | 701 | 701 | 1,147 | 1,147 | 1,257 | 1,257 |
| 448 | 448 | 123 | 123 | 123 | 123 | 202 | 202 | 305 | 305 |
| 875 | 875 | - | - | - | - | 875 | 875 | 1,026 | 1,026 |
| 999 | 999 | 275 | 275 | 274 | 274 | 450 | 450 | 1,135 | 1,135 |
| 6,150 | 6,150 | - | - | 6,150 | 6,150 | - | - | 6,150 | 6,150 |
| 638 | 638 | 176 | 176 | 175 | 175 | 287 | 287 | 1,510 | 1,510 |
| 2,758 | 2,758 | 758 | 758 | 759 | 759 | 1,241 | 1,241 | 2,711 | 2,711 |
| 6,423 | 6,423 | 1,766 | 1,766 | 1,766 | 1,766 | 2,891 | 2,891 | 8,047 | 8,047 |
| 20,061 | 20,061 | 19,955 | 19,955 | 106 | 106 | - | - | 30,990 | 30,990 |
| 713 | 713 | 713 | 713 | - | - | - | - | 623 | 623 |
| 165 | 165 | - | - | 165 | 165 | - | - | 1,789 | 1,789 |
| 3,162 | 3,162 | 869 | 869 | 870 | 870 | 1,423 | 1,423 | 4,524 | 4,524 |
| - | - | - | - | - | - | - | - | 5,000 | 5,000 |
| 14,214 | 14,214 | - | - | - | - | 14,214 | 14,214 | - | - |
| 6,600 | 6,600 | - | - | - | - | 6,600 | 6,600 | - | - |
| 359,907 | 359,907 | - | - | - | - | 359,907 | 359,907 | 402,448 | 402,448 |
| \$ 560,826 | \$ 560,826 | \$ 49,583 | \$ 49,583 | \$ 36,473 | \$ 36,473 | \$ 474,770 | \$ 474,770 | \$ 575,743 | \$ 575,743 |

The accompanying notes are an integral part of these statements

UNITED WAY OF FREEBORN COUNTY, INC.
SCHEDULES OF ALLOCATION TO AGENCIES
For the Year Ended December 31, 2015
(With Comparative Totals for December 31, 2014)

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Freeborn County Chapter - American Red Cross | \$ - | \$ 10,000 |
| Group Support Services | 36,925 | 35,000 |
| The Children's Center | 46,594 | 52,000 |
| The ARC of Freeborn County, Inc. | 33,000 | 30,000 |
| Salvation Army - Albert Lea | - | 48,750 |
| Family Y - Albert Lea | 51,159 | 30,000 |
| Cedar Valley Services | 40,000 | 40,000 |
| Crisis Response Team | 1,700 | 1,500 |
| Adult Basic Education | 14,480 | 12,000 |
| Victims Crisis Center | 23,000 | 18,000 |
| Healthy Families | 25,000 | 20,000 |
| Senior Resources Center | 50,600 | 57,600 |
| Parenting Resource | 24,199 | 20,398 |
| Catholic Charities | 5,250 | 5,000 |
| Community Technologies and Service | - | 14,000 |
| Habitat for Humanity | - | 200 |
| SEMCCAC | 8,000 | 8,000 |
| Total Allocations | \$ 359,907 | \$ 402,448 |

The accompanying notes are an integral part of these statements

HILL, LARSON, WALTH & BENDA, P.A.

Certified Public Accountants

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Board of Directors
United Way of Freeborn County, Inc.
Albert Lea, MN 56007

We have audited the financial statements of the United Way of Freeborn County, Inc. for the year ended December 31, 2015, and have issued our report thereon dated June 15, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 2, 2015 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the United Way of Freeborn County, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the Allowance for Bad Debts is based on 5.5% of the current year pledges and outstanding balances in prior year receivables. We evaluated the key factors and assumptions used to develop the Allowance for Bad Debts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

HILL, LARSON, WALTH & BENDA, P.A.

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To the Board of Directors
United Way of Freeborn County, Inc.
Albert Lea, MN 56007

Report on Internal Control

In planning and performing our audit of the financial statements of United Way of Freeborn County, Inc. as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America we considered United Way of Freeborn County, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

A deficiency in internal control exists when the design or operation of 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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in United Way of Freeborn County, Inc. internal control to be significant deficiencies:

Lack of segregation of duties:

The limited number of staff prevents proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in organizations of this size, but the board should be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. More could be done to segregate duties and the board or a financial committee could review expense details.