United Way Financial Information Requirements and Guidance

United Way for Southeastern Michigan has a particular responsibility to be good stewards of the dollars donated to us. Financial Reporting Requirements are based on the size of Partner's overall budget. The following requirements and issues are relevant to all organizations: Partner agrees to keep comprehensive and accurate financial records that conform to basic accounting and financial reporting requirements and to have these records audited annually by an independent auditing firm. Further, Partner should retain the underlying records of reported expenses to United Way for at least five (5) years. Described below are the three different categories and the related requirements.

Category	Revenue Threshold	Required Documentation
Category A	Less than or equal to $250,000	• Compilation prepared by a Certified Public Accountant (CPA) • Form 990
Category B	Greater than $250,000 but less than $500,000	• Reviewed or audited by a Certified Public Accountant (CPA) • From 990
Category C	Greater than or equal to $500,000	• Certified Public Accountant (CPA) Independent Audit • Management Letter • Form 990
For organizations expending Federal funding greater than or equal to $1,000,000		• Single or program-specific audit documentation

Required Documentation Definitions:

- **Financial Statements Compilation:** The CPA is involved only in presenting the financial statements and makes no effort to ensure the information within the financial statements are stated accurately. A compilation produces financial statements and a compilation report which states there are no assurances by the CPA that the financial statements are accurate or complete. The onus remains with management of the entity to ensure that their financial statements are accurately represented.

- **Financial Statements Review:** The CPA is involved in obtaining limited assurances that the entity's financial statements conform to the applicable accounting framework. A review produces financial statements and a report which states the review has a much lower scope than an audit, that the onus remains with management of the entity to prepare and fairly present their financial statements, and that only limited assurances can be obtained to ensure the financial statements are presented fairly and there are no material modifications needed.
- **Financial Statements Independent Audit:** This is a full examination of the financial records of the entity to ensure the financial statements are accurately and fairly represented. An audit entails a multitude of tests to verify financial records and fairly represent financial results, along with ensuring proper controls and procedures are in place. An audit produces fully audited financial statements along with an auditor's opinion, which is a formal statement made by the auditor's concerning an entity's financial statements.
- **Management Letter:** Also referred to as a management representation letter. This is a letter written by the entity's external auditors that attests to the accuracy of the financial statements that the company has submitted to the auditors for their analysis. This letter is signed by senior entity management following the completion of audit fieldwork and before the financial statements are issued. This letter states that all information submitted is accurate and that all information has been disclosed to the auditors.

Additionally, organizations will be required to provide the following documentation:

- **IRS Designation Letter:** This letter, also called a Determination letter, is issued to nonprofits who hold a 501(c)(3) status. This letter is the official determination to approve an entities nonprofit status.
- **W-9:** This form is an IRS document that is used to provide the entities Taxpayer Identification Number (TIN).

For additional guidance and definitions of these requirements, please click here.

Audit Policy

United Way for Southeastern Michigan and its agency partners share a responsibility for rendering a complete and proper accounting of funds contributed by the community. As such, UWSEM has the overall responsibility to ensure the fiscal soundness of the funded partner organizations. Further, that responsibility

is expanded to ensure that partner practices are consistent with those of generally accepted management practices and procedures.

Partner Audits should have the following:

1. CPA must be licensed and in good standing in the state of Michigan, or primary state in which the Partner conducts business.
2. All financial statements must show evidence of accounting principles in accordance with Generally Accepted Accounting Procedures and include full disclosures and appropriate notes for such things as leases, loans, investments, affiliated party transactions, etc.
3. Revenue includes cash and non-cash items.

Frequently Asked Questions

1. How is an Organization Budget determined?
    a. Organizational Budgets should reflect the current fiscal year's budget and include all contribution types as required on the Form 990 Statement of Revenue, i.e. fundraising events, government grants, all other contributions, non-cash contributions (in-kind).

2. How do I determine if my organization should have a full audit?
    a. There is no time restraint on full audits/reviews/compilations. The level of financial statement assurance (compilation, review, audit, single audit) is based on contribution levels and source of funding. There also is recognition that depending on when organizations apply, they may not have financial statements for the preceding year upon application but should provide those to United Way for Southeastern Michigan when they become available.

3. Is there a conflict of interest between Compilations, Reviews, and Audits?
    a. For the same fiscal period, only one of the assurance categories would be utilized. For example, in fiscal 2024 based on contributions you would only have a financial compilation completed. In fiscal 2025, with a rise in contributions, the organization would then need a complete financial review.