

United Way  
of the  
Lakeshore,  
Inc.

United Way  
of the Lakeshore



Years Ended  
December 31,  
2020 and 2019

Financial  
Statements

**Rehmann**

## UNITED WAY OF THE LAKESHORE, INC.

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## INDEPENDENT AUDITORS' REPORT

Month //, 2021

Board of Directors  
United Way of the Lakeshore, Inc.  
Muskegon, Michigan

We have audited the accompanying financial statements of the ***United Way of the Lakeshore, Inc.*** (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

### ***Independent Auditors' 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 auditor 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 the ***United Way of the Lakeshore, Inc.*** as of December 31, 2020 and 2019, 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.

***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2020 the Organization adopted Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities , Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, related to contributions made. Our opinion is not modified with respect to this matter.

## UNITED WAY OF THE LAKESHORE, INC.

### Statements of Financial Position

	December 31	
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 863,989	\$ 744,507
Certificates of deposit	459,178	451,801
Accounts receivable	20,916	7,584
Pledges receivable, net of allowance for uncollectible pledges of \$203,920 (\$181,892 for 2019)	1,019,797	1,299,280
Prepaid expenses	5,530	7,721
Beneficial interest in assets held by others	879,992	777,318
Net property and equipment	907,374	953,685
<b>Total assets</b>	<b>\$ 4,156,776</b>	<b>\$ 4,241,896</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Allocations and designations payable	\$ 146,684	\$ 196,089
Accounts payable	68,585	18,411
Paycheck Protection Program loan (Note 11)	139,800	-
<b>Total liabilities</b>	<b>355,069</b>	<b>214,500</b>
<b>Net assets</b>		
Without donor restrictions		
Net investment in property and equipment	907,374	953,685
Designated for beneficial interest in assets held by others	879,992	777,318
Designated for building fund	75,908	59,162
Undesignated	822,467	869,258
Total net assets without donor restrictions	2,685,741	2,659,423
With donor restrictions	1,115,966	1,367,973
<b>Total net assets</b>	<b>3,801,707</b>	<b>4,027,396</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,156,776</b>	<b>\$ 4,241,896</b>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE LAKESHORE, INC.

Statements of Activities

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support, revenue and gains</b>			
Gross campaign results (2017/2018)	\$ 5,080	\$ -	\$ 5,080
Gross campaign results (2018/2019)	271,228	-	271,228
Prior year gross campaign results released from restrictions	1,579,515	(1,579,515)	-
Prior year gross capital campaign results released from restrictions	-	-	-
Total campaign results (2017-2019)	1,855,823	(1,579,515)	276,308
Less: donor designations	(162,176)	162,176	-
Less: provision for uncollectible pledges	(134,266)	78,976	(55,290)
Net prior years' campaign revenue	1,559,381	(1,338,363)	221,018
Current year gross campaign results	-	1,262,054	1,262,054
Current year gross capital campaign results	-	2,739	2,739
Less: donor designations	-	(146,684)	(146,684)
Less: provision for uncollectible pledges	-	(62,079)	(62,079)
Net current year campaign revenue	-	1,056,030	1,056,030
Designations from other United Ways	116,411	267	116,678
Other grant revenue	991,721	96,131	1,087,852
Net assets released from restrictions	66,072	(66,072)	-
<b>Total public support</b>	<b>2,733,585</b>	<b>(252,007)</b>	<b>2,481,578</b>
Service fees	7,068	-	7,068
Net investment income	127,079	-	127,079
Rental income	58,259	-	58,259
Other	55,864	-	55,864
<b>Total public support, revenue and gains</b>	<b>2,981,855</b>	<b>(252,007)</b>	<b>2,729,848</b>
<b>Expenses</b>			
Program services			
Community impact	2,103,297	-	2,103,297
Promoting volunteerism	228,758	-	228,758
Human service center	65,738	-	65,738
Total program services	2,397,793	-	2,397,793
Support services			
Fundraising	283,558	-	283,558
Management and general	274,186	-	274,186
Total supporting services	557,744	-	557,744
<b>Total expenses</b>	<b>2,955,537</b>	<b>-</b>	<b>2,955,537</b>
Change in net assets	26,318	(252,007)	(225,689)
Net assets, beginning of year	2,659,423	1,367,973	4,027,396
<b>Net assets, end of year</b>	<b>\$ 2,685,741</b>	<b>\$ 1,115,966</b>	<b>\$ 3,801,707</b>

The accompanying notes are an integral part of these financial statements.

Year Ended December 31, 2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 19,051	\$ -	\$ 19,051
185,026	-	185,026
1,698,057	(1,698,057)	-
2,580	(2,580)	-
1,904,714	(1,700,637)	204,077
(195,151)	195,151	-
(98,333)	85,868	(12,465)
1,611,230	(1,419,618)	191,612
-	1,579,515	1,579,515
-	-	-
-	(162,176)	(162,176)
-	(78,976)	(78,976)
-	1,338,363	1,338,363
99,070	2,071	101,141
385,707	57,865	443,572
92,513	(92,513)	-
2,188,520	(113,832)	2,074,688
5,856	-	5,856
156,471	-	156,471
52,861	-	52,861
215,345	-	215,345
2,619,053	(113,832)	2,505,221
1,685,865	-	1,685,865
265,345	-	265,345
83,009	-	83,009
2,034,219	-	2,034,219
276,063	-	276,063
256,325	-	256,325
532,388	-	532,388
2,566,607	-	2,566,607
52,446	(113,832)	(61,386)
2,606,977	1,481,805	4,088,782
<u>\$ 2,659,423</u>	<u>\$ 1,367,973</u>	<u>\$ 4,027,396</u>

**UNITED WAY OF THE LAKESHORE, INC**

**Statement of Functional Expenses**

Year Ended December 31, 2020

	Program Services			
	Community Impact	Promoting Volunteerism	Human Service Center	Total Program Services
<b>Allocations/awards</b>	<u>\$ 1,789,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,789,388</u>
Salaries	158,331	139,569	3,674	301,574
Employee benefits	27,287	24,669	855	52,811
Payroll taxes	<u>12,161</u>	<u>11,035</u>	<u>33</u>	<u>23,229</u>
<b>Total salaries and related expenses</b>	<b>197,779</b>	<b>175,273</b>	<b>4,562</b>	<b>377,614</b>
Contract services	51,683	1,929	-	53,612
Legal and audit	-	-	-	-
Office supplies	2,440	1,096	-	3,536
Telephone	2,015	783	-	2,798
Postage	1,995	896	-	2,891
Occupancy costs	13,462	6,047	-	19,509
Building and equipment maintenance	2,596	1,166	4,260	8,022
Printing	3,547	1,593	-	5,140
Local events, dues and subscriptions	1,582	710	-	2,292
Affiliate dues	10,720	4,815	-	15,535
Automobile	1,483	666	-	2,149
Travel and mileage	1,258	684	-	1,942
Awards	-	-	-	-
Event and meeting supplies	2,898	15,945	-	18,843
Computer costs	2,935	4,179	-	7,114
Insurance	1,246	559	-	1,805
Campaign supplies	-	-	-	-
Training	-	-	-	-
Marketing	4,242	1,905	-	6,147
Depreciation	7,339	3,296	52,876	63,511
Bank and credit card fees	-	-	-	-
Miscellaneous	<u>4,689</u>	<u>7,216</u>	<u>4,040</u>	<u>15,945</u>
<b>Total expenses</b>	<u><b>\$ 2,103,297</b></u>	<u><b>\$ 228,758</b></u>	<u><b>\$ 65,738</b></u>	<u><b>\$ 2,397,793</b></u>

The accompanying notes are an integral part of these financial statements.





Support Services			
Fund Raising	Management and General	Total Support Services	Total
\$ -	\$ -	\$ -	\$ 1,789,388
147,676	135,310	282,986	584,560
25,451	23,355	48,806	101,617
11,343	10,358	21,701	44,930
184,470	169,023	353,493	731,107
12,854	26,921	39,775	93,387
-	13,526	13,526	13,526
2,276	2,149	4,425	7,961
1,543	1,414	2,957	5,755
1,861	1,771	3,632	6,523
12,556	13,490	26,046	45,555
2,422	2,516	4,938	12,960
3,308	3,031	6,339	11,479
1,475	1,527	3,002	5,294
9,999	9,161	19,160	34,695
1,383	1,267	2,650	4,799
1,383	1,442	2,825	4,767
791	-	791	791
13,251	4,794	18,045	36,888
2,424	2,221	4,645	11,759
1,162	1,064	2,226	4,031
13,349	-	13,349	13,349
-	132	132	132
5,832	3,625	9,457	15,604
6,845	6,272	13,117	76,628
-	5,574	5,574	5,574
4,374	3,266	7,640	23,585
<u>\$ 283,558</u>	<u>\$ 274,186</u>	<u>\$ 557,744</u>	<u>\$ 2,955,537</u>

## UNITED WAY OF THE LAKESHORE, INC

### Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			
	Community Impact	Promoting Volunteerism	Human Service Center	Total Program Services
<b>Allocations/awards</b>	\$ 1,462,217	\$ -	\$ -	\$ 1,462,217
Salaries	131,828	150,221	4,241	286,290
Employee benefits	19,234	23,612	1,102	43,948
Payroll taxes	11,168	12,289	-	23,457
<b>Total salaries and related expenses</b>	162,230	186,122	5,343	353,695
Contract services	1,002	12,510	-	13,512
Legal and audit	-	-	-	-
Office supplies	4,163	4,061	-	8,224
Telephone	1,477	1,088	-	2,565
Postage	2,387	1,757	-	4,144
Occupancy costs	11,495	8,466	1,697	21,658
Building and equipment maintenance	3,069	2,260	17,360	22,689
Printing	2,934	2,161	-	5,095
Local events, dues and subscriptions	1,034	762	-	1,796
Affiliate dues	6,628	15,457	-	22,085
Automobile	1,233	908	-	2,141
Travel and mileage	4,235	7,093	-	11,328
Awards	-	1,663	-	1,663
Event and meeting supplies	4,488	3,305	-	7,793
Computer costs	1,713	1,682	-	3,395
Insurance	683	503	-	1,186
Campaign supplies	-	-	-	-
Staff development	223	164	-	387
Training	1,830	1,348	-	3,178
Marketing	3,954	2,912	-	6,866
Depreciation	5,853	4,311	51,996	62,160
Bank and credit card fees	-	-	-	-
Miscellaneous	3,017	6,812	6,613	16,442
<b>Total expenses</b>	<u>\$ 1,685,865</u>	<u>\$ 265,345</u>	<u>\$ 83,009</u>	<u>\$ 2,034,219</u>

The accompanying notes are an integral part of these financial statements.



Support Services			
Fund Raising	Management and General	Total Support Services	Total
\$ -	\$ -	\$ -	\$ 1,462,217
142,237	142,128	284,365	570,655
20,753	20,737	41,490	85,438
12,049	12,039	24,088	47,545
175,039	174,904	349,943	703,638
23,115	1,081	24,196	37,708
-	15,204	15,204	15,204
4,491	4,487	8,978	17,202
1,594	1,593	3,187	5,752
2,574	2,573	5,147	9,291
12,403	12,393	24,796	46,454
3,311	3,308	6,619	29,308
3,166	3,163	6,329	11,424
1,116	1,115	2,231	4,027
7,151	7,146	14,297	36,382
1,330	1,329	2,659	4,800
4,569	4,566	9,135	20,463
880	-	880	2,543
4,842	4,839	9,681	17,474
1,849	1,848	3,697	7,092
737	736	1,473	2,659
7,414	-	7,414	7,414
240	240	480	867
1,975	1,973	3,948	7,126
4,266	4,263	8,529	15,395
6,316	6,311	12,627	74,787
4,430	-	4,430	4,430
3,255	3,253	6,508	22,950
<u>\$ 276,063</u>	<u>\$ 256,325</u>	<u>\$ 532,388</u>	<u>\$ 2,566,607</u>

**UNITED WAY OF THE LAKESHORE, INC.**

**Statements of Cash Flows**

	Year Ended December 31	
	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (225,689)	\$ (61,386)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	76,628	74,787
Allowance for uncollectible pledges	22,028	(13,089)
Change in value of beneficial interest in assets held by others	(102,674)	(134,435)
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(13,332)	15,474
Pledges receivable	257,455	131,510
Prepaid expenses	2,191	(1,744)
Allocations and designations payable	(49,405)	(23,271)
Accounts payable	50,174	6,004
<b>Net cash provided by (used in) operating activities</b>	<u>17,376</u>	<u>(6,150)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(30,317)	-
Purchases of certificates of deposit	(7,377)	(7,996)
Contributions to beneficial interest in assets held by others	-	(500)
<b>Net cash used in investing activities</b>	<u>(37,694)</u>	<u>(8,496)</u>
<b>Cash flows provided by financing activities</b>		
Proceeds from Paycheck Protection Program loan	139,800	-
<b>Net increase (decrease) in cash and cash equivalents</b>	119,482	(14,646)
<b>Cash and cash equivalents, beginning of year</b>	<u>744,507</u>	<u>759,153</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 863,989</u>	<u>\$ 744,507</u>

The accompanying notes are an integral part of these financial statements.

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

#### 1. MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Mission*

The **United Way of the Lakeshore, Inc.** (the "Organization") is a Michigan not-for-profit organization whose purpose is to assess human service needs, conduct annual fund raising campaigns and allocate and disburse financial support to agencies and programs directed at servicing those needs, primarily in and for the benefit of the people of Muskegon, Oceana and Newaygo counties.

##### *Basis of Presentation*

Net assets, support, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions:* Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, amounts for beneficial interest in assets held for others, building fund and property and equipment.

*Net Assets with Donor Restrictions:* Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported as net assets released from restrictions in the statements of activities. See "Campaign Pledges and Collections" policy below.

##### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the allowance for uncollectible pledges receivable.

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of demand deposits in banks and cash on hand. The Organization maintains cash deposits with financial institutions located in western Michigan, which at times, may exceed the federally insured limits. Management does not believe the Organization is exposed to any significant interest rate or other financial risk on these deposits.

#### *Fair Value Measurements*

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 3 to the financial statements.

#### *Certificates of Deposit*

Certificates of deposit are stated at cost, which approximates fair value.

#### *Beneficial Interest in Assets Held by Others*

Beneficial interest in assets held by others is carried at the estimated fair value of the underlying assets with the change in value included annually in investment income. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk related to certain investment securities, it is at least reasonable possible that changes in fair value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these financial statements.

Net investment return is reported in the statements of activities and consists of interest income and unrealized gains and losses from beneficial interest in trust, less external investment expenses.

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

#### *Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. Donated property and equipment is recorded at its estimated fair value at the date of the gift.

#### *Depreciation*

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years.

#### *Allocations and Designations Payable*

The Organization pays allocations related to each campaign based on a 12-month disbursement period, covering July 1, 2020 to June 30, 2021 in 2020 and covering July 1, 2019 to June 30, 2020 in 2019. Designations payable represent unpaid designations as of December 31, 2020 and 2019, net of a reserve for uncollectible pledges. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

#### *Contributions*

#### *Campaign Pledges and Collections*

Campaign pledges are recognized as support when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. There were no conditional promises to give outstanding at December 31, 2020.

Annual campaigns are conducted each year to raise support for allocations to participating agencies in the subsequent calendar year. Campaign collections and pledges receivable are classified as net assets with donor restrictions until the year of allocation to such agencies. Campaign costs are expensed in the year in which they are incurred. All contributions are considered available for use in general operations unless specifically restricted by the donor. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net assets without donor restrictions class. Pledges receivable are recorded in the statements of financial position and allowances are provided for amounts estimated to be uncollectible.

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

Certain of the Organization's funding is received through reimbursement grants and agreements. Grants are recognized at the time the service is provided or reimbursable expense is incurred. Grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses.

#### *Special Events and Sponsorships*

Other revenue consists primarily of special events and sponsorship income. The Organization records special events revenue and sponsorship income equal to the fair value of direct benefits to donors and sponsors, and contribution revenue for the excess received when the event takes place.

#### *Donated Services*

No amounts have been reflected for donated services as the services do not qualify for recognition in the financial statements, as they do not require specialized knowledge or skills; however, a substantial number of volunteers have donated a significant amount of time to the Organization, particularly throughout the annual fundraising period.

#### *Functional Allocation of Expenses*

The costs to provide the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the statements of activities and functional expenses.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Dedicated program support expenses consist of legal and audit, Michigan Association of United Ways dues, awards expense, campaign supplies and credit card and bank fees which are directly associated with several different programs. Payroll, fringe benefits and all other expenses are allocated based on time studies of the employees. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

#### *Reclassification*

Certain amounts as reported in the 2019 financial statements have been reclassified to conform with the 2020 presentation.



## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

#### *Income Taxes*

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from the membership. The Organization has been classified as not a private foundation.

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions.

The Organization has evaluated its income tax filing positions for 2017 through 2020, the years which remain subject to examination as of December 31, 2020. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization’s financial statements. The Organization does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2020 or 2019, and is not aware of any claims for such amounts by federal or state income tax authorities.

#### *Change in Accounting Principle*

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018, which was effective for the Organization for the year ended December 31, 2020 related to contributions made. The amendments in ASU No. 2018-08 clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations.

On January 1, 2020, the Organization adopted the standard for its contributions made and elected to apply the standard only to agreements that were entered into after that date. There was no impact as a result of the adoption.

#### *Subsequent Events*

In preparing these financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2020, the most recent statement of financial position presented herein, through **Month //, 2021**, the date these financial statements were available to be issued. No significant such events or transactions were identified.

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

#### *Risks and Economic Uncertainties*

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Many State Governors issued temporary Executive Orders that, among other stipulations, effectively prohibit in-person work activities for most businesses and industries including nonprofit entities, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the Organization's normal activities. The extent of the ultimate impact of the pandemic on the Organization's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on funders, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. In addition, the current environment may place additional demands on the Organization for providing immediate financial support and/or services to its program recipients. As a result of the Executive Orders, the Organization closed their offices for a period of time during the year. The Organization has also secured borrowings in the amount of \$139,800 through the Paycheck Protection Program ("PPP"), obtained through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020, see Note 11. While management reasonably expects the COVID-19 outbreak to negatively impact the Organization's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

### 2. PLEDGES RECEIVABLE

Pledges receivable, net consist of the following amounts at December 31:

	2020	2019
Current year campaign	\$ 846,096	\$ 1,157,333
Less allowance for uncollectible pledges	62,079	79,085
<b>Net current year campaign</b>	<b>784,017</b>	<b>1,078,248</b>
1 <sup>st</sup> prior year campaign	327,621	279,486
Less allowance for uncollectible pledges	141,841	102,807
<b>Net 1<sup>st</sup> prior year campaign</b>	<b>185,780</b>	<b>176,679</b>
Capital campaign	50,000	50,000
Less present value discount	-	5,647
<b>Net capital campaign</b>	<b>50,000</b>	<b>44,353</b>
<b>Total pledges receivable, net of allowance for uncollectible pledges and present value discount</b>	<b>\$ 1,019,797</b>	<b>\$ 1,299,280</b>

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

The allowance for uncollectible pledges is computed based on management's estimate of current economic factors, applied to the gross campaign results, including donor designations. For 2020 and 2019, the percentage applied to the gross campaign results for uncollectible pledges was 5% and 7%, respectively.

Capital campaign pledges with due dates extending beyond one year were discounted using the rates currently offered for deposits with similar maturities. The effective discount rate at December 31, 2019 was 3%.

### 3. FAIR VALUE MEASUREMENTS AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Beneficial interest in assets held by others consist of funds held by the Community Foundation for Muskegon County and the Community Foundation for Oceana County (the "Foundations"). These funds were established by the United Way of the Lakeshore, Inc. At December 31, 2020 and 2019, these funds were valued at \$879,992 and \$777,318, respectively. Annual revaluation occurs based on changes to the fair value and fees charged, and this revaluation is treated as an increase or decrease to net assets without donor restrictions and is included with net investment income on the statements of activities.

The Organization is to receive the earnings from these funds on an annual basis. The Organization has granted the Foundations variance power in accordance with the by-laws of the Foundation.

The Organization utilized fair value measurements to record fair value adjustments to the beneficial interest in assets held by the Foundations and to determine fair value disclosures. Beneficial interest in assets held by the Foundations is recorded at fair value on a recurring basis.

Following is a description of the valuation methodology and key inputs used to measure beneficial interest in assets held by the Foundations recorded at fair value.

***Beneficial interest in assets held by others:*** The Organization is allocated its portion of the total fair values of the underlying securities held by the Foundation. The underlying assets cannot be liquidated or redeemed by the Organization. As such, no quoted prices or active markets are available for this asset (Level 3). The underlying investment securities held by the Foundations have fair values that are determined using Level 1 inputs.

The preceding method described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of this asset could result in a different fair value measurement at the reporting date.

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31:

	2020	2019
<b>Beneficial interest in assets held by others</b>		
Beginning of year	\$ 777,318	\$ 642,383
Contributions	-	500
Net change in value	<u>102,674</u>	<u>134,435</u>
<b>End of year</b>	<u><u>\$ 879,992</u></u>	<u><u>\$ 777,318</u></u>

#### 4. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following components at December 31:

	2020	2019
Land - Clay Avenue properties	\$ 90,000	\$ 90,000
Land improvements - Clay Avenue properties	63,833	63,833
Buildings - Clay Avenue properties	1,148,096	1,148,096
Office furniture and equipment	<u>428,284</u>	<u>397,967</u>
Total	1,730,213	1,699,896
Less accumulated depreciation	<u>822,839</u>	<u>746,211</u>
<b>Net property and equipment</b>	<u><u>\$ 907,374</u></u>	<u><u>\$ 953,685</u></u>

Depreciation expense for 2020 and 2019 was \$76,628 and \$74,787, respectively.

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

#### 5. ENDOWMENT FUNDS

Endowment funds have been established at the Community Foundation for Muskegon County for the United Way of the Lakeshore, Inc. These assets are not included in the financial statements of the United Way of the Lakeshore, Inc. These funds are accounted for by the Foundation, and administered by a joint committee of the Foundation and United Way of the Lakeshore, Inc. representatives. At December 31, 2020 and 2019, these funds were valued at approximately \$1,205,000 and \$1,110,000, respectively. Total amount of grants awarded from these funds amounted to \$39,780 and \$39,120 for 2020 and 2019, respectively. The Organization will record grant distributions received from the fund as other grant revenue in its statements of activities at the time the contributions are received by the Organization. The Organization maintains a separate account with the Community Foundation for Muskegon County to allow for direct contributions on the Organization's behalf. While such contributions are earmarked for the Organization, the variance power held by the Community Foundation for Muskegon County precludes their recognition in the accompanying financial statements until the Organization requests distribution of available funds, in accordance with generally accepted accounting principles.

Also, an endowment fund was established at the Fremont Area Community Foundation for the United Way of the Lakeshore, Inc.'s Newaygo County programs. This asset is not included in the financial statements of the United Way of the Lakeshore, Inc. This fund is accounted for by the Fremont Area Community Foundation, and administered by a joint committee of the Foundation and United Way of the Lakeshore, Inc. representatives. At December 31, 2020 and 2019, this fund was valued at approximately \$446,000 and \$434,000, respectively. Total amount of grants awarded from this fund amounted to \$27,232 and \$65,000 for 2020 and 2019, respectively. The Organization will record grant distributions received from the fund as other grant revenue in its statements of activities at the time the contributions are received by the Organization. The Organization maintains a separate account with the Fremont Area Community Foundation to allow for direct contributions on the Organization's behalf. While such contributions are earmarked for the Organization, the variance power held by the Fremont Area Community Foundation precludes their recognition in the accompanying financial statements until the Organization requests distribution of available funds, in accordance with generally accepted accounting principles.

#### 6. RETIREMENT PLAN

The Organization sponsors a defined contribution plan that covers substantially all employees. Employer contributions to the plan for the benefit of employees are based upon a percentage of eligible employee compensation. In addition, voluntary employee contributions to the plan are allowed which are partially matched by employer contributions. Retirement expense for this plan was \$30,558 and \$32,324 for 2020 and 2019, respectively.

#### 7. UNITED WAY WORLDWIDE

The Organization is a separate and autonomous organization from United Way Worldwide. The Organization incurred dues of \$24,661 and \$25,806 to United Way Worldwide for 2020 and 2019, respectively, in support of services provided to the Organization.

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

#### 8. LEASES

The Organization's leasing operations consist principally of office space at the Clay Street location to various not-for-profit organizations based on square footage. These leases expire over the next year.

The annual minimum future lease payments anticipated to be received on leases is \$58,474 for 2021.

#### 9. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31:

	2020	2019
Cash and cash equivalents	\$ 863,989	\$ 744,507
Certificates of deposit	459,178	451,801
Accounts receivable	20,916	7,584
Pledges receivable	1,019,797	1,299,280
Total	<u>2,363,880</u>	<u>2,503,172</u>
Less financial assets not available within one year:		
Certificates of deposit maturing after one year	(60,534)	(451,801)
Capital campaign pledge receivable in excess of one year	(50,000)	(44,353)
Board designated for building fund	(75,908)	(59,162)
Assets not available for current spending	<u>(186,442)</u>	<u>(555,316)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,177,438</u>	<u>\$ 1,947,856</u>

## UNITED WAY OF THE LAKESHORE, INC.

### Notes to Financial Statements

The Organization has \$2,177,438 and \$1,947,856 as of December 31, 2020 and 2019, respectively, in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. Pledges receivable, which are reported as net assets with donor restrictions, are subject to implied time restrictions but are expected to be collected within one year. The Organization manages its liquidity required to meet its operating needs while also trying to maximize the investment of its available funds. Cash in excess of the Organization's operating needs are invested in certificates of deposit.

#### 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2020	2019
Subject to expenditure for specified purpose:		
Lights on after school	\$ 21,664	\$ 27,539
COVID-19 relief funds	38,006	-
Other specific community programs	266	2,071
	<u>59,936</u>	<u>29,610</u>
Subject to the passage of time:		
Pledges related to future campaigns	<u>1,056,030</u>	<u>1,338,363</u>
<b>Total net assets with donor restrictions</b>	<u><u>\$ 1,115,966</u></u>	<u><u>\$ 1,367,973</u></u>

#### 11. PAYCHECK PROTECTION PROGRAM ("PPP")

On April 20, 2020, the Organization entered into a promissory note ("PPP Note") with PNC Bank ("Lender") evidencing an unsecured loan in an aggregate principal amount of \$139,800 pursuant to the PPP under the CARES Act administered by the U.S. Small Business Administration ("SBA"). The PPP Note is included in the 2020 statement of financial position.

Interest accrues on the PPP Note at a fixed rate of one percent (1%) per annum, with the payment of the first six months of interest and principal deferred and is not included in accrued expenses in the statements of financial position as management has determined this to be immaterial. The PPP Note has an initial term of two years, is unsecured and is guaranteed by the SBA. The Organization may apply to its Lender for forgiveness of the PPP Note, with the amount which may be forgiven equal to the sum of qualifying expenses, including payroll costs, covered rent obligations, and covered utility payments incurred by the Organization during the twenty-four week period beginning on April 20, 2020, determined in accordance with the terms of the CARES Act.

Subject to any forgiveness under the PPP, the PPP Note will mature on April 20, 2022. Beginning on the seven-month anniversary of the date of the PPP Note, the Organization is required to make 18 monthly payments of principal and interest. The PPP Note may be prepaid at any time prior to maturity with no prepayment penalties. In April 2021, the Organization formally applied for loan forgiveness under the PPP, which was approved by the SBA on April 28, 2021.

