

United Way
of the
Lakeshore,
Inc.

United Way
of the Lakeshore



Years Ended
December 31,
2021 and 2020

Financial
Statements

Rehmann

UNITED WAY OF THE LAKESHORE, INC.

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INDEPENDENT AUDITORS' REPORT

June 28, 2022

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

Opinion

We have audited the accompanying financial statements of ***United Way of the Lakeshore, Inc.*** (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***United Way of the Lakeshore, Inc.*** as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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UNITED WAY OF THE LAKESHORE, INC.

Statements of Financial Position

	December 31	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,264,732	\$ 863,989
Certificates of deposit	116,684	459,178
Accounts receivable	12,430	20,916
Pledges receivable, net of allowance for uncollectible pledges of \$157,012 (\$203,920 for 2020)	761,258	1,019,797
Prepaid expenses	7,622	5,530
Beneficial interest in assets held by others	996,194	879,992
Net property and equipment	837,594	907,374
Total assets	<u>\$ 3,996,514</u>	<u>\$ 4,156,776</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Allocations and designations payable	\$ 166,964	\$ 146,684
Accounts payable	65,213	68,585
Paycheck Protection Program loan (Note 11)	-	139,800
Total liabilities	<u>232,177</u>	<u>355,069</u>
Net assets		
Without donor restrictions		
Net investment in property and equipment	837,594	907,374
Designated for beneficial interest in assets held by others	996,194	879,992
Designated for building fund	108,249	75,908
Undesignated	933,621	822,467
Total net assets without donor restrictions	2,875,658	2,685,741
With donor restrictions	888,679	1,115,966
Total net assets	<u>3,764,337</u>	<u>3,801,707</u>
Total liabilities and net assets	<u>\$ 3,996,514</u>	<u>\$ 4,156,776</u>

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

UNITED WAY OF THE LAKESHORE, INC.

Statements of Activities

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and gains			
Gross campaign results (2018/2019)	\$ 170,585	\$ -	\$ 170,585
Gross campaign results (2019/2020)	437,966	-	437,966
Prior year gross campaign results released from restrictions	1,262,054	(1,262,054)	-
Prior year gross capital campaign results released from restrictions	2,739	(2,739)	-
Total campaign results (2018-2020)	1,873,344	(1,264,793)	608,551
Less: donor designations	(146,684)	146,684	-
Less: provision for uncollectible pledges	(118,739)	62,079	(56,660)
Net prior years' campaign revenue	1,607,921	(1,056,030)	551,891
Current year gross campaign results	-	1,110,913	1,110,913
Current year gross capital campaign results	-	-	-
Less: donor designations	-	(166,964)	(166,964)
Less: provision for uncollectible pledges	-	(94,933)	(94,933)
Net current year campaign revenue	-	849,016	849,016
Designations from other United Ways	110,000	-	110,000
Other grant revenue	667,447	18,000	685,447
Paycheck Protection Program forgiveness (Note 11)	139,800	-	139,800
Net assets released from restrictions	38,273	(38,273)	-
Total public support	2,563,441	(227,287)	2,336,154
Service fees	2,898	-	2,898
Net investment income	126,775	-	126,775
Rental income	85,235	-	85,235
Other	51,016	-	51,016
Total public support, revenue and gains	2,829,365	(227,287)	2,602,078
Expenses			
Program services			
Community impact	1,671,281	-	1,671,281
Promoting volunteerism	279,005	-	279,005
Human service center	92,702	-	92,702
Total program services	2,042,988	-	2,042,988
Support services			
Fundraising	235,367	-	235,367
Management and general	361,093	-	361,093
Total supporting services	596,460	-	596,460
Total expenses	2,639,448	-	2,639,448
Change in net assets	189,917	(227,287)	(37,370)
Net assets, beginning of year	2,685,741	1,115,966	3,801,707
Net assets, end of year	\$ 2,875,658	\$ 888,679	\$ 3,764,337

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

Year Ended December 31, 2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 5,080	\$ -	\$ 5,080
271,228	-	271,228
1,579,515	(1,579,515)	-
-	-	-
1,855,823	(1,579,515)	276,308
(162,176)	162,176	-
(134,266)	78,976	(55,290)
1,559,381	(1,338,363)	221,018
-	1,262,054	1,262,054
-	2,739	2,739
-	(146,684)	(146,684)
-	(62,079)	(62,079)
-	1,056,030	1,056,030
116,411	267	116,678
991,721	96,131	1,087,852
-	-	-
66,072	(66,072)	-
2,733,585	(252,007)	2,481,578
7,068	-	7,068
127,079	-	127,079
58,259	-	58,259
55,864	-	55,864
2,981,855	(252,007)	2,729,848
2,103,297	-	2,103,297
228,758	-	228,758
65,738	-	65,738
2,397,793	-	2,397,793
283,558	-	283,558
274,186	-	274,186
557,744	-	557,744
2,955,537	-	2,955,537
26,318	(252,007)	(225,689)
2,659,423	1,367,973	4,027,396
<u>\$ 2,685,741</u>	<u>\$ 1,115,966</u>	<u>\$ 3,801,707</u>

UNITED WAY OF THE LAKESHORE, INC

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services			
	Community Impact	Promoting Volunteerism	Human Service Center	Total Program Services
Allocations/awards	\$ 1,468,475	\$ -	\$ -	\$ 1,468,475
Salaries	128,024	171,311	612	299,947
Employee benefits	21,157	26,175	128	47,460
Payroll taxes	9,985	13,377	51	23,413
Total salaries and related expenses	159,166	210,863	791	370,820
Contract services	7,000	4,752	-	11,752
Legal and audit	-	-	-	-
Office supplies	382	1,488	-	1,870
Telephone	921	1,783	-	2,704
Postage	949	1,423	-	2,372
Occupancy costs	4,022	6,201	-	10,223
Building and equipment maintenance	586	879	17,509	18,974
Printing	1,430	1,920	-	3,350
Local events, dues and subscriptions	1,858	765	-	2,623
Affiliate dues	8,587	12,880	-	21,467
Automobile	1,558	993	-	2,551
Travel and mileage	669	1,567	-	2,236
Awards	-	150	-	150
Event and meeting supplies	1,359	13,173	-	14,532
Computer costs	3,586	10,150	-	13,736
Insurance	596	2,366	6,326	9,288
Campaign supplies	-	-	-	-
Staff development	220	459	-	679
Training	-	-	-	-
Marketing	1,980	2,970	-	4,950
Bad debts	-	-	-	-
Depreciation	7,844	3,922	68,076	79,842
Bank and credit card fees	-	-	-	-
Miscellaneous	93	301	-	394
Total expenses	<u>\$ 1,671,281</u>	<u>\$ 279,005</u>	<u>\$ 92,702</u>	<u>\$ 2,042,988</u>

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

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Support Services			
Fundraising	Management and General	Total Support Services	Total
\$ -	\$ -	\$ -	\$ 1,468,475
115,593	66,227	181,820	481,767
21,336	14,649	35,985	83,445
9,131	5,867	14,998	38,411
146,060	86,743	232,803	603,623
1,824	83,469	85,293	97,045
-	14,800	14,800	14,800
547	8,163	8,710	10,580
964	5,751	6,715	9,419
1,689	1,496	3,185	5,557
4,457	17,224	21,681	31,904
666	2,034	2,700	21,674
7,902	1,156	9,058	12,408
814	7,364	8,178	10,801
10,258	20,834	31,092	52,559
619	1,630	2,249	4,800
1,474	447	1,921	4,157
62	-	62	212
18,566	6,618	25,184	39,716
5,001	5,943	10,944	24,680
678	7,517	8,195	17,483
8,000	-	8,000	8,000
700	417	1,117	1,796
4,152	-	4,152	4,152
15,051	6,832	21,883	26,833
-	58,416	58,416	58,416
5,883	12,322	18,205	98,047
-	4,919	4,919	4,919
-	6,998	6,998	7,392
\$ 235,367	\$ 361,093	\$ 596,460	\$ 2,639,448

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
Allocations/awards	\$ 1,789,388	\$ -	\$ -	\$ 1,789,388
Salaries	158,331	139,569	3,674	301,574
Employee benefits	27,287	24,669	855	52,811
Payroll taxes	12,161	11,035	33	23,229
Total salaries and related expenses	197,779	175,273	4,562	377,614
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	-	-	-	-
Staff development	-	-	-	-
Training	-	-	-	-
Marketing	4,242	1,905	-	6,147
Bad debts	-	-	-	-
Depreciation	7,339	3,296	52,876	63,511
Bank and credit card fees	-	-	-	-
Miscellaneous	4,689	7,216	4,040	15,945
Total expenses	\$ 2,103,297	\$ 228,758	\$ 65,738	\$ 2,397,793

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

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Support Services			
Fundraising	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
\$ 283,558	\$ 274,186	\$ 557,744	\$ 2,955,537

UNITED WAY OF THE LAKESHORE, INC.

Statements of Cash Flows

	Year Ended December 31	
	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (37,370)	\$ (225,689)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	98,047	76,628
Allowance for uncollectible pledges	(46,908)	22,028
Paycheck Protection Program loan forgiveness	(139,800)	-
Change in value of beneficial interest in assets held by others	(117,414)	(102,674)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	8,486	(13,332)
Pledges receivable	305,447	257,455
Prepaid expenses	(2,092)	2,191
Allocations and designations payable	20,280	(49,405)
Accounts payable	(3,372)	50,174
Net cash provided by operating activities	<u>85,304</u>	<u>17,376</u>
Cash flows from investing activities		
Purchases of property and equipment	(28,267)	(30,317)
Redemption of certificates of deposit	342,494	-
Purchases of certificates of deposit	-	(7,377)
Contributions to beneficial interest in assets held by others	(50)	-
Distributions from beneficial interest in assets held by others	1,262	-
Net cash provided by (used in) investing activities	<u>315,439</u>	<u>(37,694)</u>
Cash flows provided by financing activities		
Proceeds from Paycheck Protection Program loan	-	139,800
Net increase in cash and cash equivalents	<u>400,743</u>	<u>119,482</u>
Cash and cash equivalents, beginning of year	<u>863,989</u>	<u>744,507</u>
Cash and cash equivalents, end of year	<u>\$ 1,264,732</u>	<u>\$ 863,989</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.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

Net investment income is reported in the statements of activities and consists of interest income and change in fair value of beneficial interest in trust, less external investment expenses.

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, 2021 to June 30, 2022 in 2021 and covering July 1, 2020 to June 30, 2021 in 2020. Designations payable represent unpaid designations as of December 31, 2021 and 2020, 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, 2021.

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 funding of the Organization's 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.

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 2018 through 2021, the years which remain subject to examination as of December 31, 2021. 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, 2021 or 2020, and is not aware of any claims for such amounts by federal or state income tax authorities.

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, 2021, the most recent statement of financial position presented herein, through June 28, 2022, the date these financial statements were available to be issued. No significant such events or transactions were identified.

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. While the pandemic has resulted in an increase in the demands on the Organization for providing immediate financial support and/or services to its program recipients, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The Organization received \$139,800 during 2020 (forgiven in 2021) in funding to be used to respond to the impacts of the COVID-19 pandemic through the Paycheck Protection Program ("PPP") (see Note 11) established by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). With these additional Federal resources, at this time management does not believe that the negative financial impacts of the pandemic, if any, would be material to the Organization.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

2. PLEDGES RECEIVABLE

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

	2021	2020
Current year campaign	\$ 647,750	\$ 846,096
Less allowance for uncollectible pledges	94,933	62,079
Net current year campaign	552,817	784,017
1 st prior year campaign	220,520	327,621
Less allowance for uncollectible pledges	62,079	141,841
Net 1st prior year campaign	158,441	185,780
Capital campaign	50,000	50,000
Total pledges receivable, net of allowance for uncollectible pledges	\$ 761,258	\$ 1,019,797

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 2021 and 2020, the percentage applied to the gross campaign results for uncollectible pledges was 7% and 5%, respectively.

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, 2021 and 2020, these funds were valued at \$996,194 and \$879,992, 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.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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.

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:

	2021	2020
Beneficial interest in assets held by others		
Beginning of year	\$ 879,992	\$ 777,318
Contributions	50	-
Grants awarded	(1,262)	-
Administrative expenses	(7,557)	(7,571)
Net change in value	<u>124,971</u>	<u>110,245</u>
End of year	<u><u>\$ 996,194</u></u>	<u><u>\$ 879,992</u></u>

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

4. PROPERTY AND EQUIPMENT

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

	2021	2020
Land - Clay Avenue properties	\$ 90,000	\$ 90,000
Land improvements - Clay Avenue properties	63,833	63,833
Buildings - Clay Avenue properties	1,171,238	1,148,096
Office furniture and equipment	433,409	428,284
Total	1,758,480	1,730,213
Less accumulated depreciation	920,886	822,839
Net property and equipment	\$ 837,594	\$ 907,374

Depreciation expense for 2021 and 2020 was \$98,047 and \$76,628, respectively.

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, 2021 and 2020, these funds were valued at approximately \$1,326,000 and \$1,205,000, respectively. Total amount of grants awarded from these funds amounted to \$40,630 and \$39,780 for 2021 and 2020, respectively. The Organization records 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.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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, 2021 and 2020, this fund was valued at approximately \$495,000 and \$446,000, respectively. Total amount of grants awarded from this fund amounted to \$18,000 and \$27,232 for 2021 and 2020, respectively. The Organization records 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 \$25,632 and \$30,558 for 2021 and 2020, respectively.

7. UNITED WAY WORLDWIDE

The Organization is a separate and autonomous organization from United Way Worldwide (UWW). The Organization incurred dues of \$42,356 and \$24,661 to UWW for 2021 and 2020, respectively, in support of services provided to the Organization. UWW has traditionally charged a 1% fee based on specific reporting metrics as annual dues. During 2021, UWW increased dues to 2% for part of the year and then reduced it back to 1.5% for the remainder of the year. It will stay at the 1.5% in future years until such time as a change is voted in by the United Way members.

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 lease arrangements include renewal options and expire at varying dates through May 2026.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

The following is a schedule by years of future minimum annual lease payments required under these operating leases with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2021:

Year Ended December 31,	Amount
2022	\$ 73,596
2023	7,926
2024	7,926
2025	7,926
2026	<u>3,303</u>
Total	<u>\$ 100,677</u>

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:

	2021	2020
Cash and cash equivalents	\$ 1,264,732	\$ 863,989
Certificates of deposit	116,684	459,178
Accounts receivable	12,430	20,916
Pledges receivable	<u>761,258</u>	<u>1,019,797</u>
Total	<u>2,155,104</u>	<u>2,363,880</u>
Less financial assets not available within one year:		
Certificates of deposit maturing after one year	-	(60,534)
Capital campaign pledge receivable in excess of one year	(50,000)	(50,000)
Board designated for building fund	(108,249)	(75,908)
Net assets with purpose donor restrictions	<u>(39,664)</u>	<u>(59,936)</u>
Assets not available for current spending	<u>(197,913)</u>	<u>(246,378)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,957,191</u>	<u>\$ 2,117,502</u>

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

The Organization has \$1,957,191 and \$2,117,502 as of December 31, 2021 and 2020, 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:

	2021	2020
Subject to expenditure for specified purpose:		
Lights on after school	\$ 39,664	\$ 21,664
COVID-19 relief funds	-	38,006
Other specific community programs	-	266
	<u>39,664</u>	<u>59,936</u>
Subject to the passage of time:		
Pledges related to future campaigns	<u>849,015</u>	<u>1,056,030</u>
Total net assets with donor restrictions	<u><u>\$ 888,679</u></u>	<u><u>\$ 1,115,966</u></u>

11. PAYCHECK PROTECTION PROGRAM ("PPP")

In April 2020, the Organization received \$139,800 as a loan under the PPP of the CARES Act, which was enacted into law on March 28, 2020. Under the program terms, PPP loans are forgiven if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following the receipt of the loan. The portion of the PPP loan that is not forgiven is subject to a 1% interest rate and is due within two years. In April 2021, the Organization received full forgiveness of the PPP loan from the Small Business Administration under the terms of the CARES Act program. Forgiveness of the PPP loan is recognized as paycheck protection program loan forgiveness on the 2021 statement of activities.

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