

Audited Financial Statements
and Other Supplementary Information

United Way of Washtenaw County

*Years Ended June 30, 2021 and 2020
with Report of Independent Auditors*

United Way of Washtenaw County
Audited Financial Statements
and Other Supplementary Information
Years Ended June 30, 2021 and 2020

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Report of Independent Auditors

Board of Directors
United Way of Washtenaw County
Ann Arbor, Michigan

We have audited the accompanying financial statements of United Way of Washtenaw County (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses, 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.

Auditors' 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 2021 financial statements referred to above present fairly, in all material respects, the financial position of United Way of Washtenaw County as of June 30, 2021, 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.

Prior Period Financial Statements

The financial statements of United Way of Washtenaw County as of June 30, 2020, were audited by other auditors whose report dated November 16, 2020, expressed an unmodified opinion on those statements and included a section describing that in 2020 United Way of Washtenaw County adopted Accounting Standards Update No. 2018-08, Not-for-Profit Entities: *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

Andrews Hooper Pavlik PLC

Bloomfield Hills, Michigan
November 15, 2021

United Way of Washtenaw County

Statements of Financial Position

	June 30	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 836,043	\$ 818,010
Current portion of pledges receivable, net	1,049,203	979,482
Investments	3,007,956	3,253,586
Prepaid expenses and other current assets	38,104	51,673
Total current assets	<u>4,931,306</u>	<u>5,102,751</u>
Noncurrent assets:		
Pledges receivable, less current portion, net	-	5,935
Investments held for long-term purposes	2,848,563	2,382,979
Net property and equipment	1,257,800	1,290,142
Total noncurrent assets	<u>4,106,363</u>	<u>3,679,056</u>
Total assets	<u><u>\$ 9,037,669</u></u>	<u><u>\$ 8,781,807</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 29,259	\$ 30,433
Grants payable	625,000	533,001
Designations payable	275,602	263,191
Accrued liabilities and other	25,722	68,937
Current portion of capital lease obligation	6,324	6,324
Current portion of Paycheck Protection Program loan	-	70,369
Total current liabilities	<u>961,907</u>	<u>972,255</u>
Capital lease obligation, net of current portion	8,326	14,045
Paycheck Protection Program loan, net of current portion	-	85,931
Total liabilities	<u>970,233</u>	<u>1,072,231</u>
Net assets:		
Without donor restriction	4,440,272	4,608,465
With donor restrictions	3,627,164	3,101,111
Total net assets	<u>8,067,436</u>	<u>7,709,576</u>
Total liabilities and net assets	<u><u>\$ 9,037,669</u></u>	<u><u>\$ 8,781,807</u></u>

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

United Way of Washtenaw County

Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, gains, and other support			
Campaign results:			
Contributions	\$ 16,962	\$ 3,750,498	\$ 3,767,460
Uncollectible pledges	-	(99,487)	(99,487)
Donor designations	-	(1,100,121)	(1,100,121)
Net campaign results	16,962	2,550,890	2,567,852
Grants	635,669	-	635,669
Donated services and supplies	87,453	-	87,453
Special events	22,102	-	22,102
Other contributions and bequests	243,890	-	243,890
Net investment return	14,219	582,655	596,874
Service fees	39,019	-	39,019
Revenues from forgiveness of Paycheck Protection Program Loan	156,300	-	156,300
Miscellaneous income	22,109	-	22,109
Total contributions, gains, and other support	1,237,723	3,133,545	4,371,268
Net assets released from restrictions	2,607,492	(2,607,492)	-
Total contributions, gains, other support, and net assets released from restrictions	3,845,215	526,053	4,371,268
Expenses			
Program services:			
Grants to agencies	3,271,577	-	3,271,577
Less donor designations	1,100,121	-	1,100,121
Net grants to agencies	2,171,456	-	2,171,456
Donor-advised funds awarded	257,000	-	257,000
Community impact	374,773	-	374,773
Community service	84,011	-	84,011
Regional call center 2-1-1	36,306	-	36,306
Volunteer center	15,982	-	15,982
Financial stability	161,238	-	161,238
Total program services	3,100,766	-	3,100,766
Support services:			
Management and general	384,237	-	384,237
Fundraising	528,405	-	528,405
Total support services	912,642	-	912,642
Total expenses	4,013,408	-	4,013,408
Change in net assets	(168,193)	526,053	357,860
Net assets as of beginning of year	4,608,465	3,101,111	7,709,576
Net assets as of end of year	\$ 4,440,272	\$ 3,627,164	\$ 8,067,436

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

United Way of Washtenaw County

Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, gains, and other support			
Campaign results:			
Contributions	\$ 32,122	\$ 4,948,107	\$ 4,980,229
Uncollectible pledges	-	(95,581)	(95,581)
Donor designations	-	(1,054,188)	(1,054,188)
Net campaign results	32,122	3,798,338	3,830,460
Donor-advised funds contributions	1,500,343	-	1,500,343
Grants	165,000	-	165,000
Donated services and supplies	95,791	-	95,791
Special events	49,931	-	49,931
Other contributions and bequests	289,314	-	289,314
Net investment return	18,779	75,781	94,560
Service fees	54,538	-	54,538
Miscellaneous income	1,419	-	1,419
Total contributions, gains, and other support	2,207,237	3,874,119	6,081,356
Net assets released from restrictions	4,141,682	(4,141,682)	-
Total contributions, gains, other support, and net assets released from restrictions	6,348,919	(267,563)	6,081,356
Expenses			
Program services:			
Grants to agencies	3,011,689	-	3,011,689
Less donor designations	1,054,188	-	1,054,188
Net grants to agencies	1,957,501	-	1,957,501
Donor-advised funds awarded	1,098,445	-	1,098,445
Community impact	391,390	-	391,390
Community service	126,428	-	126,428
Regional call center 2-1-1	18,982	-	18,982
Volunteer center	28,767	-	28,767
Financial stability	181,875	-	181,875
Total program services	3,803,388	-	3,803,388
Support services:			
Management and general	406,322	-	406,322
Fundraising	651,158	-	651,158
Total support services	1,057,480	-	1,057,480
Total expenses	4,860,868	-	4,860,868
Change in net assets	1,488,051	(267,563)	1,220,488
Net assets as of beginning of year	3,120,414	3,368,674	6,489,088
Net assets as of end of year	\$ 4,608,465	\$ 3,101,111	\$ 7,709,576

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

United Way of Washtenaw County

Statement of Functional Expenses

Year Ended June 30, 2021

	Grants, Designations, and Donor Advised	Salary, Benefits, and Taxes	Professional Fees, Contract Services, and UWW Dues	Occupancy, Equipment, Depreciation, and Insurance	Advertising, Event, and Other	Gifts-in-kind	Total
Program services							
Grants and designations:							
Grants to agencies	\$ 3,271,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,271,577
Less donor designations	1,100,121	-	-	-	-	-	1,100,121
Net grants to agencies	2,171,456	-	-	-	-	-	2,171,456
Donor advised giving	257,000	-	-	-	-	-	257,000
Community impact	-	197,082	66,113	33,462	59,997	18,119	374,773
Community service	-	47,029	10,190	16,153	10,639	-	84,011
Regional call center 2-1-1	-	-	-	-	36,189	117	36,306
Volunteer center	-	2,809	2,035	3,379	7,759	-	15,982
Financial stability	-	108,512	5,609	7,094	40,023	-	161,238
Total program services	2,428,456	355,432	83,947	60,088	154,607	18,236	3,100,766
Support services							
Management and general	-	277,366	27,299	34,953	44,619	-	384,237
Fundraising	-	296,730	45,736	52,905	63,817	69,217	528,405
Total support services	-	574,096	73,035	87,858	108,436	69,217	912,642
Total expenses	\$ 2,428,456	\$ 929,528	\$ 156,982	\$ 147,946	\$ 263,043	\$ 87,453	\$ 4,013,408

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

United Way of Washtenaw County

Statement of Functional Expenses

Year Ended June 30, 2020

	Grants, Designations, and Donor Advised	Salary, Benefits, and Taxes	Professional Fees, Contract Services, and UWW Dues	Occupancy, Equipment, Depreciation, and Insurance	Advertising, Event, and Other	Gifts-in-kind	Total
Program services							
Grants and designations:							
Grants to agencies	\$ 3,011,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,011,689
Less donor designations	1,054,188	-	-	-	-	-	1,054,188
Net grants to agencies	1,957,501	-	-	-	-	-	1,957,501
Donor advised giving	1,098,445	-	-	-	-	-	1,098,445
Community impact	-	232,627	22,415	33,376	93,662	9,310	391,390
Community service	-	80,067	10,207	16,128	20,026	-	126,428
Regional call center 2-1-1	-	-	-	-	17,299	1,683	18,982
Volunteer center	-	8,465	2,134	3,372	9,796	5,000	28,767
Financial stability	-	126,055	4,278	7,375	44,167	-	181,875
Total program services	3,055,946	447,214	39,034	60,251	184,950	15,993	3,803,388
Support services							
Management and general	-	280,402	42,825	35,332	47,763	-	406,322
Fundraising	-	303,886	53,231	52,923	161,320	79,798	651,158
Total support services	-	584,288	96,056	88,255	209,083	79,798	1,057,480
Total expenses	\$ 3,055,946	\$ 1,031,502	\$ 135,090	\$ 148,506	\$ 394,033	\$ 95,791	\$ 4,860,868

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

United Way of Washtenaw County

Statements of Cash Flows

	Year Ended June 30	
	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 357,860	\$ 1,220,488
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and loss on disposal	70,485	68,014
Net realized and unrealized gains on investments	(596,874)	(94,560)
Uncollectible pledges	99,487	95,581
Paycheck Protection Program loan forgiveness	(156,300)	-
Changes in operating assets and liabilities:		
Pledges receivable	(163,273)	320,933
Prepaid expenses and other current assets	13,569	1,663
Accounts payable	(1,174)	8,709
Grants payable	91,999	(728,124)
Designations payable	12,411	(190,189)
Accrued liabilities and other	(43,215)	17,974
Net cash from operating activities	(315,025)	720,489
Cash flows from investing activities		
Purchases of property and equipment	(38,143)	(4,683)
Purchases of investments	(996,145)	(1,166,324)
Proceeds from sales of investments	1,373,065	850,270
Net cash from investing activities	338,777	(320,737)
Cash flows from financing activities		
Payments on capital lease	(5,719)	(11,439)
Cash received from the Paycheck Protection Program	-	156,300
Net cash from financing activities	(5,719)	144,861
Net change in cash and cash equivalents	18,033	544,613
Cash and cash equivalents as of beginning of year	818,010	273,397
Cash and cash equivalents as of end of year	\$ 836,043	\$ 818,010
Supplemental cash flow information		
Cash paid for interest	\$ 841	\$ 1,877

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

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

United Way of Washtenaw County (Organization) is a not-for-profit corporation that was formed on January 13, 1972. Skilled volunteers recruited by the Organization grant undesignated funds to local not-for-profits based on community needs. In addition, the Organization distributes funds to not-for-profits that are designated by the donor. The Organization's support is derived from voluntary contributions from the public. The Organization is governed by a volunteer Board of Directors. While the Organization is an affiliate of United Way Worldwide, it operates as an autonomous organization.

Mission Statement

The mission of the Organization is to connect people, resources, and agencies together to create a thriving community for everyone.

The Organization provides the following program services:

Community Impact

In an effort to coordinate an approach to better meet human service needs and to increase the efficiency and effectiveness as funders, the Coordinated Funding Model was developed. Together with the Office of Community & Economic Development (OCED) and the Ann Arbor Area Community Foundation (Community Foundation), the Organization developed a funding model that supports shared, community-wide strategies, focusing the attention of donors, funders, and not-for-profits service providers on outcomes and maximizing community resources to the greatest extent possible. Each organization brings capacity, knowledge, best practices, and experience, which result in improvements including comprehensive data reflecting community needs and a streamlined application process to access all funders at once. Approved programs that address the issues of hunger relief, housing and homelessness, access to health care, early childhood, school-aged youth, and aging are funded annually. The Organization continues to fund several other programs such as Regional Call Center 2-1-1, Volunteer Center, etc., exclusive of Coordinated Funding. The Organization also retains a small flexible fund to address emerging needs or opportunities in the community.

Community Service

The Organization promotes United Way contributions from union members, recruits, volunteers for United Way, and other not-for-profits serving the community and links families through the Community Labor Council and the AFL-CIO Community Services Programs.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Mission Statement (continued)

Regional Call Center 2-1-1

The Organization provides callers with information about and referrals to human services for everyday needs and in times of crisis. United Way Regional Call Center 2-1-1 offers basic human needs resources; physical/mental health resources; employment support; support for older Americans and persons with disabilities; support for children, youth, and families; and volunteer opportunities.

Volunteer Center

The Organization administers a volunteer network that allows local not-for-profits to post volunteer opportunities. These opportunities are made available to the community via a website allowing individuals and other not-for-profits to assist with these projects. These services provide a way for the Organization to assist local not-for-profits without providing direct financial support.

Financial Stability

The Organization provides services designed towards helping citizens become economically self-sufficient reducing their need for safety-net services that are used during crisis situations. These services include a Volunteer Income Tax Assistance (VITA) Program which uses the Internal Revenue Service certified volunteers to assist low-income individuals with the preparation and filing of their annual tax return. In addition, the Organization also provides Financial Empowerment Coaching through Americorp members designed at helping individuals develop healthy budgeting and spending habits as well as assistance with debt reduction and credit repair.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) to focus on the Organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net assets and revenues and support, expenses, and gains or losses are classified based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of management and/or the Board of Directors for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion (see Note 3).

Net Assets With Donor Restrictions – Net assets with donor restrictions consists of contributions that have been restricted by the donor for specific purposes or are time restricted. 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 those resources be maintained in perpetuity.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchases with an original maturity of three months or less to be cash equivalents. The Organization maintains cash deposits with financial institutions, which at times, may exceed the federally insured limits.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Pledges Receivable, Campaign Contribution, and Revenue Recognition

Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are reported as support when received at fair value. These pledges, most of which are due within one year, consist of amounts designated to other organizations and amounts to be used for operations. Pledges receivable that are expected to be collected in future years are initially recorded at their estimated fair value using a probability weighted, discounted rate adjusted present value model. The unamortized discount represents the adjustment required to record promises expected to be received in future years at their fair value. Amortization of the discount is recorded as an additional contribution and used in accordance with any donor-imposed restrictions over the promise period. No such discount is recorded as of June 30, 2021 and June 30, 2020.

Contributions with donor-imposed time or purpose restrictions are reported as support with donor restrictions. All other contributions are reported as support without donor restrictions. Unconditional promises to give (pledges) with payments due in future periods are assumed to have an implicit time restriction. Those restrictions are released as contributions are collected or when grants are made to recipient organizations based on those future collections.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

The provision for uncollectible pledges is computed based upon a five-year historical average, adjusted by management's estimates of current economic factors and applied to campaign results, excluding donor designations. The provision for uncollectible pledges is approximately \$76,000 as of June 30, 2021 and approximately \$96,000 as of June 30, 2020.

Other revenues are recognized when earned. Program service fees are recognized when the applicable performance obligations are met.

Donor Designations to Agencies

The Organization receives pledges from donors designating the resources to specified agencies. The Organization collects these resources and disburses the funds to the designated agencies. Designated pledges are excluded from contributions and the related disbursements to specified agencies are excluded from gross funds awarded in the statement of activities. Service fees are withheld from these designated amounts in accordance with the agreement with the donor. Service fee revenue is recognized in the period when the designation is received from the donor.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Investments

Investment securities purchased are stated at fair value, which is based on quoted market prices. Investment securities received as gifts are initially recorded at fair value at the date of donation. Income from investments, including realized and unrealized gains and losses, is allocated among net assets with donor restrictions and without donor restrictions based on donor restrictions or the absence thereof. Realized gains and losses are determined using the specific identification method. Investment return is reported net of external investment expenses.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Donor-Advised Funds

Donor-advised funds are established with gifts from donors with the request that the donors be allowed to provide advice regarding the distribution of the transferred assets to unaffiliated beneficiaries. These donors have granted the Organization variance power, which allows the Organization the flexibility to modify the donors' advice as necessary to serve the charitable purposes of the Organization. When accounting for additions to donor-advised funds, the Organization records the assets received or promised as contributions without donor restrictions and amounts awarded as donor-advised funds awarded on the statement of activities.

Grants to Agencies

Grants to agencies are reported as expenses when unconditionally committed to the recipient by the Organization. Grants represent ongoing service delivery to recipients.

Donated Services and Supplies

The Organization receives volunteer services that are not recordable under GAAP. A substantial number of volunteers have donated a significant amount of time in the Organization's fundraising campaigns, determination of the granting of the funds raised, and in preparation of tax returns in the Organization's VITA program. The value of volunteer services is not disclosed, as no objective basis is available to measure the value of such services. Donated materials are recorded at the fair value at the time of receipt. The Organization received advertising and legal services and special event materials totaling approximately \$87,000 for the year ended June 30, 2021 and approximately \$96,000 for the year ended June 30, 2020.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

All property and equipment purchased in excess of \$1,000 are capitalized. Ordinary maintenance and repairs are expensed. Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amounts may not be recoverable. Depreciation is provided over the shorter of the estimated useful lives of the respective assets or the lease term on a straight-line basis. A summary of depreciable lives follows:

Land improvements	25 years
Buildings	50 years
Furniture and equipment	3 – 15 years

Functional Allocation of Expenses

Direct expenses, which can be clearly defined as incurred for a specific program are charged to that program. Natural expenses attributable to more than one functional expense category are allocated using a reasonable cost allocation method. Salaries and related employee benefits have been allocated to programs and services based on estimated time and effort. Other expenses are allocated based on estimates of usage.

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 an income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.”

The Organization has evaluated its income tax filing positions for fiscal years 2018 through 2021, the years which remain subject to examination as of June 30, 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 12 months. The Organization does not have any amounts accrued for interest and penalties related to UTBs as of June 30, 2021 or 2020, and is not aware of any claims for such amounts by federal or state income tax authorities.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

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).

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

For further discussion of fair value measurement, refer to Note 2 to the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2021, the most recent statement of financial position presented herein, through November 15, 2021, the date these financial statements were available to be issued.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

2. Investments and Fair Value Measurements

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Certain investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

Money Market Funds and Mutual Funds – Shares held in money market funds and mutual funds traded on national securities exchanges are valued at the net asset value (NAV) of shares held by the Organization at year end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding (Level 1).

Beneficial Interest in Funds Held by the Community Foundation – The Organization is allocated its portion of the total fair values of the underlying securities of the Community Foundation, a measure considered equivalent to net asset value. The underlying securities held by the Community Foundation cannot be liquidated or redeemed by the Organization (Level 3).

Investments are summarized as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 58,152	\$ 60,364
Mutual funds:		
Fixed income	880,470	856,212
Equity	1,772,607	1,361,269
Total mutual funds	<u>2,653,077</u>	<u>2,217,481</u>
Beneficial interest in funds held by the Community Foundation	137,334	105,134
Certificates of deposit	2,303,334	2,302,981
Money market funds	704,622	950,605
Total investments	<u>\$ 5,856,519</u>	<u>\$ 5,636,565</u>

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

2. Investments and Fair Value Measurements (continued)

Assets Recorded at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of June 30:

2021	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,653,077	\$ -	\$ -	\$ 2,653,077
Money market funds	704,622	-	-	704,622
Beneficial interest in funds held by the Community Foundation	-	-	137,334	137,334
Total assets at fair value	\$ 3,357,699	\$ -	\$ 137,334	\$ 3,495,033

2020	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,217,481	\$ -	\$ -	\$ 2,217,481
Money market funds	950,605	-	-	950,605
Beneficial interest in funds held by the Community Foundation	-	-	105,134	105,134
Total assets at fair value	\$ 3,168,086	\$ -	\$ 105,134	\$ 3,273,220

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 asset measured at fair value on a recurring basis for the years ended June 30:

Community Foundation	2021	2020
Balance of recurring Level 3 asset at beginning of year	\$ 105,134	\$ 109,577
Net investment return (loss)	36,271	(574)
Distributions	(4,071)	(3,869)
Balance of recurring Level 3 asset at end of year	\$ 137,334	\$ 105,134

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

3. Net Assets and Endowments

The Organization's Board of Directors has designated, from net assets without donor restrictions, net assets of \$100,000 as of June 30, 2021 and 2020 with the intention of making an additional contribution to the Community Foundation. Additionally, from net assets without donor restrictions, net assets of \$189,277 as of June 30, 2021 and \$470,511 as of June 30, 2020, are designated for donor-advised funds to be awarded.

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time	\$ 778,601	\$ 718,132
Endowments		
Accumulated investment returns available for appropriation Perpetual in nature, earnings from which are subject to endowment spending policy and appropriations:	922,689	457,105
Donor-restricted endowments	<u>1,925,874</u>	<u>1,925,874</u>
Total endowments	<u>2,848,563</u>	<u>2,382,979</u>
Total net assets with donor restrictions	<u>\$ 3,627,164</u>	<u>\$ 3,101,111</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No such deficiency exists as of June 30, 2021 and June 30, 2020.

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization complies with the MI-PMIFA, an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA), and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment funds are donor-restricted endowment funds.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

3. Net Assets and Endowments (continued)

The Board of Directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The following tables summarize the changes in the Organization's endowment during the years ended June 30:

	2021	2020
	With Donor	With Donor
	Restrictions	Restrictions
Endowment net assets comparison by type of fund:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ 1,925,874	\$ 1,925,874
Accumulated investment return	922,689	457,105
Total donor-restricted endowments	<u>\$ 2,848,563</u>	<u>\$ 2,382,979</u>

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

3. Net Assets and Endowments (continued)

	2021	2020
	With Donor	With Donor
	Restrictions	Restrictions
Changes in endowment net assets for the years ended June 30:		
Net investment return	\$ 582,655	\$ 75,781
Appropriation of endowment assets for expenditure	(117,071)	(128,228)
Changes to endowment net assets	465,584	(52,447)
Endowment net assets beginning of year	2,382,979	2,435,426
Endowment net assets end of year	<u>\$ 2,848,563</u>	<u>\$ 2,382,979</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. The primary objective under this investment policy, as approved by the board of directors, is to accept a moderate level of risk in exchange for capital appreciation and growth of principal.

Income from endowment assets accrues to the individual funds at the rate earned by the combined assets unless otherwise specified by the donor. Investments are diversified amongst equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. In general, investment distribution percentage targets are 40% to 80% equity, 10% to 55% in bonds, and 0% to 30% in cash equivalents.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified assets allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the lesser of the prior five or seven quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

3. Net Assets and Endowments (continued)

Endowment Fund Held at Community Foundation

In 2020, a donor partnered with Ann Arbor Area Community Foundation to create funds available for the Organization. The initial donation was in the amount of \$500,000. These funds and any earnings thereon are owned and directed by the Community Foundation. The Community Foundation's trustees determine the timing and the amount of any distributions. The Community Foundation's trustees are also granted variance power, that is, unilateral power to redirect the distribution of funds to another beneficiary under certain conditions. Accordingly, the Organization has not recorded an asset in the financial statements to reflect its interest in these funds. The value of these funds at the Community Foundation was approximately \$642,000 as of June 30, 2021 and \$497,000 as of June 30, 2020.

4. Property and Equipment

Net property and equipment consists of the following assets as of June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 81,195	\$ 81,195
Land improvements	33,327	33,327
Buildings	1,910,771	1,881,964
Furniture and equipment	228,805	286,924
Total	<u>2,254,098</u>	<u>2,283,410</u>
Less accumulated depreciation	996,298	993,268
Net property and equipment	<u>\$ 1,257,800</u>	<u>\$ 1,290,142</u>

5. Leases

The Organization conducts a portion of its operations with leased property, a portion of which meet capitalization criteria specified by GAAP. The future minimum lease payments under capital leases are as follows:

	<u>Amount</u>
2022	\$ 6,324
2023	6,324
2024	2,002
Total	<u>14,650</u>
Less current portion	6,324
Capital lease obligation, net of current portion	<u>\$ 8,326</u>

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

5. Leases (continued)

Equipment acquired under the capital lease has been capitalized and is included in property and equipment. As of June 30, 2021 and June 30, 2020, approximately \$29,000 had been capitalized as equipment with related accumulated depreciation of approximately \$15,000 as of June 30, 2021 and \$9,000 as of June 30, 2020.

6. Line of Credit and Paycheck Protection Program Loan

The Organization has available an unsecured line of credit, which allows the Organization to borrow up to \$500,000. Interest is payable at the bank's prime rate (3.25% as of June 30, 2021 and 5.5% as of June 30, 2020). This line of credit is due on demand and there were no outstanding borrowings as of June 30, 2021 or June 30, 2020.

The Organization was awarded a Paycheck Protection Program (PPP) loan of \$156,300 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under the program terms, PPP loans would be forgiven if the loan proceeds were used for eligible purposes, including payroll costs and associated employee benefits (staffing levels must be maintained), rent, and utility costs. If a portion of the PPP loan was not forgiven, unforgiven amounts would be subject to a 1% interest rate and be due within two years.

On December 3, 2020, the Organization received notification from the SBA stating the loan balance and accrued interest had been forgiven in full. The Organization elected to treat the initial proceeds from the loan as debt; therefore, upon notification the loan was forgiven, revenue was recognized for the extinguishment of the debt.

7. Defined Contribution Retirement Plans

The Organization has an employee 401(k) salary deferral plan. All employees who have reached the age of 21 are eligible to participate in the plan. The Organization makes matching and discretionary contributions for all eligible employees with service of at least one year and 1,000 hours of service. The Organization matched 3% of employee salary up to the salary deferral from July 1, 2019 to June 30, 2020, 1% of employee salary up to the salary deferral from July 1, 2020 through October 31, 2020, and 3% of employee salary up to the salary deferral for the period November 1, 2020 to June 30, 2021. Total matching contributions were approximately \$7,000 for the year ended June 30, 2021 and were approximately \$18,000 for the year ended June 30, 2020. No discretionary contributions were made during the years ended June 30, 2021 and June 30, 2020.

The Organization has an employee 403(b) salary deferral plan. This plan is inactive and no new participants have been accepted since January 2009. Subsequent to year-end in September of 2021, the Board adopted a resolution to terminate the 403(b) as soon as administratively feasible.

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

8. Concentration

The Organization received pledges from employees at businesses and organizations located throughout Washtenaw County. Employees at one local organization accounted for approximately 27% of the total campaign revenues for the year ended June 30, 2021 and 35% for the year ended June 30, 2020. Employees at the same local organization accounted for approximately 39% of the outstanding pledges receivable as of June 30, 2021 and 67% as of June 30, 2020.

9. Related Party Transactions

The Organization has various vendor relationships with entities whose officers are members of the Board of Directors. In addition, the Organization awarded grants and assistance to organizations who employ a member of the Board of Directors. A summary of expenses resulting from business conducted with the related entities or individuals is as follows for years ended June 30:

	<u>2021</u>	<u>2020</u>
Information technology	\$ 10,966	\$ 98,917
Grants awarded	182,175	47,545
Fiduciary transactions	10,000	-

United Way of Washtenaw County

Notes to Financial Statements

June 30, 2021

10. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 836,043	\$ 818,010
Pledges and contributions receivable	1,049,203	985,417
Investments	5,856,519	5,636,565
Total financial assets	<u>7,741,765</u>	<u>7,439,992</u>
Less amounts unavailable for general expenditures within one year:		
Board designated net assets	100,000	100,000
Spendable net assets with donor time restrictions	-	5,935
Endowment assets subject to endowment spending policy and appropriation	2,848,563	2,382,979
Financial assets available for general use within one year	<u>\$ 4,793,202</u>	<u>\$ 4,951,078</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of weekly requirements in short-term investments. The Organization also has access to a line of credit.

11. Risks and Uncertainties

The current Coronavirus pandemic has had an economic impact on the United States and the international community. While this has had a short-term impact on the Organization's business and financial activities, the long-term impact on the Organization's business and financial activities cannot be determined.

Report of Independent Auditors
on Other Supplementary Information

Board of Directors
United Way of Washtenaw County
Ann Arbor, Michigan

We have audited the financial statements of United Way of Washtenaw County (Organization) as of and for the year ended June 30, 2021 and have issued our report thereon dated November 15, 2021, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on these financial statements as a whole. The supplemental schedule of grants and donor designations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

The financial statements of United Way of Washtenaw County for the year ended June 30, 2020 were audited by other auditors and their report thereon dated November 16, 2020 expressed an unmodified opinion of those financial statements. Their report, as of the same date, on the supplemental schedule of grants and donor designations for the year ended June 30, 2020 stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2020, as a whole.

Andrews Hooper Pavlik PLC

Bloomfield Hills, Michigan
November 15, 2021

United Way of Washtenaw County

Schedules of Grants and Donor Designations

	Year Ended June 30	
	2021	2020
A Brighter Way	\$ 25,000	\$ 30,000
Aid in Milan	11,828	4,959
Ann Arbor Meals on Wheels	17,122	-
Ann Arbor Spanish Seventh-Day Adventist Church	-	10,000
Ann Arbor YMCA	155,793	53,273
Arbor Hospice	-	15,000
Avalon Housing	20,000	15,000
Big Brothers/Big Sisters of Washtenaw County	-	17,500
Black Men Read	-	30,000
Buenos Vecinos	10,000	60,000
Catchafire Foundation	-	50,000
Catholic Social Services	121,630	64,522
Children's Literacy Network	28,500	12,000
Children's Leukemia Foundation	-	10,000
Child Care Network	131,175	74,000
Community Action Network	42,498	15,000
Community Family Life Centers	15,000	20,000
Community Resource Center	16,780	5,200
Corner Health Center	103,364	57,968
Dawn Farm	-	15,000
Destiny and Purpose Community Outreach	25,800	20,000
Dispute Resolution Center of Michigan	9,533	-
Dress for Success	3,000	-
Eastern Michigan University	35,000	-
Eastern Michigan University Foundation	14,000	30,000
Educate Youth	-	10,000
Evangelical Homes of Michigan	-	15,000
Faith in Action	12,714	24,760
Family Learning Institute	69,308	-
Food Gatherers	13,277	75,000
Foundations Preschool of Washtenaw County	76,203	25,347
Friends in Deed	25,000	40,000
Girls Group	-	15,000
Girls on the Run of SE Michigan	15,000	7,000
Growing Hope	25,281	25,608
Habitat for Humanity Huron Valley	6,500	22,000

United Way of Washtenaw County

Schedules of Grants and Donor Designations

	Year Ended June 30	
	2021	2020
Home of New Vision	\$ 14,971	\$ -
Hope Clinic	-	14,200
Housing Bureau for Seniors	14,072	8,985
Huron Valley Mutual Aid	-	20,000
Interfaith Hospitality Network	10,000	-
Jewish Family Services	52,024	15,000
Journey of Faith Christian Church	20,500	59,400
Joyful Treats	20,800	20,000
Kekere Freedom School	11,000	-
Legal Services of South Central MI	91,717	53,325
Lincoln Consolidated Schools	15,000	15,000
Mentor2Youth	45,046	16,211
Mexiquenses in Michigan	33,280	30,000
Michigan Ability Partners	41,188	37,558
Michigan Organization on Adolescent Sexual Health	-	25,000
Milan Seniors for Healthy Living	19,071	19,705
My Brothers Keeper	-	20,000
Neutral Zone	-	15,000
NEW	56,000	90,000
Northfield Human Services	-	2,250
Our House	-	31,200
Ozone House Youth & Family	58,185	31,000
Packard Health, Inc.	36,786	41,561
Packridge Community Center	10,000	-
Peace Neighborhood Center	24,898	15,000
Power of Predestiny Ministries	10,800	5,000
SafeHouse Center	37,386	17,914
Saline Area Social Service	-	22,250
Salvation Army of Washtenaw County	10,000	-
Samaritas	-	5,000
Shelter Association of Washtenaw County	50,000	20,000
SOS Community Services	20,000	15,000
St. Louis Center for Exceptional Children	-	15,000
Stand with Trans	20,000	-
Student Advocacy Center	71,459	44,574

United Way of Washtenaw County

Schedules of Grants and Donor Designations

	Year Ended June 30	
	2021	2020
Synod Community Services	\$ 10,000	\$ 10,000
Telling It	5,000	5,000
The Cream Incorporated	-	15,000
Unified HIV Health and Beyond	5,000	15,000
United Methodist Retirement Communities	-	15,000
United Way of Jackson County	200	-
Variis Institute	-	20,000
Washtenaw Community College	6,000	20,000
Washtenaw Community College Foundation	33,324	-
Washtenaw County Community Development	68,256	27,545
Washtenaw Intermediate School	32,463	51,390
Washtenaw Area Council for Children	32,953	6,679
Washtenaw Literacy	14,315	34,381
We the People Opportunity Farm	-	20,000
Women's Center of Southeast Michigan	32,500	7,000
Youth Justice Fund	15,000	20,000
Ypsi Local	-	10,000
Ypsilanti Community Schools	28,000	30,000
Ypsilanti District Library	-	5,000
Ypsilanti Meals on Wheels	64,956	31,486
Ypsilanti Senior Center	-	19,750
Total grants to agencies	2,171,456	1,957,501
Donor designations	1,100,121	1,054,188
Donor-advised funds awarded	257,000	1,098,445
Gross funds awarded	\$ 3,528,577	\$ 4,110,134