



United Way of Southwest Michigan

Audited Financial Report

December 31, 2021
(with comparative totals for 2020)



St. Joseph, MI

UNITED WAY OF SOUTHWEST MICHIGAN
ST. JOSEPH, MICHIGAN
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Southwest Michigan
St. Joseph, Michigan

Opinion

We have audited the accompanying financial statements of United Way of Southwest Michigan (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Southwest Michigan as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Southwest Michigan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 United Way of Southwest Michigan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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, including omissions, 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.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

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 United Way of Southwest Michigan'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 United Way of Southwest Michigan'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.

Report on Summarized Comparative Information

We have previously audited United Way of Southwest Michigan's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
April 27, 2022

UNITED WAY OF SOUTHWEST MICHIGAN
STATEMENT OF FINANCIAL POSITION
December 31, 2021
(with comparative totals for 2020)

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,422,598	\$ 1,474,657
Certificates of deposit (≥ 90 days)	648,532	973,290
Pledges receivable, less allowance for uncollectible accounts of \$162,269 for 2021 and \$198,370 for 2020	3,083,111	3,107,798
Investments, at fair value	1,710,096	1,642,832
Other receivables	218,947	38,937
Prepaid expenses	37,907	40,545
Other assets	282	984
Total Current Assets	\$ 7,121,473	\$ 7,279,043
Fixed assets, net of accumulated depreciation of \$363,306 for 2021 and \$317,139 for 2020	736,117	781,648
Other Assets		
Beneficial interest in assets held by community foundations	246,652	221,680
Total Assets	\$ 8,104,242	\$ 8,282,371
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 70,820	\$ 24,119
Allocations and other pledges payable	1,206,750	1,259,667
Due to designated agencies	88,639	94,156
Other accruals	55,338	32,100
Capital lease payable - current portion	7,362	6,665
Total Current Liabilities	\$ 1,428,909	\$ 1,416,707
Noncurrent Liabilities		
Capital lease payable - noncurrent portion	5,332	12,694
Total Liabilities	\$ 1,434,241	\$ 1,429,401
Net Assets		
Without donor restrictions	\$ 2,261,818	\$ 2,499,809
With donor restrictions	4,408,183	4,353,161
Total Net Assets	\$ 6,670,001	\$ 6,852,970
Total Liabilities and Net Assets	\$ 8,104,242	\$ 8,282,371

The Notes to Financial Statements are an integral part of this statement.

UNITED WAY OF SOUTHWEST MICHIGAN
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021
(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Public Support and Revenues				
Public Support				
Campaign and related contributions	\$ -	\$ 4,116,226	\$ 4,116,226	\$ 4,203,330
Less donor designations	-	(77,128)	(77,128)	(67,967)
Southwest Michigan Cares contributions	-	109,302	109,302	423,478
Other contributions	399,330	-	399,330	126,173
Grants, Paycheck Protection Program	-	-	-	282,400
Grants, other	-	387,532	387,532	1,629
Total Public Support	\$ 399,330	\$ 4,535,932	\$ 4,935,262	\$ 4,969,043
Revenues				
Programs	\$ 125,325	\$ -	\$ 125,325	\$ 157,359
Investment income, net	103,817	-	103,817	190,100
Donor designations fees	-	8,860	8,860	6,617
Change in beneficial interest in assets held by community foundations	24,972	-	24,972	21,152
Loss on disposal of fixed assets	(123)	-	(123)	(2,176)
Total Revenues	\$ 253,991	\$ 8,860	\$ 262,851	\$ 373,052
Total Support and Revenues	\$ 653,321	\$ 4,544,792	\$ 5,198,113	\$ 5,342,095
Expenses				
Program Services	\$ 4,132,278	\$ -	\$ 4,132,278	\$ 4,204,626
Supporting Services				
Administrative	709,872	-	709,872	744,839
Fundraising	467,590	-	467,590	399,893
Communication and marketing	71,342	-	71,342	62,085
Total Expenses	\$ 5,381,082	\$ -	\$ 5,381,082	\$ 5,411,443
Changes in net assets before other changes	\$ (4,727,761)	\$ 4,544,792	\$ (182,969)	\$ (69,348)
Other Changes in Net Assets				
Net assets released from restriction	4,489,770	(4,489,770)	-	-
Change in Net Assets	\$ (237,991)	\$ 55,022	\$ (182,969)	\$ (69,348)
Net Assets, Beginning of Year	2,499,809	4,353,161	6,852,970	6,922,318
Net Assets, End of Year	\$ 2,261,818	\$ 4,408,183	\$ 6,670,001	\$ 6,852,970

The Notes to Financial Statements are an integral part of this statement.

UNITED WAY OF SOUTHWEST MICHIGAN
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021
(with comparative totals for 2020)

	Supporting Services				Total	2021	2020
	Program Services	Administrative	Fundraising	Communication and Marketing			
Salaries	\$ 644,854	\$ 473,567	\$ 281,553	\$ -	\$ 755,120	\$ 1,399,974	\$ 1,336,175
Employee health and retirement benefits	70,410	63,921	37,893	-	101,814	172,224	175,804
Payroll taxes and other employee costs	50,459	36,712	21,936	-	58,648	109,107	104,012
Allocations and grants	2,703,693	-	-	-	-	2,703,693	2,724,806
Southwest Michigan Cares expenses	98,767	-	-	-	-	98,767	293,842
Supplies	362,088	2,539	11,489	586	14,614	376,702	336,691
Telephone	2,106	2,053	1,106	-	3,159	5,265	7,490
Postage	1,420	351	4,426	602	5,379	6,799	6,135
Occupancy	16,676	24,156	13,413	-	37,569	54,245	45,721
Equipment	20,016	11,791	8,706	2,721	23,218	43,234	41,099
Local travel	3,736	1,023	1,412	17	2,452	6,188	10,092
Volunteer and staff development/training	6,355	3,064	182	268	3,514	9,869	24,149
Marketing and public relations	64,868	4,260	15,617	64,654	84,531	149,399	108,331
Organizational dues	36,778	35,757	19,243	2,494	57,494	94,272	82,269
Professional fees	29,813	30,861	39,972	-	70,833	100,646	57,373
Interest	599	691	343	-	1,034	1,633	2,265
Depreciation	19,640	19,126	10,299	-	29,425	49,065	55,189
Total Expenses	<u>\$ 4,132,278</u>	<u>\$ 709,872</u>	<u>\$ 467,590</u>	<u>\$ 71,342</u>	<u>\$ 1,248,804</u>	<u>\$ 5,381,082</u>	<u>\$ 5,411,443</u>

The Notes to Financial Statements are an integral part of this statement.

UNITED WAY OF SOUTHWEST MICHIGAN
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021
(with comparative totals for 2020)

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ (182,969)	\$ (69,348)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	49,065	55,189
Unrealized gain on investments	(65,548)	(130,638)
Realized gain on investments	(246)	(285)
Loss on disposal of capital assets	123	2,176
Change in beneficial interest	(24,972)	(21,152)
Changes in assets and liabilities:		
Pledges receivable, net	24,687	259,065
Other receivables	(180,010)	4,256
Prepaid expenses	2,638	14,297
Other assets	702	(301)
Accounts payable	46,701	(24,495)
Allocations and other pledges payable	(52,917)	(20,833)
Due to designated agencies	(5,517)	(28,836)
Other accruals	23,238	20,804
Net cash flows from operating activities	\$ (365,025)	\$ 59,899
Cash Flows From Investing Activities		
Purchase of fixed assets	\$ (3,657)	\$ (14,970)
Proceeds from sale of investments	128,650	567,326
Purchase of investments	(130,120)	(572,633)
Change in certificates of deposit (≥ 90 days)	324,758	653,695
Net cash flows from investing activities	\$ 319,631	\$ 633,418
Cash Flows From Financing Activities		
Principal payments on capital leases	\$ (6,665)	\$ (6,579)
Net cash flows from financing activities	\$ (6,665)	\$ (6,579)
Net change in cash and cash equivalents	\$ (52,059)	\$ 686,738
Cash and Cash Equivalents - Beginning of Year	1,474,657	787,919
Cash and Cash Equivalents - End of Year	\$ 1,422,598	\$ 1,474,657
Supplemental data for noncash investing and financing activities:		
Interest payments	\$ 1,633	\$ 2,265

The Notes to Financial Statements are an integral part of this statement.

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The mission of United Way of Southwest Michigan (“United Way”) is to improve lives by mobilizing the caring power of our communities. Through generous giving, advocating and volunteering of individuals, family and corporate partners, United Way is able to create long-term sustainable impact in the areas of Education, Income, Health and Basic Needs.

Financial Statement Presentation

The financial statements of United Way are prepared on the accrual basis of accounting.

United Way prepares its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, which set standards for reporting on financial statements of nonprofit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions, and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of United Way. These net assets may be used at the discretion of United Way’s management and Board of Directors (the “Board”).

Net assets with donor restrictions are subject to stipulations by donors and/or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of United Way or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions and Nonexchange Transactions:

United Way records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received.

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contract Services:

United Way generates contract revenue from fees for providing services in accordance with contracts made with several other nonprofit organizations. United Way recognizes revenue from these contracts on a ratable basis over the contract term beginning on the date service commences. Such income is reported as “Program” in the Revenues section of the Statement of Activities. The contract terms generally are on an annual basis that matches the reporting period and are billed in installments. Any amounts that are earned but not yet collected by year-end are reported in “Other receivables.”

Cash Equivalents

United Way considers all highly liquid investments purchased with an original maturity of ninety (90) days or less to be cash equivalents.

Pledges Receivable

United Way uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management’s analysis of specific promises made. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be received after one year are recorded at net present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until the conditions are substantially met. For each annual campaign, any remaining uncollectible pledge balances are written off after two years.

Fixed Assets

United Way capitalizes all expenditures for equipment and furniture in excess of \$1,000. In addition, donated equipment is recorded at estimated fair market value at date of receipt. Depreciation is provided over the estimated useful lives of the assets utilizing the straight-line method.

Donor Designations

Annual campaign gifts in which United Way agrees to transfer the gift to another beneficiary as designated by the donor constitute agency transactions and are deducted from gross campaign results to arrive at contribution revenue. In accordance with United Way Worldwide membership requirements, these designations are presented as part of gross campaign contributions and gross allocations to agencies on the Statement of Activities, but are then deducted to arrive at United Way’s actual revenue and expense under accounting principles generally accepted in the United States of America (“GAAP”).

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Tax-Exempt Organization

United Way is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), and is not considered a private foundation. United Way files tax returns in the U.S. federal jurisdiction. As of December 31, 2021, and the year then ended, there are no material unrecognized/derecognized tax benefits or tax penalties or interest. United Way is no longer subject to U.S. federal income tax examinations by tax authorities for the three previous fiscal years.

Investments

Investments are carried at fair value, which is determined based on quoted market prices. United Way has authorized Horizon Bank to manage the investment activity of United Way. Horizon Bank charged investment management fees of \$13,851 for the year ended December 31, 2021. These amounts are netted against investment income in the Statement of Activities.

Expense Allocations to Program and Supporting Activities

United Way has allocated a variety of expenses to program services (allocations to agencies and community impact) and supporting services (administrative, fundraising, and communication and marketing). These allocated expenses include salaries, health and retirement benefits, payroll taxes and other employee costs, occupancy, and other costs. Allocations are determined based upon time spent, actual usage, and square footage as applicable.

Significant expenses that were allocated include the following:

Expense	Method of Allocation
Salaries; Employee benefits; Payroll taxes; Other employee costs	Time and effort
Supplies; Occupancy; Equipment; Volunteer and staff development/training; Marketing and public relations; Organizational dues; Professional fees; Depreciation	Estimated actual usage

All other allocated expenses are allocated based on time and effort or estimated actual usage.

Comparative Totals for 2020

The financial information for the year ended December 31, 2020, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Estimates

The process of preparing financial statements in conformity with GAAP requires the use of management estimates and assumptions regarding certain types of assets, liabilities, support, revenues and expenses.

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Concentrations

One donor source accounted for approximately 34% of total pledges for the 2021.

NOTE 2. LIQUIDITY AND AVAILABILITY

As of December 31, 2021, United Way has working capital and average days of cash on hand as follows:

Working Capital	5,692,564
Days of Cash on Hand	97

The table below represents financial assets available for general expenditures within one year at December 31, 2021:

Certificates of deposit	\$ 648,532
Assets limited to use:	
Board designated	1,956,748
Donor restricted - cash	1,422,598
Donor restricted - pledges receivable, net	<u>3,083,111</u>
Total	<u><u>\$7,110,989</u></u>

United Way has certain board designated and donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

NOTE 3. BOARD DESIGNATED NET ASSETS AND OPERATING RESERVE

Included in net assets without donor restrictions are assets that have been board designated for the following at December 31, 2021:

Investments	\$ 1,710,096
Beneficial interest in assets held by community foundations	<u>246,652</u>
	<u><u>\$ 1,956,748</u></u>

United Way has adopted an operating reserve policy that requires the Board to set aside a portion of available unrestricted net assets at the end of each fiscal year to fund a Board-designated operating reserve. The policy also establishes a target balance of the reserve as follows:

- A. Target balance for *UWSM Administration Budget* – reserve is net assets of 50% (6 months) of prior fiscal year expenses.
- B. Target balance for *Community Impact – Funded Partners* – reserve is net assets of 25% (3 months) of prior fiscal year expenses.
- C. Target balance for *Community Impact – Core Funding* – reserve is net assets of 25% (3 months) of prior fiscal year expenses.

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3. BOARD DESIGNATED NET ASSETS AND OPERATING RESERVE, CONCLUDED

The current amount of Board-designated investments exceeds the targeted operating reserve.

Additional designations have been determined by the Board and represent amounts that are to be used for the specified purpose. The designations for the Impact Fund for 2021 were designated on January 1, 2021, and represent amounts approved to be distributed to grantee agencies at the discretion of management.

NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2021:

Monies collected for pledges	\$ 1,232,980
Pledges receivable, net	2,914,956
Less: Due to designated agencies	(88,639)
Certificate of deposit	16,000
Other cash with donor restrictions:	
Southwest Michigan Cares	140,171
Disaster relief	1,136
Emergency relief	758
Hull Park project - Gast	32,217
Rake a Difference	996
Annual Celebration	5,987
School Supply Spectacular	2,306
Eau Claire Summer Literacy project	4,000
Brandywine Summer Literacy project	6,500
Coloma Summer Literacy project	5,500
Vaccine funds from MAUW/BCHD	133,315
	<u>\$ 4,408,183</u>

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable consist of campaign and community impact initiative contributions. The receivable consisted of the following as of December 31, 2021:

Receivable in less than one year - pledges	\$ 3,245,380
Less: allowance for uncollectible pledges	(162,269)
Net unconditional promises to give at December 31	<u>\$ 3,083,111</u>

Promises to give are reflected in the Statement of Financial Position at December 31, 2021, as follows:

Pledges receivable (current)	<u>\$ 3,083,111</u>
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UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 6. FIXED ASSETS

The net costs of fixed assets are summarized as follows as of December 31, 2021:

	Estimated asset lives	
Building	39 years	\$ 423,686
Furniture and equipment	3 - 10 years	205,128
Building improvements	5 - 30 years	452,473
Vehicles	7 years	18,136
Subtotal		\$ 1,099,423
Accumulated depreciation		(363,306)
Total		\$ 736,117

Depreciation expense for the year ended December 31, 2021 was \$49,065.

NOTE 7. FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 7. FAIR VALUE MEASUREMENTS, CONCLUDED

United Way utilized the market approach to approximate its value of Level 3 investments. Given a pool of assets whose total is known, United Way can approximate its share of the total pooled investment using rates of return applied to known contribution amounts. United Way used fund statements provided by Berrien Community Foundation and Michigan Gateway Community Foundation (together, the “Community Foundations”) that include detail of contributions and withdrawals to adjust the fair value of its assets. United Way is very familiar with the Community Foundations and their investment bases which include a variety of investments including domestic (small and large cap) and global equities, fixed income securities, hedge funds, and other investments. The investments are classified as Level 3 since the fund agreements provide for the irrevocable transfer of assets to the Community Foundations.

The following table presents United Way’s fair value hierarchy for United Way’s investment assets at fair value, as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Mutual funds	\$1,710,096	\$ -	\$ -	\$1,710,096
Certificates of deposit (≥90 days)	-	648,532	-	648,532
Beneficial interest in assets held by community foundations	-	-	246,652	246,652
	<u>\$1,710,096</u>	<u>\$ 648,532</u>	<u>\$ 246,652</u>	<u>\$2,605,280</u>

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8. ALLOCATIONS AND OTHER PLEDGES PAYABLE

In June 2021, United Way made unconditional pledges to agency programs to be paid for the period beginning July 1, 2021 through June 30, 2022. Additionally, United Way made other pledge commitments to non-agency programs. Accordingly, as of December 31, 2021, a liability of \$1,206,750 exists, representing unconditional amounts pledged, and not yet paid as of that date.

NOTE 9. CONCENTRATIONS OF CREDIT RISK

United Way maintains its cash balances at several financial institutions, and deposits at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Additionally, United Way maintains some idle cash in a sweep account that is collateralized by AAA rated U.S. Treasury securities. United Way's uninsured and uncollateralized cash and certificates of deposit balances was \$223,795 as of December 31, 2021.

NOTE 10. RETIREMENT PLAN

United Way sponsors a defined contribution retirement plan, as described in Internal Revenue Code Section 403(b). The plan covers substantially all of its employees. Contributions are at the discretion of the Board. Pension expenses amounted to \$53,600 for the year ended December 31, 2021.

NOTE 11. BENEFICIAL INTERESTS IN ASSETS HELD BY COMMUNITY FOUNDATIONS

United Way has established charitable agency endowed funds with both Berrien Community Foundation and Michigan Gateway Community Foundation (together, the "Community Foundations"). The funds are designated to promote and enhance the program activities in the area served by United Way. The established funds will provide a mechanism for receiving and maintaining gifts to continue the growth of the endowment funds and their earnings.

United Way is following FASB ASC "*Fair Value Measurements and Disclosures*". This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer these assets, the return on investment of these assets or both to another entity that is specified by the donor.

The statement specifically requires that if a not-for-profit organization ("NPO") establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the NPO must account for the transfer of such assets as a beneficial interest in the funds held by the community foundations. The Community Foundations refer to such funds as agency funds.

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 11. BENEFICIAL INTERESTS IN ASSETS HELD BY COMMUNITY FOUNDATIONS, CONCLUDED

The Community Foundations maintain variance power and legal ownership of agency endowed and non-endowed funds and as such continues to report the funds as assets of the Community Foundations. However, in accordance with the statement, an asset has been established for the fair value of the funds, which is generally equivalent to the present value of the future payment expected to be received by United Way.

The Community Foundations also hold donor advised endowment funds contributed by others in United Way’s name. However, these funds are assets of the Community Foundations and, as such, are not included in the financial statements of United Way. The fair value of those funds is \$76,032 as of December 31, 2021.

United Way has recorded additions and reductions to the agency endowment and non-endowment funds through revenues.

The following table summarizes the activity in the funds during the year ended December 31, 2021:

	Michigan Gateway Community Foundation	Berrien Community Foundation	Total
Balance at January 1, 2021	\$ 182,968	\$ 38,712	\$ 221,680
Change in beneficial interest	19,699	5,273	24,972
Balance at December 31, 2021	<u>\$ 202,667</u>	<u>\$ 43,985</u>	<u>\$ 246,652</u>

UNITED WAY OF SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 12. ENDOWMENTS

United Way’s endowments consist of board-designated endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State Prudent Management Investment Fiduciary Act (SPMIFA) as requiring realized and unrealized gains of restricted net assets (if any) to be retained in a restricted net asset classification until appropriated by the Board for expenditure unless explicitly stated otherwise in the gift instrument. In addition, the Board has interpreted SPMIFA to appropriate as much of net appreciation of permanently restricted net assets (if any) as is prudent considering the duration and preservation of the endowment fund, the purposes of United Way and endowment fund, general economic conditions, effect of inflation or deflation, expected total return on its investments, and the investment policy of United Way.

United Way has adopted and implemented investment and spending policies for endowment assets that attempt to provide a stream of funding to support a portion of operations under the specified terms of the underlying endowment agreements, while seeking to preserve the endowment assets in perpetuity. In establishing this policy, United Way considered the long term expected return on its endowments.

Asset allocation policies at Berrien Community Foundation (“BCF”) and Michigan Gateway Community Foundation (“MGCF”) include the following asset classes: equities, fixed income securities, real estate and other diversifying investments as defined.

All such endowed funds are presented in the statement of financial position as board designated net assets as of December 31, 2021.

The following is a summary of endowment net asset composition by type of fund at December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions
Beneficial interest in assets held by community foundations	\$ 246,652	\$ -
Certificate of deposit	-	16,000
Total	<u>\$ 246,652</u>	<u>\$ 16,000</u>

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NOTE 12. ENDOWMENTS, CONCLUDED

The following is a summary of the changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions
Beginning balance	\$ 221,680	\$ 16,000
Change in beneficial interest in assets held by community foundation	24,972	-
Ending balance	\$ 246,652	\$ 16,000

NOTE 13. CAPITAL LEASES

United Way has entered into two lease agreements that are considered capital leases under FASB 840. The gross amount of assets capitalized under these agreements is \$32,559, all of which is included in the Furniture and Equipment category of fixed assets.

The lease obligation is comprised of the following, at December 31, 2021:

Current portion	\$ 7,362
Noncurrent portion	5,332
Total	\$ 12,694

Present value of future minimum lease payments is as follows:

	2023	5,332
Total noncurrent	\$ 5,332	

Assets related to the capital leases are as follows:

Furniture and equipment	\$ 32,559
Less accumulated depreciation	(21,282)
Net book value	\$ 11,277

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NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 27, 2022, which is the date the financial statements were ready to be issued. No events or transactions occurred during this period which require recognition of disclosure in the financial statements.