

United Way
of the
Lakeshore,
Inc.

United Way
of the Lakeshore



Years Ended
December 31,
2022 and 2021

Financial
Statements

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UNITED WAY OF THE LAKESHORE, INC.

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INDEPENDENT AUDITORS' REPORT

June 23, 2023

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, 2022 and 2021, 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, 2022 and 2021, 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	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 683,138	\$ 1,264,732
Investments	412,214	-
Certificates of deposit	-	116,684
Accounts receivable	9,907	12,430
Pledges receivable, net of allowance for uncollectible pledges of \$286,341 (\$157,012 for 2021)	965,314	761,258
Prepaid expenses	7,704	7,622
Beneficial interest in assets held by others	817,296	996,194
Net property and equipment	808,795	837,594
Total assets	<u>\$ 3,704,368</u>	<u>\$ 3,996,514</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Allocations and designations payable	\$ 225,739	\$ 166,964
Accounts payable	39,288	65,213
Total liabilities	<u>265,027</u>	<u>232,177</u>
Net assets		
Without donor restrictions		
Net investment in property and equipment	808,795	837,594
Designated for beneficial interest in assets held by others	817,296	996,194
Designated for building fund	155,991	108,249
Undesignated	558,252	933,621
Total net assets without donor restrictions	2,340,334	2,875,658
With donor restrictions	1,099,007	888,679
Total net assets	<u>3,439,341</u>	<u>3,764,337</u>
Total liabilities and net assets	<u>\$ 3,704,368</u>	<u>\$ 3,996,514</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, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and gains (losses)			
Gross campaign results (2019/2020)	\$ 141,918	\$ -	\$ 141,918
Gross campaign results (2020/2021)	844,110	-	844,110
Prior year gross campaign results released from restrictions	1,110,913	(1,110,913)	-
Prior year gross capital campaign results released from restrictions	-	-	-
Total campaign results (2019-2021)	2,096,941	(1,110,913)	986,028
Less: donor designations	(166,964)	166,964	-
Less: provision for uncollectible pledges	(184,226)	94,933	(89,293)
Net prior years' campaign revenue	1,745,751	(849,016)	896,735
Current year gross campaign results	-	1,388,375	1,388,375
Less: donor designations	-	(225,738)	(225,738)
Less: provision for uncollectible pledges	-	(89,293)	(89,293)
Net current year campaign revenue	-	1,073,344	1,073,344
Designations from other United Ways	162,483	-	162,483
Other grant revenue	626,212	50,000	676,212
Paycheck Protection Program forgiveness (Note 11)	-	-	-
Net assets released from restrictions	64,000	(64,000)	-
Total public support	2,598,446	210,328	2,808,774
Service fees	-	-	-
Net investment (loss) income	(206,183)	-	(206,183)
Lease income	79,541	-	79,541
Other	124,593	-	124,593
Total public support, revenue and gains (losses)	2,596,397	210,328	2,806,725
Expenses			
Program services			
Community impact	2,101,922	-	2,101,922
Promoting volunteerism	205,419	-	205,419
Human service center	103,920	-	103,920
Total program services	2,411,261	-	2,411,261
Support services			
Fundraising	414,306	-	414,306
Management and general	306,154	-	306,154
Total supporting services	720,460	-	720,460
Total expenses	3,131,721	-	3,131,721
Change in net assets	(535,324)	210,328	(324,996)
Net assets, beginning of year	2,875,658	888,679	3,764,337
Net assets, end of year	\$ 2,340,334	\$ 1,099,007	\$ 3,439,341

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

Year Ended December 31, 2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 170,585	\$ -	\$ 170,585
437,966	-	437,966
1,262,054	(1,262,054)	-
2,739	(2,739)	-
1,873,344	(1,264,793)	608,551
(146,684)	146,684	-
(118,739)	62,079	(56,660)
1,607,921	(1,056,030)	551,891
-	1,110,913	1,110,913
-	(166,964)	(166,964)
-	(94,933)	(94,933)
-	849,016	849,016
110,000	-	110,000
667,447	18,000	685,447
139,800	-	139,800
38,273	(38,273)	-
2,563,441	(227,287)	2,336,154
2,898	-	2,898
126,775	-	126,775
85,235	-	85,235
51,016	-	51,016
2,829,365	(227,287)	2,602,078
1,671,281	-	1,671,281
279,005	-	279,005
92,702	-	92,702
2,042,988	-	2,042,988
235,367	-	235,367
361,093	-	361,093
596,460	-	596,460
2,639,448	-	2,639,448
189,917	(227,287)	(37,370)
2,685,741	1,115,966	3,801,707
<u>\$ 2,875,658</u>	<u>\$ 888,679</u>	<u>\$ 3,764,337</u>

UNITED WAY OF THE LAKESHORE, INC

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services			
	Community Impact	Promoting Volunteerism	Human Service Center	Total Program Services
Allocations/awards	\$ 1,809,274	\$ -	\$ -	\$ 1,809,274
Salaries	201,229	123,814	612	325,655
Employee benefits	23,125	19,156	129	42,410
Payroll taxes	14,792	9,602	50	24,444
Total salaries and related expenses	239,146	152,572	791	392,509
Contract services	5,110	1,623	-	6,733
Legal and audit	-	-	-	-
Office supplies	675	1,380	149	2,204
Telephone	228	1,463	-	1,691
Postage	1,543	1,974	-	3,517
Occupancy costs	1,540	2,420	-	3,960
Building and equipment maintenance	1,502	1,678	65,377	68,557
Printing	3,076	1,042	-	4,118
Local events, dues and subscriptions	308	849	-	1,157
Affiliate dues	5,801	9,065	-	14,866
Automobile	1,677	137	-	1,814
Travel and mileage	2,335	2,394	-	4,729
Awards	391	3,314	-	3,705
Event and meeting supplies	20,538	16,997	-	37,535
Computer costs	6,531	3,597	-	10,128
Insurance	545	868	6,326	7,739
Campaign supplies	-	-	-	-
Staff development	-	16	-	16
Training	-	3,000	-	3,000
Marketing	-	508	-	508
Bad debts	-	-	-	-
Depreciation	-	-	31,277	31,277
Bank and credit card fees	-	-	-	-
Miscellaneous	1,702	522	-	2,224
Total expenses	\$ 2,101,922	\$ 205,419	\$ 103,920	\$ 2,411,261

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
\$ -	\$ -	\$ -	\$ 1,809,274
237,629	55,282	292,911	618,566
23,015	39,579	62,594	105,004
18,986	4,669	23,655	48,099
279,630	99,530	379,160	771,669
1,425	92,329	93,754	100,487
-	14,300	14,300	14,300
-	14,569	14,569	16,773
1,245	5,715	6,960	8,651
1,322	4,295	5,617	9,134
3,240	4,800	8,040	12,000
1,824	1,719	3,543	72,100
5,383	945	6,328	10,446
10	8,330	8,340	9,497
7,252	14,141	21,393	36,259
1,442	1,544	2,986	4,800
3,520	115	3,635	8,364
82	112	194	3,899
45,451	4,581	50,032	87,567
7,152	22,558	29,710	39,838
1,513	1,350	2,863	10,602
18,478	-	18,478	18,478
711	948	1,659	1,675
-	997	997	3,997
32,980	10,000	42,980	43,488
-	-	-	-
-	-	-	31,277
-	3,276	3,276	3,276
1,646	-	1,646	3,870
\$ 414,306	\$ 306,154	\$ 720,460	\$ 3,131,721

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.

Statements of Cash Flows

	Year Ended December 31	
	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (324,996)	\$ (37,370)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	31,277	98,047
Allowance for uncollectible pledges	129,329	(46,908)
Paycheck Protection Program loan forgiveness	-	(139,800)
Realized and unrealized loss on investments	33,602	-
Change in value of beneficial interest in assets held by others	178,141	(117,414)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	2,523	8,486
Pledges receivable	(333,385)	305,447
Prepaid expenses	(82)	(2,092)
Allocations and designations payable	58,775	20,280
Accounts payable	(25,925)	(3,372)
Net cash (used in) provided by operating activities	<u>(250,741)</u>	<u>85,304</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,478)	(28,267)
Redemption of certificates of deposit	116,684	342,494
Purchases of investments	(445,816)	-
Contributions to beneficial interest in assets held by others	-	(50)
Distributions from beneficial interest in assets held by others	757	1,262
Net cash (used in) provided by investing activities	<u>(330,853)</u>	<u>315,439</u>
Net change in cash and cash equivalents	<u>(581,594)</u>	<u>400,743</u>
Cash and cash equivalents, beginning of year	<u>1,264,732</u>	<u>863,989</u>
Cash and cash equivalents, end of year	<u><u>\$ 683,138</u></u>	<u><u>\$ 1,264,732</u></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 net investment in 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.

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, at this time management does not believe that the negative financial impacts of the pandemic, if any, will be material to the Organization.

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.

Investments and Beneficial Interest in Assets Held by Others

Investments are carried at quoted fair market value. Donated investments are recorded at fair value at the date of donation. Unrealized increases or decreases resulting from changes in the fair market value of investments are included annually in the statements of activities. Realized gains and losses are recorded using specific identification of the assets sold. Investment income and losses are reported net of external investment expenses.

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 (loss).

Investments 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 fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these financial statements.

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.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

Certificates of Deposit

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

Net Property and Equipment

Net 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

Designations payable represent amounts received with specific donor designations to external organizations. These funds are reported in gross campaign revenues for the Organization, but are eliminated from net revenue under management. As required by GAAP, such amounts are reported as a liability until forwarded to the designated agency or other qualifying organization.

The Organization pays allocations related to each campaign based on a 12-month disbursement period, covering July 1, 2022 to June 30, 2023 in 2022 and covering July 1, 2021 to June 30, 2022 in 2021. Designations payable represent unpaid designations as of December 31, 2022 and 2021, 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, 2022 and 2021.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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.

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 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 2019 through 2022, the years which remain subject to examination as of December 31, 2022. 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, 2022 or 2021, and is not aware of any claims for such amounts by federal or state income tax authorities.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) established Accounting Standards Codification (ASC) Topic 842, *Leases* (ASC 842), by issuing Accounting Standards Update (ASU) No. 2016-02 (ASU 2016-02). The standard, as amended, establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities.

The Organization adopted ASU 2016-02, as amended, effective January 1, 2022. Adoption of this standard did not impact the financial statements as there were no material transactions meeting the criteria for recognition under GAAP.

In 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not impact the financial statements as there were no material transactions meeting the criteria for recognition or disclosure under GAAP.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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, 2022, the most recent statement of financial position presented herein, through June 23, 2023, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. PLEDGES RECEIVABLE

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

	2022	2021
Current year campaign	\$ 855,593	\$ 647,750
Less allowance for uncollectible pledges	91,262	94,933
Net current year campaign	764,331	552,817
Prior year campaigns	346,062	220,520
Less allowance for uncollectible pledges	195,079	62,079
Net 1st prior year campaign	150,983	158,441
Capital campaign	50,000	50,000
Total pledges receivable, net of allowance for uncollectible pledges	\$ 965,314	\$ 761,258

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 2022 and 2021, the percentage applied to the gross campaign results for uncollectible pledges was 7%. All pledges are expected to be collected within one year, except for the capital campaign balance which is uncertain as to the date of collection.

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

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, 2022 and 2021, these funds were valued at \$817,296 and \$996,194, 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 (loss) on the statements of activities.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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

Following is a description of the valuation methodology and key inputs used to measure assets recorded at fair value.

Investments: Investment securities are recorded based on the fair value of trading on an active exchange, such as the New York Stock Exchange. The Organization considers its investment securities to be Level 1 assets.

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.

Assets Recorded at Fair Value on a Recurring Basis

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis:

2022	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Fixed income	\$ 147,843	\$ -	\$ -	\$ 147,843
Equities	259,999	-	-	259,999
Real assets	4,372	-	-	4,372
Beneficial interest in assets held by others	-	-	817,296	817,296
Total assets at fair value	\$ 412,214	\$ -	\$ 817,296	\$ 1,229,510

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

2021	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$ 996,194	\$ 996,194

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:

	2022	2021
Beneficial interest in assets held by others		
Beginning of year	\$ 996,194	\$ 879,992
Contributions	-	50
Grants awarded	(757)	(1,262)
Administrative expenses	(8,051)	(7,557)
Net change in value	(170,090)	124,971
End of year	\$ 817,296	\$ 996,194

4. PROPERTY AND EQUIPMENT

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

	2022	2021
Land - Clay Avenue properties	\$ 90,000	\$ 90,000
Land improvements - Clay Avenue properties	63,833	63,833
Buildings - Clay Avenue properties	1,171,238	1,171,238
Office furniture and equipment	435,887	433,409
Total	1,760,958	1,758,480
Less accumulated depreciation	952,163	920,886
Net property and equipment	\$ 808,795	\$ 837,594

Depreciation expense for 2022 and 2021 was \$31,277 and \$98,047, respectively.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

5. ENDOWMENT FUNDS

Endowment funds have been established at the Community Foundation for Muskegon County for the United Way of the Lakeshore, Inc. These assets are not included in the financial statements of the United Way of the Lakeshore, Inc. These funds are accounted for by the Foundation, and administered by a joint committee of the Foundation and United Way of the Lakeshore, Inc. representatives. At December 31, 2022 and 2021, these funds were valued at approximately \$1,050,000 and \$1,326,000, respectively. Total amount of grants awarded from these funds amounted to \$43,197 and \$40,630 for 2022 and 2021, 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.

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, 2022 and 2021, this fund was valued at approximately \$404,000 and \$495,000, respectively. Total amount of grants awarded from this fund amounted to \$18,100 and \$18,000 for 2022 and 2021, 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 \$32,822 and \$25,632 for 2022 and 2021, respectively.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

7. UNITED WAY WORLDWIDE

The Organization is a separate and autonomous organization from United Way Worldwide (UWW). The Organization incurred dues of \$36,259 and \$42,356 to UWW for 2022 and 2021, 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. LEASE INCOME

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.

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, 2022:

Year Ended December 31,	Amount
2023	\$ 77,439
2024	11,769
2025	11,769
2026	<u>4,903</u>
Total	<u><u>\$ 105,880</u></u>

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

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:

	2022	2021
Cash and cash equivalents	\$ 683,138	\$ 1,264,732
Investments	412,214	-
Certificates of deposit	-	116,684
Accounts receivable	9,907	12,430
Pledges receivable	965,314	761,258
Total	<u>2,070,573</u>	<u>2,155,104</u>
Less financial assets not available within one year:		
Capital campaign pledge receivable in excess of one year	(50,000)	(50,000)
Board designated for building fund	(155,991)	(108,249)
Net assets with purpose donor restrictions	<u>(25,663)</u>	<u>(39,663)</u>
Assets not available for current spending	<u>(231,654)</u>	<u>(197,912)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,838,919</u>	<u>\$ 1,957,192</u>

The Organization has \$1,838,918 and \$1,957,191 as of December 31, 2022 and 2021, 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.

UNITED WAY OF THE LAKESHORE, INC.

Notes to Financial Statements

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to expenditure for specified purpose:		
Lights on after school	\$ 25,663	\$ 39,663
Subject to the passage of time:		
Campaign revenue restricted for future years	<u>1,073,344</u>	<u>849,016</u>
Total net assets with donor restrictions	<u><u>\$ 1,099,007</u></u>	<u><u>\$ 888,679</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. 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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