

Capital Area United Way

Financial Statements

June 30, 2021

**(With Summarized Comparative
Information for 2020)**



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Independent Auditors' Report

Management and Board of Directors
Capital Area United Way
Lansing, Michigan

We have audited the accompanying financial statements of Capital Area United Way, (a non-profit corporation) 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area United Way 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.

Report on Summarized Comparative Information

We have previously audited Capital Area United Way's June 30, 2020, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Grants and Allocations 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.

Yeo & Yeo, P.C.

Lansing, Michigan
November 4, 2021

Capital Area United Way
Statement of Financial Position
June 30, 2021

(With Summarized Comparative Information for June 30, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,146,277	\$ 1,296,488
Pledges receivable, net	754,977	890,502
Grants and other receivables	19,949	29,238
Prepaid expenses and other assets	15,556	12,792
Beneficial interest in assets held by Community Foundation	3,234,955	2,580,341
Property and equipment, net of accumulated depreciation	31,259	46,394
	<u> </u>	<u> </u>
Total assets	<u>\$ 5,202,973</u>	<u>\$ 4,855,755</u>
Liabilities and net assets		
Accounts payable and accrued liabilities	\$ 170,309	\$ 276,889
Designations payable	390,856	453,593
Agency allocations payable	525,568	420,112
Refundable advance - Paycheck Protection Program (PPP)	282,000	282,200
	<u> </u>	<u> </u>
Total liabilities	<u>1,368,733</u>	<u>1,432,794</u>
Net assets		
Without donor restrictions (note 10)	3,273,579	2,606,882
With donor restrictions (note 8)	560,661	816,079
	<u> </u>	<u> </u>
Total net assets	<u>3,834,240</u>	<u>3,422,961</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 5,202,973</u>	<u>\$ 4,855,755</u>

Capital Area United Way
Statement of Activities
For the Year Ended June 30, 2021

(With Summarized Comparative Information for June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	2020
Support, revenues and gains				
Gross campaign results	\$ 1,083,979	\$ 908,227	\$ 1,992,206	\$ 2,640,533
COVID-19 Emergency Relief Fund	19,199	43,246	62,445	594,579
Total campaign results	1,103,178	951,473	2,054,651	3,235,112
Less: donor designations	(302,676)	(443,427)	(746,103)	(909,550)
Less: provisions for uncollectible pledges	-	(106,553)	(106,553)	(140,926)
Net campaign revenue	800,502	401,493	1,201,995	2,184,636
Donor designation fees and reimbursed expenses	115,757	-	115,757	108,978
In-kind contributions	119,316	-	119,316	120,587
Grant revenue	941,498	140,551	1,082,049	797,867
Interest income	4,176	-	4,176	15,398
Change in beneficial interest	773,365	-	773,365	13,426
PPP loan forgiveness	282,200	-	282,200	-
Miscellaneous income	4,012	-	4,012	1,000
Net assets released from restrictions	797,462	(797,462)	-	-
Total support, revenues and gains	3,838,288	(255,418)	3,582,870	3,241,892
Expenses				
Program services				
Grants and allocations	947,465	-	947,465	823,799
Community impact	1,594,994	-	1,594,994	1,750,081
Total program services	2,542,459	-	2,542,459	2,573,880
Supporting services				
Management and general	317,730	-	317,730	383,708
Fundraising	311,402	-	311,402	361,000
Total supporting services	629,132	-	629,132	744,708
Total expenses	3,171,591	-	3,171,591	3,318,588
Change in net assets	666,697	(255,418)	411,279	(76,696)
Net assets, beginning of year	2,606,882	816,079	3,422,961	3,499,657
Net assets, end of year	\$ 3,273,579	\$ 560,661	\$ 3,834,240	\$ 3,422,961

See Accompanying Notes to the Financial Statements

Capital Area United Way
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

	Program Services		Supporting Services	Total 2021	2020
	Grants and Allocations and Community Impact	Management and General			
Grants and allocations	\$ 947,465	\$ -	\$ -	\$ 947,465	\$ 823,799
Salaries and related expenses					
Salaries	562,123	199,836	160,308	922,267	1,128,951
Payroll taxes	45,471	16,165	12,967	74,603	88,799
Employee health and retirement benefits	109,721	32,136	35,028	176,885	260,592
Temporary contract labor	4,160	2,677	7,920	14,757	10,322
Total salaries and related expenses	721,475	250,814	216,223	1,188,512	1,488,664
Operating expenses					
In-kind media	27,928	26,000	15,800	69,728	70,999
Dues and subscriptions	43,828	5,392	9,448	58,668	32,121
Professional fees	2,363	16,966	512	19,841	18,868
Supplies	6,603	812	1,428	8,843	14,833
Telephone	5,567	685	1,200	7,452	5,833
Direct campaign expense	-	-	31,896	31,896	38,928
Postage and shipping	2,939	362	633	3,934	3,831
Marketing and promotions	9,745	1,189	2,101	13,035	40,510
Travel and automobile	556	69	120	745	6,743
Conference and training	1,975	242	426	2,643	4,718
Equipment maintenance and rental	40,497	3,754	6,574	50,825	61,234
Insurance	9,253	1,138	1,995	12,386	12,055
Occupancy	122,052	8,916	15,620	146,588	146,088
Community collaborative	588,906	-	-	588,906	529,808
Depreciation	11,307	1,391	2,437	15,135	15,026
Other	-	-	4,989	4,989	4,530
Total operating expenses	873,519	66,916	95,179	1,035,614	1,006,125
Total expenses	\$ 2,542,459	\$ 317,730	\$ 311,402	\$ 3,171,591	\$ 3,318,588

See Accompanying Notes to the Financial Statements

Capital Area United Way
Statement of Cash Flows
For the Year Ended June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 411,279	\$ (76,696)
Adjustments for noncash items		
Depreciation	15,135	15,026
Change in beneficial interest in assets held by Community Foundation	(773,365)	(13,426)
Provision for uncollectible pledges	106,553	140,926
Changes in operating assets and liabilities		
Pledges receivable	28,972	209,799
Grants and other receivables	9,289	16,953
Prepaid expenses and other assets	(2,764)	56,584
Accounts payable and accrued liabilities	(106,578)	28,509
Designations payable	(62,737)	(123,171)
Agency allocations payable	105,456	(251,399)
Refundable advance	(200)	282,200
Net cash provided (used) by operating activities	<u>(268,960)</u>	<u>285,305</u>
Cash flows from investing activities		
Distributions from beneficial interest in assets held by Community Foundation	118,749	112,320
Purchases of property and equipment	-	(1,098)
Net cash provided by investing activities	<u>118,749</u>	<u>111,222</u>
Net change in cash and cash equivalents	<u>(150,211)</u>	<u>396,527</u>
Cash and cash equivalents, beginning of the year	<u>1,296,488</u>	<u>899,961</u>
Cash and cash equivalents, end of the year	<u><u>\$ 1,146,277</u></u>	<u><u>\$ 1,296,488</u></u>

See Accompanying Notes to the Financial Statements

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

Note 1 - Nature of Organization

Capital Area United Way (the “Organization” or “CAUW”) advances the common good in the Greater Lansing tri-county region by providing local employers, employees and other donors a cost-effective system to address community health and human service needs through charitable gifts of time, money and goods.

CAUW does what no single organization can do alone, by tackling the toughest issues facing the community, by listening to and engaging people with lived experience to select the issues, strategies, and programs CAUW supports. The Organization mobilizes financial and volunteer resources, partners, and voices to provide the basic building blocks of a good quality of life and a strong community, in the arena of 1) education, 2) financial stability, and 3) health.

In furtherance of this mission, the Organization conducts annual fundraising campaigns to support allocations and grants as well as the following program services classified within community impact:

Allocations and Grants to Non-Profit Agencies

The Organization invests financially in many local initiatives that improve people’s lives and solve complex, systemic issues facing the local community. Part of CAUW’s annual revenue is distributed through a rigorous grant process that determines local programs or collaborations with the ability to improve lives and the local community. These funded programs/collaborations are scrutinized every six months to ensure the dollars are being used as intended and to track successes or make course corrections as necessary. Allocations and grants were awarded for the following purposes for the years ended June 30:

	2021	2020
Education	\$ 160,022	\$ 181,886
Financial stability	365,541	95,550
Health and basic needs	135,000	134,734
Dislocated workers	-	40,750
COVID-19 relief aid	285,000	272,529
Census grants	-	65,000
Other	1,902	33,350
	\$ 947,465	\$ 823,799

Community Impact

Capital Area College Access Network (CapCAN)

The Capital Area College Access Network (CapCAN) collaborates to help students in the capital region access and attain college certificates, credentials and degrees. CapCAN partners with the community and schools to empower students with the skills, knowledge, and resources to explore, apply and access postsecondary education.

IRS Volunteer Return Preparation – VITA: Volunteer Income Tax Assistance (VITA)

Preparing and filing household taxes can be confusing and when filing on their own many people may miss credits for which they are eligible or be unable to file altogether. Additionally, many households cannot afford to spend part of their tax refund on costly tax preparation fees. For individuals and families making less than \$57,000, the Volunteer Income Tax Assistance program has a team of IRS certified volunteers to provide free, high-quality tax return preparation, ensuring clients receive all eligible tax credits and deductions. VITA volunteers annually bring more than \$5 million back to our tri-county community.

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

Women United

Women United mobilizes a powerful network of women who strengthen our community through philanthropic investment, engagement and volunteerism. The Council's collective vision is to improve the lives and the future of girls.

Since 2002, CAUW has energized women to join forces to impact the lives of middle school girls; a notably challenging time in a young girl's life when numerous influences can steer girls in one of two directions. Through acts of philanthropy, volunteerism and other engagement activities, Women United aims to provide these girls with positive female role models and mentors, leadership programming, positive decision-making and coping skills and introduce them to a diverse range of opportunities for STEAM and other non-traditional career paths. Formerly called Women's Leadership Council, the mission of this effort is to mobilize the power of women to advance the "common good" in our tri-county region.

Central Michigan 2-1-1

Central Michigan 2-1-1 is a helpline service available 24 hours a day, 7 days a week, 365 days a year that connects financially struggling families and individuals with community programs that offers access to food pantries, utility assistance, rent or mortgage assistance and many other basic needs.

Volunteer Center

CAUW is made relevant and impactful through the spirit of volunteerism. The Volunteer Center of Mid-Michigan became a program of the Organization in 2005. In addition to online volunteer opportunities, CAUW's Volunteer Center coordinates "days of service." These stand-alone days are held in conjunction with new and existing partners, such as local businesses, colleges, universities and nonprofit organizations. Projects support the work of the three CAUW action areas. Individuals, groups and company employees are matched with local nonprofit organizations in a variety of service capacities. Also, on an as-requested basis, CAUW staff connect individual volunteers, groups of volunteers, those in need of court-ordered community service with opportunities available in the community.

The Volunteer Center activities more directly support the new Community Investment goals associated with CAUW's action areas: Health, Education and Financial Stability. The Volunteer Center continues with *Get Connected*. This online volunteer match portal is available to all nonprofit organizations seeking community volunteers. Nonprofits can self-post opportunities and manage their volunteers from this website. All of CAUW's volunteer opportunities are also posted on this site.

Shared Housing Intervention Program (SHIP)

The Shared Housing Intervention Program (SHIP) provides stable, safe housing options to homeless families and their children who are not eligible for Housing and Urban Development assistance. SHIP will help them find stable housing options to keep them out of the homeless shelter system and provide employment support service to the adults and academic services for youth.

Engaging Families in Early Literacy (FEEL) Program

The Engaging Families in Early Literacy (FEEL) program provides materials and direct support services to parents or guardians serving as the child's first teacher to help them increase the child's literacy skills, preparing them to enter school with skills ready to be successful. Families will have the resources to help their child be proficient in language and literacy skills and help them become more engaged in the child's education.

Project PEACE

At-risk children receive support and services by addressing any adverse childhood experiences that would keep them from succeeding academically. Project PEACE will provide conflict resolution and mental health counseling that will address the roadblocks encountered by children that keeps them from successfully completing their education.

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

Access to Health

Access to Health provides families and individuals struggling financially with access to basic needs to survive such as nutritious food, healthcare, medicine, clothing and safe shelter. Currently, Capital Area United Way is providing funding for 12 local programs to provide these basic needs to ALICE (Asset Limited, Income Constrained, Employed) families, those struggling to make ends meet.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, 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, net assets for an operating contingency reserve and beneficial interest in assets held by the Community Foundation.

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 reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include but are not limited to the allowance for uncollectible pledges and functional allocation of expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of demand deposits in banks, certificates of deposit and cash on hand.

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).

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

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 5 to the financial statements.

Pledges Receivable

Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All pledges receivable are expected to be collected within one year. Conditional promises to give are not included in support until such times as the conditions are substantially met.

Generally, the Organization initiates its “current period campaign” in September each year and each such campaign is principally associated with the subsequent calendar year. All pledges received relating to the current campaign are recognized as “pledges receivable – current campaign” and cash received from the prior campaign period is applied against “pledges receivable – previous campaign.”

The Organization establishes an allowance for uncollectable pledges based in part on prior collection history relating to the three-prior year’s campaigns. Additionally, campaign pledges are fully reserved if a balance remains 18 months after a campaign has ended.

Property and Equipment

Office furniture and equipment purchases are recorded at cost. Donated office furniture and equipment are recorded at fair value at date of receipt. Major improvements are capitalized while ordinary maintenance and repairs are expensed. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the change in net assets for the period.

Depreciation is calculated using the straight line method over the estimated useful lives of the related assets, which range generally from 3 to 15 years.

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Designations and Agency Allocations Payable

Designations payable represent unpaid designations as of June 30, 2021 and 2020, respectively, net of a reserve for uncollectible pledges. Certain designations payable are also reported net of an administration fee of 15.5% in 2021 and 2020. The Organization pays allocations related to each campaign based on a 12-month disbursement period. Agency allocations payable represent unpaid allocations as of June 30, 2021 and 2020.

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

Paycheck Protection Program (PPP) Loan

The Organization accounts for the PPP loan as a conditional contribution *under FASB ASC 958-605 Not-for-Profit Entities: Revenue Recognition* by analogizing *FASB 958-605 Not-for-Profit Entities: Revenue Recognition* as a conditional contribution. The loan is recorded as a refundable advance until the conditions are met for revenue recognition.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional pledge, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Goods

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. While a significant amount of volunteered services was received related to the Organization's program services and fundraising campaign, the Organization did not receive any donated services for the year ended June 30, 2021 and 2020, respectively, that met the criteria to be recorded.

Functional Expenses

The costs of program and supporting services 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 based on actual usage within those functions. Other expenses, including salaries and benefits, depreciation, occupancy and information technology, are allocated based on a time and cost study of where efforts are made. Although management of the Organization believes that the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for Federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Contributions to the Organization are tax deductible. For the years ended June 30, 2021 and 2020, there were no penalties recorded in the financial statements. The Organization files information returns in the U.S. Federal jurisdiction.

Concentration Risks

The Organization is required to disclose significant concentrations of credit risk, regardless of the degree of such risk. Items susceptible to concentration risks are as follows:

The Organization maintains demand deposits in financial institutions which may at times exceed federally insured amounts. Management evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits. The carrying amount of deposits with financial institutions at year end was \$1,146,277. The actual bank balances amounted to \$1,156,592. Of these balances, \$906,563 was insured by the Federal Deposit Insurance Corporation and \$250,029 was neither insured nor collateralized.

The Organization's contributions revenue and pledges receivable are primarily due from individuals, businesses, and foundations located in tri-county Lansing region. Credit risk with respect to pledges receivable and revenues is mitigated by the large number of individual pledges and their dispersion among individuals employed across different industry segments, however, 44% and 38% of the Organization's total support and revenues were donated by three companies and their employees for the years ended June 30, 2021 and 2020.

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

Comparative Financial Information

The financial information for the year ended June 30, 2020 is presented for comparative purposes, and is not intended to be a complete financial statement presentation.

Subsequent Events

Events that occur after the financial statement date, June 30, 2021 but before the financial statements are available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed before or after the financial statement date, may require disclosure in the notes or recognition in the financial statements. Management evaluated the activity of the Organization through November 4, 2021, the date the financial statements were available to be issued.

Upcoming Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The update increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing essential information about leasing transactions. Implementation of this standard has been delayed, and will be adopted by the Organization for the year ended June 30, 2023. Management is evaluating the impact of the guidance on the Organization's financial statements.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for nonprofit organizations. The ASU requires nonprofit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires footnote disclosures related to the nonfinancial assets. This standard will be applicable for the fiscal year ending June 30, 2022. Management is evaluating the impact of the guidance on the Organization's financial statements.

Note 3 - Liquidity and Availability

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:

	2021	2020
Cash and cash equivalents	\$ 1,146,277	\$ 1,296,488
Pledges receivable, net	754,977	890,502
Grants and other receivables	19,949	29,238
Financial assets at year end	1,921,203	2,216,228
Less those unavailable for general expenditure within one year:		
Restricted by donor with time or purpose restrictions	(196,540)	(379,170)
Board designated without donor restricted net assets	(487,922)	(587,829)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,236,741	\$ 1,249,229

Additionally, the Organization also receives payouts from its interest in assets held by the Community Foundation, which are available for general expenditure. The Organization is substantially supported by time restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or future period, the Organization must maintain sufficient resources to meet the responsibilities of its donors.

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

The Organization manages its liquid resources by focusing on fundraising efforts to ensure it has adequate contributions and grants to fund the programs that are being conducted. The Organization also prepares detailed budgets and is active in monitoring financial results to ensure it remains liquid. As part of its liquidity plan, the Organization regularly reconciles cash and maintains a cash reserve for use as necessary. Excess cash is invested in certificates of deposit with staggering maturity dates. The Organization has a committed line of credit in the amount of \$250,000 at June 30, 2021, which it could draw upon if needed.

Note 4 - Pledges Receivable

The composition of pledges receivable is as follows at June 30:

	2021	2020
Pledges receivable		
Current campaign	\$ 908,227	\$ 1,104,631
First prior campaign	283,212	247,164
Total pledges receivable	1,191,439	1,351,795
Less allowance for uncollectable pledges		
Current campaign	(159,124)	(214,930)
First prior campaign	(277,338)	(246,363)
Total allowance for uncollectable pledges	(436,462)	(461,293)
Net pledges receivable	\$ 754,977	\$ 890,502

Annually, the Organization estimates an allowance for pledge losses for amounts that will not be collected. The amount is based on a three year weighted rolling average.

Note 5 - Beneficial Interest in Assets Held by the Community Foundation

Beneficial interest in assets held by the community foundation consists of four funds held by the Capital Region Community Foundation (Foundation). These funds were primarily established by the Organization for the benefit of the Organization primarily from the proceeds received on the 1999 sale of an office building occupied by the Organization. As these funds did not have donor restrictions, the beneficial interest in assets held by the Foundation is presented within net assets without donor restrictions. The Foundation considers these funds as agency fund endowments, since the Organization is the named beneficiary of the funds. Therefore, the Organization recognizes an asset for these funds. The funds are subject to the Foundation's investment and spending policies, which result in the Organization receiving annual payouts from the funds based on a payout rate, equal to 5.0 percent of the quarter ended values for the twelve previous quarters for the year ended June 30, 2021.

In addition, several contributions have been made to these funds from third party donors for the benefit of the Organization. The Foundation maintains variance power over these contributions and they do not meet the recognition criteria for recording on the Organization's statement of financial position. At June 30, 2021 and 2020, the value of funds held for the benefit of the Foundation, but not recorded on the statement of financial position was approximately \$48,000 and \$39,000, respectively.

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

Capital Area United Way
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June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

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

Beneficial interest in assets held by the community foundation: The Organization has allocated its portion of the total fair values of the underlying securities held by the Foundation (Level 3 inputs) as a practical expedient. The underlying investment securities held by the Foundation have fair values that are determined using quoted prices for identical instruments traded in active markets.

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

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the beneficial interest in assets held by community foundation for the years ended June 30:

	2021	2020
Beginning of the year	\$ 2,580,341	\$ 2,679,236
Investment earnings	789,214	29,241
Distributions	(118,749)	(112,320)
Administrative expenses	(15,851)	(15,816)
	\$ 3,234,955	\$ 2,580,341

Note 6 - Line of Credit

In January 2021, the Organization extended its revolving line of credit agreement with a bank which provides for borrowing availability of \$250,000. The line of credit is collateralized by substantially all assets of the Organization. Interest is charged at prime plus 0.5% (effective rate of approximately 3.75% at June 30, 2021). As of June 30, 2021, the Organization did not have any outstanding draws on this line of credit agreement. The lending commitment expires in March 2022.

Note 7 - Refundable Advance – PPP proceeds

During the fiscal year, the Organization received a conditional contribution in the form of a Paycheck Protection Program 2 (PPP2) Loan of \$282,000 funded by the Federal government through the Small Business Administration. The PPP2 loan and any accrued interest are forgivable after twenty-four weeks as long as the borrower meets certain criteria, which include maintaining salaries and FTE ratios. The loan proceeds must be used for eligible purposes, including payroll, health insurance, retirement plans, state and local taxes assessed on employee compensation, mortgage interest, rent, and utilities. The conditions impacting forgiveness of the proceeds are based on reductions in salaries or reductions in FTEs over a covered period. The Organization expects to qualify for complete forgiveness of the amount received, but as of June 30, 2021 had not yet met all barriers in order to recognize the proceeds as revenue.

The Organization's PPP(1) loan in the amount of \$282,200 was forgiven by the SBA in November 2020. This loan was recognized as contribution revenue for the year ended June 30, 2021 which is the year the conditions were met to record as a contribution.

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

Note 8 - Net Assets with Donor Restrictions

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

	2021	2020
Subject to passage of time:		
Pledges for future campaigns		
2019 activities	\$ -	\$ 801
2020 activities	5,874	436,108
2021 activities	358,247	-
Subject to purpose restrictions:		
Emergency relief fund	67,563	259,006
GM Foundation	100,000	-
Women United activities	28,977	12,743
Census campaign activities	-	107,421
	\$ 560,661	\$ 816,079

Note 9 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2021	2020
Prior campaign net assets released from restriction	\$ 431,035	\$ 663,263
Other purpose restrictions accomplished:		
Emergency relief fund	259,006	-
Women United activities	-	15,058
Census campaign activities	107,421	90,000
	\$ 797,462	\$ 768,321

Note 10 - Board Designated Net Assets

The Organization's governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of June 30:

	2021	2020
Beneficial interest in assets held at Community Foundation	\$ 3,234,955	\$ 2,580,341

The board also has a policy to establish an operating reserve to support its strategic business practices. The board approved operating reserve amounted to \$487,922 and \$587,829 as of June 30, 2021 and 2020, respectively. It is not reflected in the above total, as there are not separate funds set aside for this designation as of June 30, 2021 and 2020, but the designation has been considered in determining the general liquidity of the Organization over the next year, as described in note 3.

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

Note 11 - Revenue from Contracts with Customers

The following summarized revenue by type for the years ended June 30:

	2021	2020
Revenue from contracts with customers	\$ 115,757	\$ 108,978
Contributions:		
Net campaign revenue	1,201,995	2,184,636
In-kind contributions	119,316	120,587
Grant revenue	1,082,049	797,867
Interest income	4,176	15,398
Change in beneficial interest	773,365	13,426
PPP loan forgiveness	282,200	-
Miscellaneous income	4,012	1,000
	\$ 3,582,870	\$ 3,241,892

The revenue from contracts with customers (other nonprofit organizations) for the years ended June 30, 2021 and 2020 are predominantly earned at a point in time. Revenue earned at a point in time consists primarily of pledge processing fees (donor designation fees), used by the Organization to offset fundraising and handling costs. The Organization provides area-wide pledge-processing support, primarily to other nonprofit organizations. Set pledge processing fees are applied to designated pledges for these other agencies at a set flat percentage of pledges. Performance obligations are met upon the pledge. The transaction price is the set fee percentage of the designated pledges, which is 15.5%. Revenue is recognized when pledges are made.

There was no bad debt expense related to revenues from contracts with customers for the years ended June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, there were no contract assets or liabilities.

There were no changes in judgements related to revenue recognition for the years ended June 30, 2021 and 2020.

Note 12 - In-Kind Contributions

All donated services and facilities are recognized in the Organization's statements of activities as both revenues and expenses. Donated services rendered by various advertising and media agencies are valued based upon average standard fees normally charged for such services. Donated facilities are valued based on square footage estimates. Total donated services recorded for the year ended June 30, 2021 and 2020 was \$69,728 and \$70,999, respectively, and are recorded as in-kind media expense. Total donated facilities recorded for the year ended June 30, 2021 and 2020 was \$49,588 and \$49,588 and is recorded in occupancy.

Note 13 - Payments to Affiliated Organizations

The Organization is a separate and autonomous organization from United Way Worldwide. The Organization incurred dues of \$43,500 and \$29,587 to United Way Worldwide for the year ended June 30, 2021 and 2020, respectively, in support of services provided by the Organization. The Organization also pays voluntary dues to the Michigan Association of United Ways. The total amount paid to the Michigan Association of United Ways amounted to \$10,554 and \$12,780 for the years ended June 30, 2021 and 2020, respectively.

Capital Area United Way
Notes to the Financial Statements
June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

Note 14 - Operating Leases

The Organization has entered into a non-cancelable operating lease agreement for the rental office space through October 2026. Future minimum lease payments under such lease agreement are summarized as follows for each of the fiscal years succeeding June 30, 2021 and thereafter:

<u>Year</u>	<u>Amount</u>
2022	\$ 107,110
2023	107,110
2024	107,110
2025	107,110
2026	107,110
Thereafter	<u>35,703</u>
Total	<u>\$ 571,253</u>

Rent expense was approximately \$97,000 and \$97,000 for the years ended June 30, 2021 and 2020, respectively.

Note 15 - Pension Plans and Other Postretirement Benefits

The Organization has a noncontributory defined contribution plan covering substantially all full-time non-represented employees who have completed one year of service and have attained the age of 21. Employees become participants on the first day of the plan year during which the eligibility requirements are met. Each year, the Organization determines the amount, which is discretionary, to contribute to the plan. The Organization contributed \$30,108 and \$64,995 to this plan for the year ended June 30, 2021 and 2020, respectively.

In accordance with a collective bargaining agreement, the Organization contributed 5 percent of represented employees' wages to individual 403(b) accounts on their behalf until August 19, 2020 at which time the contribution changed to 0%. Contributions for the years ended June 30, 2021 and 2020 amounted to \$3,457 and \$23,836, respectively.

Note 16 - Commitment

Certain employees of the Organization are represented by a labor union pursuant to a collective bargaining agreement. The most recent agreement was ratified by the represented employees and the Organization in June 15, 2021 with an expiration date of June 2022.

Note 17 - Coronavirus Pandemic

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The Organization may have additional expenses or a reduction in revenue due to changes in operations. In response to the pandemic, the Organization has temporarily closed its office, and began a remote work environment for all employees. Offices reopened in July 2021. The Organization continues to monitor the situation and currently, it is not possible to estimate the extent of any potential losses. Due to significant volatility in the financial markets and donor responses, there is uncertainty regarding long-term impacts on the value of the Organization's investments held by the Community Foundation, as well campaign collections and pledges. The Organization has an SBA Payroll Protection Program 2 Loan to aid in the cash flow impact of the pandemic.

Supplementary Information

Capital Area United Way
Schedule of Grants and Allocations
(Accrual Basis)
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
4750 South Lansing Ministries	\$ 15,654	\$ 15,654
Action of Greater Lansing	-	4,000
Advent House	160,006	39,000
Allen Neighborhood Center	-	7,627
Big Brothers Big Sisters MI Capital Region	-	13,650
Boys & Girls Club of Lansing	54,613	36,804
Capital Area Community Services	180,000	272,529
Care Free Medical	7,125	-
Caring and Sharing Family Life	-	4,000
CASA - Clinton, Eaton, and Ingham	-	4,875
Child & Family Charities	122,984	42,541
Closing the Digital Gap	-	8,300
Communities in Schools of Michigan	-	2,500
Community Mental Health Authority	-	5,500
Cristo Rey Community Center	3,500	11,258
Crosswalk Teen Center	-	5,000
Davies Project of Mid-Michigan	16,250	-
Eaton Clothing & Furniture	-	1,300
Eaton Community Palliative Care	-	3,315
End Violent Encounters, Inc.	13,600	14,424
Grit, Glam and Guts	-	3,500
Habitat for Humanity International	13,500	-
Haven House	6,750	11,999
Helping Hands of Eaton County	10,000	-
Holy Cross Services	-	28,436
Housing Services of Mid-Michigan	37,050	48,100
Ingham Great Start Collaborative	37,392	37,392
Islamic Society of Greater Lansing	20,566	20,566
Lansing Promise	-	8,214
Legal Services of South Central Michigan	27,000	12,675
Mason Area Community Fund	1,902	11,970
Michigan Advocacy Program	20,000	-
Mid-Michigan Housing Services	95,285	-
Mid-Michigan Recovery Services, Inc.	-	9,068
MSU Safe Place	-	1,766
NorthWest Initiative	5,400	4,000
NorthWest Lansing Healthy Communities	-	3,023
One Love Global Inc.	-	4,000
Particula Council of Lansing SVDP	-	40,750
Peckham Inc.	12,000	-
Refugee Development Center	41,126	24,231
Resolution Services Center of Central Michigan	7,312	7,312
Salvation Army	12,000	-

Capital Area United Way
Schedule of Grants and Allocations
(Accrual Basis)
For the Years Ended June 30, 2021 and 2020

	2021	2020
SIREN/Eaton Shelter, Inc.	-	4,030
South Lansing Ministries	5,000	-
St. Vincent Catholic Charities	-	9,072
Stockbridge	-	2,438
The SafeCenter	-	4,030
Tri County Office on Aging	-	9,500
Voices De La Comunidad	-	4,000
WKAR Public Media	21,450	21,450
Total grants and allocations	\$ 947,465	\$ 823,799