

**Capital Area United Way**

**Financial Statements**

**June 30, 2020**

**(With Summarized Comparative  
Information for 2019)**



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## **Independent Auditors' Report**

To the Board of Directors of  
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, 2020, 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, 2020, 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.

## **Adoption of New Accounting Standards**

As described in Note 2 to the financial statements, Capital Area United Way changed its method of accounting for revenue recognition as required by the provisions of FASB Accounting Standards Update 2014-09 *Revenue from Contracts with Customers* and changed its method of accounting for contributions in 2020 as required by the provisions of FASB Accounting Standards Update 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

## **Report on Summarized Comparative Information**

We have previously audited Capital Area United Way's June 30, 2019, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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.



Lansing, Michigan  
November 6, 2020

**Capital Area United Way**  
**Statement of Financial Position**  
**June 30, 2020**

(With Summarized Comparative Information for June 30, 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,296,488	\$ 899,961
Pledges receivable, net	890,502	1,241,227
Grants and other receivables	29,238	46,191
Prepaid expenses and other assets	12,792	69,376
Beneficial interest in assets held by Community Foundation	2,580,341	2,679,236
Property and equipment, net of accumulated depreciation	46,394	60,322
	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<b>\$ 4,855,755</b>	<b>\$ 4,996,313</b>
<b>Liabilities and net assets</b>		
Accounts payable and accrued liabilities	\$ 276,889	\$ 248,381
Designations payable	453,593	576,764
Agency allocations payable	420,112	671,511
Refundable advance - Paycheck Protection Program	282,200	-
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>1,432,794</u>	<u>1,496,656</u>
<b>Net assets</b>		
Without donor restrictions (note 10)	2,606,882	2,722,380
With donor restrictions (note 8)	816,079	777,277
	<u>                    </u>	<u>                    </u>
Total net assets	<u>3,422,961</u>	<u>3,499,657</u>
	<u>                    </u>	<u>                    </u>
<b>Total liabilities and net assets</b>	<b>\$ 4,855,755</b>	<b>\$ 4,996,313</b>

**Capital Area United Way**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

**(With Summarized Comparative Information for June 30, 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total 2020	2019
<b>Support, revenues and gains</b>				
Gross campaign results	\$ 1,535,902	\$ 1,104,631	\$ 2,640,533	\$ 3,180,292
COVID-19 Emergency Relief Fund	335,573	259,006	594,579	-
Total campaign results	1,871,475	1,104,631	3,235,112	3,180,292
Less: donor designations	(382,754)	(526,796)	(909,550)	(1,157,852)
Less: provisions for uncollectible pledges	-	(140,926)	(140,926)	(102,685)
Net campaign revenue	1,488,721	695,915	2,184,636	1,919,755
Donor designation fees and reimbursed expenses	108,978	-	108,978	161,851
In-kind contributions	120,587	-	120,587	172,238
Grant revenue	686,659	111,208	797,867	763,443
Interest income	15,398	-	15,398	11,219
Change in beneficial interest	13,426	-	13,426	106,595
Miscellaneous income	1,000	-	1,000	1,000
Net assets released from restrictions	768,321	(768,321)	-	-
Total support, revenues and gains	3,203,090	38,802	3,241,892	3,136,101
<b>Expenses</b>				
Program services				
Grants and allocations	823,799	-	823,799	645,386
Community impact	1,750,081	-	1,750,081	1,678,858
Total program services	2,573,880	-	2,573,880	2,324,244
Supporting services				
Management and general	383,708	-	383,708	425,454
Fundraising	361,000	-	361,000	426,205
Total supporting services	744,708	-	744,708	851,659
Total expenses	3,318,588	-	3,318,588	3,175,903
<b>Change in net assets</b>	(115,498)	38,802	(76,696)	(39,802)
Net assets, beginning of year	2,722,380	777,277	3,499,657	3,539,459
<b>Net assets, end of year</b>	<b>\$ 2,606,882</b>	<b>\$ 816,079</b>	<b>\$ 3,422,961</b>	<b>\$ 3,499,657</b>

See Accompanying Notes to the Financial Statements

**Capital Area United Way**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**  
**(With Summarized Comparative Information for June 30, 2019)**

	Program Services		Supporting Services	Total 2020	2019
	Grants and Allocations and Community Impact	Management and General			
<b>Grants and allocations</b>	\$ 823,799	\$ -	\$ -	<b>\$ 823,799</b>	\$ 645,386
<b>Salaries and related expenses</b>					
Salaries	708,139	225,118	195,694	<b>1,128,951</b>	1,085,411
Payroll taxes	55,699	17,707	15,393	<b>88,799</b>	85,110
Employee health and retirement benefits	162,106	50,184	48,302	<b>260,592</b>	265,424
Temporary contract labor	-	10,322	-	<b>10,322</b>	8,303
Total salaries and related expenses	<u>925,944</u>	<u>303,331</u>	<u>259,389</u>	<b><u>1,488,664</u></b>	<u>1,444,248</u>
<b>Operating expenses</b>					
In-kind media	19,541	38,000	13,458	<b>70,999</b>	122,650
Dues and subscriptions	24,162	2,895	5,064	<b>32,121</b>	51,209
Professional fees	2,008	16,440	420	<b>18,868</b>	26,258
Supplies	11,159	1,337	2,337	<b>14,833</b>	17,457
Telephone	4,388	526	919	<b>5,833</b>	9,124
Direct campaign expense	-	-	38,928	<b>38,928</b>	43,836
Postage and shipping	2,882	345	604	<b>3,831</b>	5,535
Marketing and promotions	30,474	3,651	6,385	<b>40,510</b>	25,445
Travel and automobile	5,073	608	1,062	<b>6,743</b>	8,672
Conference and training	3,549	425	744	<b>4,718</b>	34,768
Equipment maintenance and rental	48,541	4,618	8,075	<b>61,234</b>	64,669
Insurance	9,068	1,087	1,900	<b>12,055</b>	11,359
Occupancy	122,181	8,698	15,209	<b>146,088</b>	146,088
Community collaborative	529,808	-	-	<b>529,808</b>	502,401
Depreciation	11,303	1,354	2,369	<b>15,026</b>	12,915
Other	-	393	4,137	<b>4,530</b>	3,883
Total operating expenses	<u>824,137</u>	<u>80,377</u>	<u>101,611</u>	<b><u>1,006,125</u></b>	<u>1,086,269</u>
<b>Total expenses</b>	<u><u>\$ 2,573,880</u></u>	<u><u>\$ 383,708</u></u>	<u><u>\$ 361,000</u></u>	<b><u><u>\$ 3,318,588</u></u></b>	<u><u>\$ 3,175,903</u></u>

See Accompanying Notes to the Financial Statements

**Capital Area United Way**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**  
**(With Summarized Comparative Information for June 30, 2019)**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (76,696)	\$ (39,802)
Adjustments for noncash items		
Depreciation	15,026	12,915
Change in beneficial interest in assets held by Community Foundation	(13,426)	(106,595)
Provision for uncollectible pledges	140,926	102,685
Changes in operating assets and liabilities		
Pledges receivable	209,799	(83,166)
Grants and other receivables	16,953	(16,865)
Prepaid expenses and other assets	56,584	(9,419)
Accounts payable and accrued liabilities	28,509	10,117
Designations payable	(123,171)	(6,157)
Agency allocations payable	(251,399)	(71,989)
Refundable advance	282,200	-
Net cash provided (used) by operating activities	<u>285,305</u>	<u>(208,276)</u>
<b>Cash flows from investing activities</b>		
Distributions from beneficial interest in assets held by Community Foundation	112,320	109,579
Purchases of property and equipment	<u>(1,098)</u>	<u>(33,850)</u>
Net cash provided by investing activities	<u>111,222</u>	<u>75,729</u>
Net change in cash and cash equivalents	<u>396,527</u>	<u>(132,547)</u>
Cash and cash equivalents, beginning of the year	<u>899,961</u>	<u>1,032,508</u>
<b>Cash and cash equivalents, end of the year</b>	<u><u>\$ 1,296,488</u></u>	<u><u>\$ 899,961</u></u>

See Accompanying Notes to the Financial Statements

**Capital Area United Way**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(With Summarized Comparative Information as of June 30, 2019)**

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**Note 1 - Nature of Organization**

Capital Area United Way (the "Organization" or "CAUW") ensures health and human resources exist locally in the arena of: 1) health, 2) financial stability, and 3) education. The Organization unites people and resources to solve defined problems and improve the quality of life for individuals and families in the community.

The Organization 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. The Organization fights for the health and basic needs, education and financial stability of every person in every community.

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:

	2020	2019
Education	\$ 181,886	\$ 266,500
Financial stability	95,550	140,000
Health and basic needs	134,734	210,000
Dislocated workers	40,750	-
COVID-19 relief aid	272,529	-
Census grants	65,000	-
Other	33,350	28,886
	\$ 823,799	\$ 645,386

**Community Impact**

Capital Area College Access Network (CapCAN)

CapCAN provides support and activities to increase the post-secondary degree or certification attainment rate of graduating seniors in the Ingham and Eaton counties. There is a growing awareness that Ingham and Eaton County's future depends in large measure on raising the educational attainment of its citizens by raising community expectations about post-secondary education attainment leading to successful careers and meaningful lives. Moving beyond high school to some form of post-secondary education must be seen as a necessary step to a productive and satisfying life. CapCAN is dedicated to making a significant and positive difference throughout Ingham and Eaton County by lowering potential barriers to degree or certification attainment which are, generally, lack of academic preparation, inability to navigate the college process, affordability and lack of social capital.

**Capital Area United Way**  
**Notes to the Financial Statements**  
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**(With Summarized Comparative Information as of June 30, 2019)**

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

CAUW has for a century been working to address community health and human service needs. Our focus on Financial Stability and Secure Families has led us to provide the VITA Program to the Greater Lansing tri-county region. The VITA program has been coordinating and operating an IRS volunteer return preparation program since 2005. Together our work, partnering with community organizations, government entities, and local volunteers has assisted the underserved populations in the Greater Lansing tri-county region. Together we provide financial education courses, on-site access to applying for second chance bank accounts to ensure that the underserved low-income populations that we serve have access to safe, affordable, financial tools to ensure their well-being. This work has led to CAUW to be seen as a trusted and go-to organization in the community by supporting the low-and moderate-income population to support secure families that are financial independent.

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 provides comprehensive information and referral services to residents of Clinton, Eaton and Ingham counties via live, highly-trained specialists or via the Internet. With a comprehensive electronic database that is continuously populated with resources available, this central community resource is vital to residents in crisis.

The objective of this central Information and Referral service is to link the caller with the resources most likely to address their short-term and long-term needs. Call specialists not only listen to a caller's immediate need, but also work to identify the root of the issue, which is often very different, before providing the most targeted resource referral to solve the short-term crisis and the long-term issue.

Central Michigan 2-1-1 is a free telephone information and referral service that links individuals to community resources. This is accomplished with a comprehensive database which is populated with resources that are vital to the community. Central Michigan 2-1-1 provides service 24 hours a day, 7 days a week, 365 days a year. Services provided by telephone are free to callers.

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.

**Capital Area United Way**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(With Summarized Comparative Information as of June 30, 2019)**

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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.

## **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, 2020**

**(With Summarized Comparative Information as of June 30, 2019)**

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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, 2020 and 2019, respectively, net of a reserve for uncollectible pledges. Certain designations payable are also reported net of an administration fee of 15.5% in 2020 and 2019. 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, 2020 and 2019.

**Capital Area United Way**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(With Summarized Comparative Information as of June 30, 2019)**

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**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, 2020 and 2019, 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, 2020 and 2019, 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 \$1,296,488. The actual bank balances amounted to \$1,364,897. Of these balances, \$910,015 was insured by the Federal Deposit Insurance Corporation and \$454,882 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, 38% and 34% of the Organization's total support and revenues were donated by three companies and their employees for the years ended June 30, 2020 and 2019.

**Capital Area United Way**  
**Notes to the Financial Statements**  
**June 30, 2020**

**(With Summarized Comparative Information as of June 30, 2019)**

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**Comparative Financial Information**

The financial information for the year ended June 30, 2019 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, 2020 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 6, 2020 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

**Change in Accounting Principle**

The Organization adopted ASU 2018-08 Not-for-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of the beginning of the year ended June 30, 2020. This has been adopted using the modified prospective approach. Net assets did not change as a result of adoption of the new standard.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles of recognizing revenue, create common revenue recognition guidance, and improve disclosures. Accordingly, the Organization has elected to implement this standard using a full retrospective adjustment of the prior year financial statements. Net assets did not change as a result of adoption of the new standard.

**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.

**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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,296,488	\$ 899,961
Pledges receivable, net	890,502	1,241,227
Grants and other receivables	<u>29,238</u>	<u>46,191</u>
Financial assets at year end	2,216,228	2,187,379
Less those unavailable for general expenditure within one year:		
Restricted by donor with time or purpose restrictions	(379,170)	(113,213)
Board designated without donor restricted net assets	<u>(587,829)</u>	<u>(606,774)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,249,229</u>	<u>\$ 1,467,392</u>

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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.

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, 2020, which it could draw upon if needed.

**Note 4 - Pledges Receivable**

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

	2020	2019
Pledges receivable		
Current campaign	\$ 1,104,631	\$ 1,387,914
First prior campaign	247,164	162,612
First future campaign	-	448
Total pledges receivable	1,351,795	1,550,974
Less allowance for uncollectable pledges		
Current campaign	(214,930)	(147,086)
First prior campaign	(246,363)	(162,612)
First future campaign	-	(49)
Total allowance for uncollectable pledges	(461,293)	(309,747)
Net pledges receivable	\$ 890,502	\$ 1,241,227

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 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, 2020.

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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, 2020, the value of funds held for the benefit of the Foundation, but not recorded on the statement of financial position was approximately \$39,000.

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.

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:

	2020	2019
Beginning of the year	\$ 2,679,236	\$ 2,682,220
Investment earnings	29,241	122,622
Distributions	(112,320)	(109,579)
Administrative expenses	(15,816)	(16,027)
	\$ 2,580,341	\$ 2,679,236

**Note 6 - Line of Credit**

In December 2019, 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 5.25% at June 30, 2020). As of June 30, 2020 the Organization did not have any outstanding draws on this line of credit agreement. The lending commitment expires in March 2021.

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**Note 7 - Refundable Advance – PPP proceeds**

During the fiscal year, the Organization received a conditional contribution in the form of a Paycheck Protection Program (PPP) Loan of \$282,200 funded by the Federal government through the Small Business Administration. The PPP 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. The Organization expects to qualify for complete forgiveness of the amount received.

**Note 8 - Net Assets with Donor Restrictions**

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

	2020	2019
Subject to passage of time:		
Pledges for future campaigns		
2019 activities	\$ 801	\$ 664,064
2020 activities	436,108	399
Subject to purpose restrictions:		
Emergency relief fund	259,006	-
Women United activities	12,743	22,814
Census campaign activities	107,421	90,000
	<u>\$ 816,079</u>	<u>\$ 777,277</u>

**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:

	2020	2019
Prior campaign net assets released from restriction	\$ 663,263	\$ 677,825
Other purpose restrictions accomplished:		
Women United activities	15,058	-
Census campaign activities	90,000	-
Other	-	4,998
	<u>\$ 768,321</u>	<u>\$ 682,823</u>

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**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:

	2020	2019
Beneficial interest in assets held at Community Foundation	\$ 2,580,341	\$ 2,679,236

The board also has a policy to establish an operating reserve to support its strategic business practices. The board approved operating reserve amounted to \$587,829 and \$606,774 as of June 30, 2020 and 2019, respectively. It is not reflected in the above total, as there are not separate funds set aside for this designation as of June 30, 2020 and 2019, but the designation has been considered in determining the general liquidity of the Organization over the next year, as described in note 3.

**Note 11 - Revenue from Contracts with Customers**

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

	2020	2019
Revenue from contracts with customers	\$ 108,978	\$ 161,851
Contributions:		
Net campaign revenue	2,184,636	1,919,755
In-kind contributions	120,587	172,238
Grant revenue	797,867	763,443
Interest income	15,398	11,219
Change in beneficial interest	13,426	106,595
Miscellaneous income	1,000	1,000
	\$ 3,241,892	\$ 3,136,101

There was no bad debt expense related to revenues from contracts with customers for the years ended June 30, 2020 and 2019, respectively.

The revenue from contracts with customers (other nonprofit organizations) for the years ended June 30, 2020 and 2019 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.

For the years ended June 30, 2020 and 2019, there were no contract assets or liabilities.

There were no changes in judgements related to revenue recognition for the years ended June 30, 2020 and 2019.

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**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, 2020 and 2019 was \$70,999 and \$122,650, respectively, and are recorded as in-kind media expense. Total donated facilities recorded for the year ended June 30, 2020 and 2019 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 \$29,587 and \$29,915 to United Way Worldwide for the year ended June 30, 2020 and 2019, 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 \$12,780 and \$12,865 for the years ended June 30, 2020 and 2019, respectively.

**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, 2020 and thereafter:

Year	Amount
2021	\$ 105,569
2022	107,110
2023	107,110
2024	107,110
2025	107,110
Thereafter	142,814
Total	<u>\$ 676,823</u>

Rent expense was approximately \$97,000 and \$97,000 for the years ended June 30, 2020 and 2019, 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 \$64,995 and \$62,892 to this plan for the year ended June 30, 2020 and 2019, respectively.

In accordance with a collective bargaining agreement, the Organization contributes 5 percent of represented employees' wages to individual 403(b) accounts on their behalf. Contributions for the years ended June 30, 2020 and 2019 amounted to \$23,836 and \$22,849, respectively.

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**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 September 2017 with an expiration date of June 2020. Subsequent to year end, an agreement was ratified with an expiration date of June 2021.

**Note 17 - Coronavirus Pandemic**

On March 11, 2020, the World Health Organization declared a pandemic due to the outbreak of a respiratory disease known as COVID-19. In addition, multiple jurisdictions in the U.S., including Michigan, have declared a state of emergency and issued shelter-in-place orders. It is anticipated that these impacts will continue for some time. In response to the pandemic, the Organization has temporarily closed its office, and began a remote work environment for all employees. 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. As described in note 7, the Organization has obtained an SBA Paycheck Protection Program 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, 2020 and 2019**

	2020	2019
4750 South Lansing Ministries	\$ 15,654	\$ -
Action of Greater Lansing	4,000	-
Advent House	39,000	60,000
Allen Neighborhood Center	7,627	5,580
Big Brothers Big Sisters MI Capital Region	13,650	21,000
Boys & Girls Club of Lansing	36,804	56,622
Capital Area Community Services	272,529	-
Caring and Sharing Family Life	4,000	-
CASA - Clinton, Eaton, and Ingham	4,875	5,500
Child & Family Charities	42,541	63,385
Closing the Digital Gap	8,300	-
Communities in Schools of Michigan	2,500	7,000
Community Mental Health Authority	5,500	-
Cristo Rey Community Center	11,258	17,320
Crosswalk Teen Center	5,000	-
Eaton Clothing & Furniture	1,300	2,000
Eaton Community Palliative Care	3,315	5,100
End Violent Encounters, Inc.	14,424	22,190
Grit, Glam and Guts	3,500	-
Haven House	11,999	18,460
Holy Cross Services	28,436	32,670
Housing Services of Mid-Michigan	48,100	74,000
Ingham Great Start Collaborative	37,392	57,527
Islamic Society of Greater Lansing	20,566	31,640
Lansing Promise	8,214	12,638
Legal Services of South Central Michigan	12,675	19,500
Mason Area Community Fund	11,970	27,184
Mid-Michigan Recovery Services, Inc.	9,068	13,950
MSU Safe Place	1,766	2,720
NorthWest Initiative	4,000	-
NorthWest Lansing Healthy Communities	3,023	4,650
One Love Global Inc.	4,000	-
Particula Council of Lansing SVDP	40,750	-
Refugee Development Center	24,231	23,825
Resolution Services Center of Central Michigan	7,312	6,687
Safe Center	-	6,200
Salvation Army - Capital Area (cancelled grant)	-	(26,125)
SIREN/Eaton Shelter, Inc.	4,030	6,200
South Lansing Ministries	-	24,083
St. Vincent Catholic Charities	9,072	10,880
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	33,000
<b>Total grants and allocations</b>	<b>\$ 823,799</b>	<b>\$ 645,386</b>