

United Way of Midland County
Financial Statements
December 31, 2020
(With Summarized Comparative Information for 2019)



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Independent Auditors' Report

Management and Board of Directors
United Way of Midland County
Midland, Michigan

We have audited the accompanying financial statements of United Way of Midland County (a non-profit corporation) which comprise the statement of financial position as of December 31, 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 United Way of Midland County as of December 31, 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.

Prior Period Adjustment

As described in Note 14 to the financial statements, a prior period adjustment was required to restate beginning net assets for pledges receivable in prior periods. Our opinion was not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited United Way of Midland County's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 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.

Yeo & Yeo, P.C.

Midland, Michigan
November 10, 2021

United Way of Midland County
Statement of Financial Position
December 31, 2020
(With Summarized Comparative Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Assets				
Current assets				
Cash and cash equivalents	\$ 2,164,125	\$ 4,386,960	\$ 6,551,085	\$ 3,915,896
Pledges receivable (net)	144,075	4,573,840	4,717,915	4,466,081
Unconditional promises to give	-	23,604	23,604	26,775
Other receivables	57,415	331,195	388,610	97,941
Other assets	364,712	-	364,712	260,463
Total current assets	2,730,327	9,315,599	12,045,926	8,767,156
Certificates of deposit	-	522,114	522,114	518,564
Long-term investments	1,758,428	3,323,691	5,082,119	4,390,542
Long-term unconditional promises to give (net)	-	57,461	57,461	69,887
Property and equipment (net)	1,108,143	-	1,108,143	1,136,028
Total assets	\$ 5,596,898	\$ 13,218,865	\$ 18,815,763	\$ 14,882,177

See Accompanying Notes to the Financial Statements

United Way of Midland County
Statement of Financial Position
December 31, 2020
(With Summarized Comparative Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 254,978	\$ -	\$ 254,978	\$ 67,809
Designations and out of area payable	571,146	1,871,912	2,443,058	3,003,770
Accrued expenses	57,214	-	57,214	26,165
Total current liabilities	883,338	1,871,912	2,755,250	3,097,744
Net assets				
Without donor restrictions				
Net investment in property and equipment	1,108,143	-	1,108,143	1,136,028
Board designated	1,758,428	-	1,758,428	1,444,038
Undesignated	1,846,989	-	1,846,989	1,613,077
Total without donor restrictions	4,713,560	-	4,713,560	4,193,143
With donor restrictions				
Time-restricted for future periods	-	4,865,262	4,865,262	4,494,025
Purpose restrictions	-	5,529,780	5,529,780	2,179,354
Perpetual in nature	-	951,911	951,911	917,911
Total with donor restrictions	-	11,346,953	11,346,953	7,591,290
Total net assets	4,713,560	11,346,953	16,060,513	11,784,433
Total liabilities and net assets	\$ 5,596,898	\$ 13,218,865	\$ 18,815,763	\$ 14,882,177

See Accompanying Notes to the Financial Statements

United Way of Midland County
Statement of Activities
For the Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Support, revenues and gains (losses)				
Annual campaign				
Total pledges	\$ -	\$ 5,258,095	\$ 5,258,095	\$ 4,858,706
Out of area pledges	-	1,870,449	1,870,449	2,704,955
Less designations	-	(2,283,554)	(2,283,554)	(3,071,617)
Less pledge loss reserve	-	(184,033)	(184,033)	(170,055)
Net campaign	-	4,660,957	4,660,957	4,321,989
Designated pledges from other United Ways	-	123,240	123,240	75,374
Change in value for lead trusts	-	9,039	9,039	13,595
Other public support	47,295	4,069,008	4,116,303	198,195
Interest, dividends and fees	25,694	37,758	63,452	93,329
Realized and unrealized investment gain	292,064	366,493	658,557	573,392
In-kind contributions	3,020,547	-	3,020,547	4,199
Grant revenue	206,938	240,490	447,428	355,500
Other income	181,438	-	181,438	194,809
Prior campaign assets released from restrictions	4,397,363	(4,397,363)	-	-
Other assets released from restrictions	1,353,959	(1,353,959)	-	-
Total support, revenues and gains (losses)	9,525,298	3,755,663	13,280,961	5,830,382

See Accompanying Notes to the Financial Statements

United Way of Midland County
Statement of Activities
For the Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	2019
Expenses				
Research and community impact	\$ 7,810,659	\$ -	\$ 7,810,659	\$ 3,477,857
Volunteer connections	187,557	-	187,557	274,450
Community Advancement Network	-	-	-	200,987
Management and general	483,135	-	483,135	409,285
Fundraising	523,530	-	523,530	382,522
 Total expenses	 9,004,881	 -	 9,004,881	 4,745,101
 Change in net assets	 520,417	 3,755,663	 4,276,080	 1,085,281
 Net assets, beginning of year, as restated	 4,193,143	 7,591,290	 11,784,433	 10,699,152
 Net assets, end of year	 \$ 4,713,560	 \$ 11,346,953	 \$ 16,060,513	 \$ 11,784,433

See Accompanying Notes to the Financial Statements

United Way of Midland County
Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	Program Services			Supporting Services		Total	
	Research and Community Impact	Volunteer Connections	Total Program Service	Management and General	Fundraising	2020	2019
Salaries and related costs							
Salaries	\$ 219,828	\$ 144,943	\$ 364,771	\$ 159,614	\$ 333,708	\$ 858,093	\$ 963,480
Payroll taxes	15,148	10,807	25,955	13,721	24,760	64,436	73,153
Employee benefits	15,345	12,041	27,386	57,765	22,796	107,947	84,402
Health insurance	8,262	6,722	14,984	9,769	16,269	41,022	43,022
Total salaries and related costs	258,583	174,513	433,096	240,869	397,533	1,071,498	1,164,057
Operating expenses							
Allocations and grants	3,565,778	-	3,565,778	-	-	3,565,778	3,043,898
Specific assistance to individuals	3,394,223	-	3,394,223	-	-	3,394,223	4,255
Payments to affiliated organizations	63,936	-	63,936	-	-	63,936	52,495
Supplies	356,868	453	357,321	23,776	26,539	407,636	64,031
Printing and publications	-	-	-	-	-	-	3,129
Conferences and meetings	1,544	504	2,048	3,273	105	5,426	6,002
Custodial service	-	-	-	10,920	-	10,920	11,228
Postage and shipping	2,050	-	2,050	7,449	2,480	11,979	9,174
Accounting fees	-	-	-	20,300	-	20,300	18,750
Contractual fees	46,330	-	46,330	6,671	591	53,592	115,249
Storage	66,070	-	66,070	244	90	66,404	-
Telephone	-	-	-	4,418	-	4,418	4,303
Marketing and advertising	6,966	-	6,966	9,689	16,808	33,463	34,611
Utilities	-	-	-	7,600	-	7,600	7,195
Travel	173	-	173	1,164	1,306	2,643	6,101
IT services	1,178	-	1,178	23,838	-	25,016	21,709
Data processing and maintenance	17,173	11,013	28,186	23,415	54,361	105,962	34,304
Insurance	-	-	-	9,239	3,422	12,661	8,546
Membership dues	-	-	-	946	-	946	7,626
Depreciation	-	-	-	67,366	-	67,366	69,547
MI Association of United Way dues	24,293	-	24,293	-	-	24,293	24,092
Miscellaneous	5,494	1,074	6,568	21,958	20,295	48,821	34,799
Total operating expenses	7,552,076	13,044	7,565,120	242,266	125,997	7,933,383	3,581,044
Total expenses	\$ 7,810,659	\$ 187,557	\$ 7,998,216	\$ 483,135	\$ 523,530	\$ 9,004,881	\$ 4,745,101

See Accompanying Notes to the Financial Statements

United Way of Midland County
Statement of Cash Flows
For the Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 4,276,080	\$ 1,085,281
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation	67,366	69,547
Unrealized gain on investments	(625,191)	(481,242)
Realized gain on investments	(33,366)	(92,150)
Donated securities	(127,431)	(106,198)
(Increase) decrease in:		
Pledges receivable	(251,834)	614,683
Unconditional promises to give	15,597	18,220
Other receivables	(290,669)	10,653
Other assets	(104,249)	(3,415)
Increase (decrease) in:		
Accounts payable	187,169	(65,878)
Designations payable	(560,712)	(302,581)
Accrued expenses	31,049	(10,731)
	<u>2,583,809</u>	<u>736,189</u>

See Accompanying Notes to the Financial Statements

United Way of Midland County
Statement of Cash Flows
For the Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from investing activities		
Purchase of investments	\$ (96,813)	\$ (1,589,186)
Purchases of certificates of deposit	(3,550)	(3,284)
Proceeds from sales and maturities of investments	191,224	1,583,503
Purchases of property and equipment	(39,481)	-
	<u>51,380</u>	<u>(8,967)</u>
Net cash provided (used) by investing activities		
Net change in cash and cash equivalents	2,635,189	727,222
Cash and cash equivalents, beginning of the year	<u>3,915,896</u>	<u>3,188,674</u>
Cash and cash equivalents, end of the year	<u><u>\$ 6,551,085</u></u>	<u><u>\$ 3,915,896</u></u>

See Accompanying Notes to the Financial Statements

United Way of Midland County
Notes to the Financial Statements
December 31, 2020
(With Summarized Comparative Information for 2019)

Note 1 – Summary of Significant Accounting Policies

United Way of Midland County (“United Way” or “UWMC”) supports a variety of health and human service programs in Midland County. In furtherance of this mission, United Way conducts annual fundraising campaigns to support allocations and grants awarded to participating agencies for use in the subsequent calendar year.

Concentration Risks

United Way’s contributions revenue and pledges receivable are primarily due from individuals, businesses, and foundations located in Midland County. For the year ended December 31, 2020, annual support from Dow was 6% of the total and also represented 0% of pledges receivable balance outstanding as of December 31, 2020. An additional 20% of support was pledged from employees of Dow through payroll deductions and other means and represented 43% of pledges receivable balance outstanding as of December 31, 2020. A loss of support on the part of Dow or its employees could have an adverse effect on the UWMC ability to fund its health and human services programs at current levels.

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 the Gerstacker Endowment Fund.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Fund Accounting

For internal reporting purposes, the accounts of United Way are maintained in accordance with the principles of fund accounting in order to ensure observance of limitations and restrictions placed on the use of available resources. Pursuant to fund accounting principles, resources for various functions are classified for accounting and reporting purposes into funds established according to their nature and objective. United Way uses the following funds:

Current Fund

The Current Fund is used to record the general operating transactions of United Way.

Endowment and Similar Funds

The Endowment and Similar Funds represent gifts accepted with donor-stipulation that principal and, in some cases, income be maintained intact. Endowment funds also consist of certain funds that function as endowments through actions of the Board of Directors.

United Way of Midland County
Notes to the Financial Statements
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(With Summarized Comparative Information for 2019)

Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposits in banks and cash on hand. UWMC maintains cash accounts and certificates of deposit at area financial institutions. The carrying amount of UWMC deposits and certificates of deposit with financial institutions at year end was \$7,073,199. The actual bank balances amounted to \$7,215,895. Of these balances, \$358,644 was insured by the Federal Deposit Insurance Corporation and \$6,857,251 was neither insured nor collateralized.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the United Way that is, in substance, unconditional.

United Way initially records unconditional promises to give at fair value using the income approach and subsequently amortizes them using the original discount rate.

Investments

Investments in marketable equity securities with readily determinable fair values are valued at their fair value in the statement of financial position. Donated investments are reflected as contributions at their market values at date of receipt.

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

Property and Equipment

Property and equipment are stated at cost if purchased or at estimated fair value on the date of the gift if received as a donation. Major improvements are capitalized while ordinary maintenance and repairs are expensed. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 2 to 40 years. 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.

UWMC 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.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

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 conditions have been met for revenue recognition. Revenue from the loan of \$163,231 is recorded as grant revenue on the statement of activities. The loan was forgiven subsequent to year end.

United Way of Midland County
Notes to the Financial Statements
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Donated Services and Goods

United Way records the value of donated goods as contributions using estimated fair values at the date of receipt. UWMC recognized donated Sharing Tree items, capital improvements, supplies, and other miscellaneous items. In addition, UWMC recognized numerous donated items related to COVID and flood relief in 2020. Donated goods totaled \$3,020,547 and \$4,199 for the years ended December 31, 2020 and 2019, respectively.

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, the Organization did not receive any donated services for the years ended December 31, 2020 and 2019 that met the criteria to be recorded.

Revenue and Revenue Recognition

Revenue is recognized when earned. Exchange revenues are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, 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.

Functional Expenses

Descriptions of the various programs are as follows:

Research and Community Impact

UWMC is involved in community impact activities primarily through the United Way Community Investment Committee, and through the Health and Human Services Council of Midland County, a state-endorsed, multi-purpose, collaborative body.

Volunteer Connections

The United Way Volunteer Connections meets community needs with volunteers - through recruitment and matching of volunteers with opportunities, promoting and rewarding volunteerism, and training and consultation with area non-profits, schools, churches, service clubs and businesses.

Community Advancement Network

The Community Advancement Network is a service that strengthens nonprofits across the Great Lakes Bay Region (GLBR) by providing fee-based consulting and training services that improve nonprofit organizational effectiveness and efficiency. The Network collaborates with fellow United Ways, Community Foundations, businesses and universities across the GLBR to build stronger nonprofit organizations that are more sustainable. This service was ended in 2020.

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. Salaries, payroll taxes, employee benefits and health insurance are all allocated based on time studies. All other expenses are directly charged.

Advertising

UWMC expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended December 31, 2020 and 2019 was \$33,463 and \$34,611 respectively.

Income Taxes

United Way 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, United Way has been determined by the

United Way of Midland County
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Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. Contributions to United Way are tax deductible. For the year ended December 31, 2020, there were no penalties recorded or included in the financial statements. The United Way files information returns in the U.S. Federal jurisdiction.

Risks and Uncertainties

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

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.

Fair Value Disclosures

The estimated fair value amounts have been determined by the United Way using available market information and appropriate valuation methodologies. The estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amount the United Way could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. For all financial instruments other than promises to give, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. All investment securities are carried at fair value in the financial

statements. The fair values of the United Way's promises to give are estimated based on the current interest rates and the period of collectability.

Endowment Funds

United Way has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund; (2) The purposes of the organization and the donor-restricted endowment fund; (3) General economic conditions ; (4) The possible effect of inflation and deflation; (5) The expected total return from income and the appreciation of investments; (6) Other resources of the organization; and (7) The investment policies of the organization.

Investment Policy and Return Objectives - The long-term goal of the United Way's Endowment Funds will be to achieve a rate of growth sufficient to provide for the spending needs, increase the real purchasing power of the principal, and help offset annual operating expenses.

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

Asset allocation ranges and performance objectives have been established to guide investment advisors and fund managers. Diversification guidelines target 30% Large Cap US equity, 10% Small Cap US equity, 30% international developed markets, 10% international emerging markets, and 20% fixed income and cash.

Spending Policy - Income available for spending is determined by the larger of (a) annual earnings or (b) half of the 5-year average return (earning plus appreciation); preserve inflation-adjusted value of original gifts.

Comparative Financial Information

The financial information for the year ended December 31, 2019, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Pledge Processing

United Way of Midland County provides national and area-wide pledge-processing support to certain organizations headquartered in Midland. Pledges originating outside Midland County and not directed to Midland are recorded as Out of Area Pledges and are not included in UWMC community campaign total. Pledges originating in UWMC campaign area and designated by donors to another United Way or to another non-profit agency are included in UWMC campaign total. Payments for both designated pledges and Out of Area Pledges are made quarterly, net of customary charges for shrinkage and handling.

Reclassification

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation due to a software conversion during the fiscal year. Amounts reclassified were not material to the financial statements. Net assets and changes in net assets are unchanged due to this reclassification.

Subsequent Events

Management has evaluated subsequent events through November 10, 2021, which is the date the financial statements were available to be issued.

Note 2 – 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:

	2020	2019
Cash and cash equivalents	\$ 3,724,280	\$ 3,765,135
Pledges receivable, net	3,000,987	3,085,268
Other receivables	57,415	97,941
Long-term investments	73,594	122,074
	\$ 6,856,276	\$ 7,070,418

United Way regularly reconciles cash and maintains a cash reserve for use as necessary. Excess cash is invested in certificates of deposit with staggering maturity dates.

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The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The board-designated operating endowment was \$1,758,428 and \$1,444,038 as of December 31, 2020 and 2019, respectively. The endowment is subject to an annual spending rate as described in Note 1. Although UWMC does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

Note 3 – Pledges and Other Support

The composition of pledges receivable is as follows at December 31:

	<u>2020</u>	<u>2019</u>
Annual campaign	\$ 5,258,095	\$ 4,203,706
Out of area pledges	1,870,449	1,886,508
Pledges for future campaigns		
Pledge loss reserve	(184,033)	(170,055)
Pledge payments received	(2,370,671)	(1,620,259)
Current campaign pledges receivable	4,573,840	4,299,900
Prior year campaign pledges receivable, net allowance for uncollectible pledges of \$170,055 and \$168,303 respectively	144,075	166,181
Pledges receivable	<u>\$ 4,717,915</u>	<u>\$ 4,466,081</u>

Annually, UWMC estimates a pledge loss reserve for amounts that will not be collected. The amount is based on historical collection averages. A reserve is established for each pledge year and adjusted annually based on actual collections for the two subsequent pledge years.

UWMC is the processing United Way for several large regional and national employer campaigns. Beginning with the 2016 fall campaign, UWMC became responsible for collecting and paying out all employee payroll pledges for both the local and out-of-area campaigns for Dow. This change took place to adhere to United Way Worldwide best practices for processing United Ways and to increase operating efficiency for both UWMC and Dow.

Promises to give activity for 2020 and 2019 is detailed as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 4,466,081	\$ 5,080,764
Less collections	(6,706,655)	(8,010,041)
Add new pledges	7,128,544	7,563,661
Pledge loss reserve	(170,055)	(168,303)
Balance, end of year	<u>\$ 4,717,915</u>	<u>\$ 4,466,081</u>

Activity of the pledge loss reserves for the years ended December 31:

<u>Campaign Year</u>	<u>2019/2020</u>	<u>2018/2019</u>
Original reserve	<u>\$ 170,055</u>	<u>\$ 168,303</u>
Original pledge amount	<u>\$ 7,563,661</u>	<u>\$ 7,447,778</u>
Loss % as of December 31, 2020	2.25%	2.26%

No adjustments were made to the original reserves for the 2019/2020 and 2018/2019 campaign years.

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Note 4 – Unconditional Promises to Give

The Eleanor Currie Lead Trust and Frank and Jean Popoff Lead Trust are recognized as an unconditional promises to give at a net amount of \$81,065 and \$96,662, as of December 31, 2020 and 2019, respectively. These unconditional promises to give are recorded as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 23,604	\$ 26,775
Receivable in one to five years	65,123	80,487
Total unconditional promises to give	88,727	107,262
Less discounts to net present value	<u>(7,662)</u>	<u>(10,600)</u>
Net unconditional promises to give	<u>\$ 81,065</u>	<u>\$ 96,662</u>
Current	\$ 23,604	\$ 26,775
Long-term	<u>57,461</u>	<u>69,887</u>
Net unconditional promises to give	<u>\$ 81,065</u>	<u>\$ 96,662</u>

The discount rate used on long-term promises to give is 4%. The final payment is due in 2025 for the Eleanor Currie Lead Trust and 2021 for the Frank and Jean Popoff Lead Trust.

Note 5 – Investments

Investments are stated at fair value and consist of the following amounts at December 31:

	<u>2020</u>	<u>2019</u>
Operating		
Certificates of deposits	<u>\$ 522,114</u>	<u>\$ 518,564</u>
Endowment and similar funds		
United Way Endowment Fund	2,234,800	1,920,410
Barstow-Currie Building Endowment	292,782	253,961
Strosacker Center Endowment	1,052,205	905,863
Gerstacker Endowment	<u>1,502,332</u>	<u>1,310,308</u>
Total endowment and similar funds	<u>5,082,119</u>	<u>4,390,542</u>
Total investments - all funds	<u>\$ 5,604,233</u>	<u>\$ 4,909,106</u>

Investments by type are composed of the following as of December 31:

	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 522,114	\$ 518,564
Money market	685,591	619,223
Fixed income	646,078	628,505
Equity mutual funds	3,582,673	2,977,365
Equity securities	<u>167,777</u>	<u>165,449</u>
Total investments	<u>\$ 5,604,233</u>	<u>\$ 4,909,106</u>

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Restrictions on investments are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Without donor restrictions		
Board-designated funds functioning as endowment	\$ 1,758,428	\$ 1,444,038
With donor restrictions		
Purpose restrictions		
Current fund	522,114	518,564
Gerstacker Endowment Fund	1,093,793	901,769
Barstow-Currie Building Endowment Fund	292,782	253,961
Strosacker Center Endowment Fund	1,052,205	905,863
	<u>2,960,894</u>	<u>2,580,157</u>
Perpetual in nature		
United Way Endowment Fund	476,372	476,372
Gerstacker Endowment Fund	408,539	408,539
	<u>884,911</u>	<u>884,911</u>
Total	<u>\$ 5,604,233</u>	<u>\$ 4,909,106</u>

Investment income is composed of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Dividends	\$ 59,952	\$ 73,590
Interest	14,265	29,724
Realized gain on sale of investments	33,366	92,150
Unrealized gain on investments	625,191	481,242
Investment fees	(10,765)	(9,985)
Total income	<u>\$ 722,009</u>	<u>\$ 666,721</u>

Following is an explanation of various endowments used by United Way:

Barstow-Currie Building Endowment Fund

This fund was created in 1995 through a grant from the Barstow Foundation. Fund assets are accumulated and expended exclusively for major repairs and replacements at the Barstow-Currie building. Spending policy is the same as for the Strosacker Center Endowment Fund.

Strosacker Center Endowment Fund

This fund was created in 1991 through a grant from the Charles J. Strosacker Foundation. Fund income is accumulated and expended as needed exclusively for major repairs and replacements at the Strosacker Center facilities. The amount accrued as spendable each year is the greater of annual income or one-half the five-year average total return; subject only to preservation of the inflation-adjusted value of the original gifts.

Gerstacker Endowment Fund

This fund represents prior years' stock gifts in which the donors have stipulated that the principal be maintained, with only the income from the principal available for the United Way operations. Board designated portion of this fund is without donor restrictions.

United Way Endowment Fund

During 2003 portions of other endowment funds without donor restrictions were designated by the United Way Board to create the United Way Endowment Fund. Also, proceeds from the sale of the Chippewa Cabin property were designated to this fund. It is intended that future donor-restricted gifts of endowment will be added to this fund. Board-designated portions of this fund are without donor restrictions and the Board has the right at any time to expend fund principal.

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George Romney United Way of Midland County Volunteer Center Endowment

The George Romney United Way of Midland County Volunteer Center Endowment is held at the Midland Area Community Foundation and provides funds for operational support of the designated community Volunteer Center. Because the Foundation has variance power over the funds and could use these funds for other purposes, the endowment principle is not included in the United Way's Statement of Financial Position. Distributions made from this endowment amounted to \$0 during the year ended December 31, 2020. The distributions are used to support Volunteer Center operations. The ending value of the endowment fund was \$901,307 and \$794,928 as of December 31, 2020 and 2019, respectively.

Change in Endowment and Similar Funds

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Funds			
Net assets, December 31, 2018	\$ 1,149,989	\$ 2,555,280	\$ 3,705,269
Contributions	-	53,000	53,000
Distributions	-	(32,073)	(32,073)
Investment income	28,026	51,496	79,522
Change in investment value	266,023	318,801	584,824
Net assets, December 31, 2019	1,444,038	2,946,504	4,390,542
Distributions	(3,303)	(27,129)	(30,432)
Investment income	24,050	39,402	63,452
Change in investment value	293,643	364,914	658,557
Net assets, December 31, 2020	<u>\$ 1,758,428</u>	<u>\$ 3,323,691</u>	<u>\$ 5,082,119</u>

Note 6 – Property and Equipment

Property and equipment consisted of the following assets at December 31:

	2020	2019
Land	\$ 230,400	\$ 230,400
Building and building improvements	488,697	488,697
Camp Neyati	932,969	932,969
Furniture and equipment	229,713	194,335
Total	1,881,779	1,846,401
Less: accumulated depreciation	(773,636)	(710,373)
Property and equipment (net)	<u>\$ 1,108,143</u>	<u>\$ 1,136,028</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$67,366 and \$69,547, respectively.

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Note 7 – 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 December 31:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Prior campaign net assets released from restrictions	<u>\$ 4,397,363</u>	<u>\$ 4,878,738</u>
Other net assets released from restrictions		
Amortization of discount on unconditional promises to give	\$ 24,636	\$ 19,853
Rise Together Fund for Disaster Relief	1,129,910	-
CMH Online Portal	-	16,616
Corporate Volunteer Manager and STEM Manager positions	172,284	117,292
GLBR Collaboration	-	11,200
CMH Study Program	-	84,000
Greenhill fire victims	-	5,875
Building improvements and maintenance	<u>27,129</u>	<u>137,860</u>
Total other net assets released from restrictions	<u>\$ 1,353,959</u>	<u>\$ 392,696</u>

Note 8 – Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to the passage of time:		
Future campaign funds and pledges collectible in next fiscal year:		
2021 activities	\$ 4,784,197	\$ -
2020 activities	-	4,397,363
Assets held under split interest agreements	<u>81,065</u>	<u>96,662</u>
Total subject to passage of time	<u>4,865,262</u>	<u>4,494,025</u>
Subject to expenditure for a specified purpose:		
Rise Together Fund for Disaster Relief	3,000,523	-
CMH Online Portal	9,985	9,985
Corporate Volunteer Manager and STEM Manager positions	-	102,284
MLK Day Activation	75,000	-
GLBR Collaboration	4,000	4,000
STEM playground	1,000	1,000
Greenhill fire victims	<u>492</u>	<u>492</u>
Total subject to expenditure for specified purpose	<u>3,091,000</u>	<u>117,761</u>
Endowments:		
Subject to endowment spending policy and appropriation, as well as purpose		
Building repair and replacement	2,438,780	2,061,593
Perpetual in nature	<u>951,911</u>	<u>917,911</u>
Total endowments	<u>3,390,691</u>	<u>2,979,504</u>
Total	<u>\$ 11,346,953</u>	<u>\$ 7,591,290</u>

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Note 9 – Revenue from Contracts with Customers

The following summarizes revenue by type for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers	\$ 207,129	\$ 322,919
Net campaign revenue	4,660,957	4,321,989
Designated pledges from other		
United Ways	123,240	75,374
Change in value for lead trusts	9,039	13,595
Other public support	4,116,303	48,592
Interest, dividends and fees	63,452	93,329
Realized and unrealized investment		
gain (loss)	658,557	573,392
In-kind contributions	3,020,547	4,199
Grant revenue	416,221	355,500
Other income	5,516	21,493
	<u>5,516</u>	<u>21,493</u>
 Total revenue	 <u>\$ 13,280,961</u>	 <u>\$ 5,830,382</u>

There was no bad debt expenses for the years ended December 31, 2020 and 2019.

Revenue from contracts with customers for the years ended December 31, 2020 and 2019 consists of:

	<u>2020</u>	<u>2019</u>
Revenue earned at a point in time	\$ 175,922	\$ 173,316
Revenue earned over time	<u>31,207</u>	<u>149,603</u>
 Total revenue from contracts with customers	 <u>\$ 207,129</u>	 <u>\$ 322,919</u>

Revenue earned at a point in time consists of pledge processing fees. United Way of Midland County provides national and area-wide pledge-processing support to certain organizations headquartered in Midland. Set pledge processing fees are applied to designated pledges and Out of Area 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 out of area and designated pledges. Revenue is recognized when pledges are made.

Revenue earned over time consists of Community Advancement Network and Employee Resource Network contracts. The Networks provide fee-based consulting and training services that improve nonprofit organizational effectiveness and efficiency. Contracts are established at the beginning of the projects based on expected hours. Performance obligations are met as hours are spent on the project. The transaction price is based on project hours at a set rate per hour. Revenue is recognized as hours on the project are incurred. The Networks were ended in 2020.

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There were no contract liabilities as of December 31, 2020 and 2019. The following summarized contract assets as of December 31:

	2020		2019
Accounts receivable	\$ -	-	\$ 69,689

There were no changes in judgments related to revenue recognition for the years ended December 31, 2020 and 2019.

Note 10 – Employee Retirement Plan

United Way has established a Simplified Employee Pension Plan (SEP-IRA) qualified under the terms of Section 408(k) of the Internal Revenue Code. Eligible employees are at least 21 years old, have worked at least one of the preceding five years, and have earned at least \$450 (indexed for inflation) during the year. In 2020 and 2019, contributions equivalent to 8% of gross earnings were made on behalf of all eligible full and part-time employees. Total plan contributions for the years ended December 31, 2020 and 2019, amounted to \$55,211 and \$72,151, respectively.

UWMC also allows employees to contribute to a Section 403(B) plan. This plan consists of employee contributions only; the UWMC does not contribute on the employee's behalf.

Note 11 – Payments to Affiliated Organizations

UWMC pays annual membership dues to United Way of America based on a percentage of net annual campaign pledges. The total amount paid to United Way of America was \$63,936 and \$52,495 for the years ended December 31, 2020 and 2019, respectively. UWMC also pays voluntary association support to the Michigan Association of United Ways. The total amount paid to the Michigan Association of United Ways was \$24,293 and \$24,092 for the years ended December 31, 2020 and 2019, respectively.

Note 12 – Supplemental Cash Flow Information

Non-cash transactions during the years ended December 31 are as follows:

	2020		2019
Allowance for uncollectible pledges	\$ 184,033	-	\$ 170,055
Donated securities	127,431	-	106,198

Cash paid for interest was \$0 for the years ended December 31, 2020 and 2019, respectively.

Note 13 – Fair Value Measurements

The following tables represent information about the United Way's assets measured at fair value on a recurring basis at December 31, 2020, and the valuation techniques used at the UWMC to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the UWMC has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar asset in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is

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significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Disclosures concerning assets measured at fair value on a recurring basis are as follows as of December 31, 2020:

	Fair Value Measurements using:		
	Balance at December 31, 2020	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Certificates of deposits	\$ 522,114	\$ 522,114	\$ -
Money market	685,591	685,591	-
Fixed income	646,078	646,078	-
Equity mutual funds	3,582,673	3,582,673	-
Equity securities	167,777	167,777	-
Split interest agreements	81,065	-	81,065
Total	\$ 5,685,298	\$ 5,604,233	\$ 81,065

Disclosures concerning assets measured at fair value on a recurring basis are as follows as of December 31, 2019:

	Fair Value Measurements using:		
	Balance at December 31, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Certificates of deposits	\$ 518,564	\$ 518,564	\$ -
Money market	619,223	619,223	-
Fixed income	628,505	628,505	-
Equity mutual funds	2,977,365	2,977,365	-
Equity securities	165,449	165,449	-
Split interest agreements	96,662	-	96,662
Total	\$ 5,005,768	\$ 4,909,106	\$ 96,662

Changes in level 3 assets and liabilities at fair value on a recurring basis:

	Eleanor Currie Lead Trust	Frank and Jean Popoff Lead Trust	Total Split Interest Agreements
December 31, 2018	\$ 91,576	\$ 23,306	\$ 114,882
Total unrealized gains included in change in net assets	10,181	-	10,181
Net additions, purchases, sales and maturities	(21,815)	(10,000)	(31,815)
Other changes	2,482	932	3,414
December 31, 2019	82,424	14,238	96,662
Total unrealized gains included in change in net assets	6,101	-	6,101
Net additions, purchases, sales and maturities	(14,636)	(10,000)	(24,636)
Other changes	2,368	570	2,938
December 31, 2020	\$ 76,257	\$ 4,808	\$ 81,065

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Split interest agreement assets categorized as Level 3 assets consist of beneficial interest in charitable lead trusts. The United Way estimates the fair value of these split interest agreement assets based upon the fair value of the assets in the trust unless the facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets.

As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in the fair value that were attributable to both observable and unobservable inputs.

Note 14 – Prior Period Adjustment

Net assets at the beginning of the fiscal year have been adjusted for an error in recording a 2015 corporate pledge receivable. During the fiscal year ended December 31, 2015, a pledge revenue and receivable was recorded in the amount of \$655,000. It was determined during a review of the timing of pledge receipts that a grant request of this amount was not made for the revenue recognized from the 2015/2016 United Way campaign and that any subsequent receipt of a pledge in that amount during the fiscal year ended December 31, 2016 was attributable to the 2016/2017 United Way campaign. To correct the error in the pledges receivable outstanding and the revenue recognized in the prior period, an adjustment was made to reduce pledges receivable and net assets in the full amount of \$655,000.

The adjustment corrected beginning net assets and pledge receivable for 2019 as follows:

Net assets, January 1, 2019	\$ 11,354,152
Prior period adjustment	<u>(655,000)</u>
Net assets, January 1, 2019, as restated	<u>\$ 10,699,152</u>
Pledges receivable, December 31, 2019	\$ 5,735,764
Prior period adjustment	<u>(655,000)</u>
Pledges receivable, December 31, 2019, as restated	<u>\$ 5,080,764</u>

Supplementary Information

United Way of Midland County
Schedule of Grants and Allocations
For the Year Ended December 31, 2020
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	<u>2020</u>	<u>2019</u>
Agency allocations:		
211 Northeast Michigan	\$ 40,000	\$ 40,000
American Red Cross - Great Lakes Bay Chapter	13,500	14,000
Arnold Center	90,000	85,000
ARC of Midland	96,000	90,000
Big Brothers Big Sisters of Great Lakes Bay Region	245,000	235,000
Boy Scouts Water & Woods Field Service Council	9,000	2,000
Camp Fire USA Midland County Council	48,000	50,000
Camp Neyati (Midland Camping Council)	98,000	-
Cancer Services	95,000	97,000
Council on Domestic Violence & Sexual Assault (Shelterhouse)	227,000	211,000
Disability Network of MidMichigan	40,000	42,000
Family and Children's Service of Midland	318,500	314,000
Greater Midland Coleman Family Center	128,000	128,000
Greater Midland Community Center	236,300	206,000
Greater Midland North Family Center	164,000	164,000
Hidden Harvest	35,000	33,000
Home to Stay Housing Assistance Center	158,000	-
Legacy Center	30,000	25,000
Midland Area Homes	-	153,000
Midland County Educational Services Agency	15,000	18,000
ROCK Center for Youth Development	90,000	49,750
Safe & Sound Child Advocacy Center	61,000	60,000
Senior Services	91,000	84,000
The Salvation Army	215,000	215,000
Ten-Sixteen Recovery Network	140,000	190,000
West Midland Family Center	429,250	419,250
	<u>3,112,550</u>	<u>2,925,000</u>
Total agency allocations		

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	<u>2020</u>	<u>2019</u>
Grants:		
211 Northeast Michigan	\$ 10,000	\$ 1,040
ARC of Midland	10,000	4,374
Arnold Center	10,000	-
Big Brothers Big Sisters of Great Lakes Bay Region	5,000	-
Camp Fire USA Midland County Council	10,000	-
Camp Neyati (Midland Camping Council)	-	94,000
Care Giving Network	6,000	-
Disability Network of MidMichigan	5,099	-
Duality Performance Builders LLC	810	-
Family and Children's Services of MidMichigan	16,575	11,004
Greater Midland Community Center	9,370	-
Hidden Harvest	13,460	-
Home to Stay Housing Assistance Center	176,800	-
Individuals	68,101	-
Messiah Lutheran Church	6,500	-
Midland Area Community Foundation	60,000	-
Midland Area Community Foundation	-	1,000
Midland City Emergency Food Pantry	11,400	-
Midland Fresh	-	1,000
Other United Way agencies	17,961	-
ROCK Center for Youth Development	3,240	-
Rural Community Health Workers	10,000	-
West Midland Family Center	2,912	6,480
Total grants	<u>453,228</u>	<u>118,898</u>
Allocation and grants - current fund	<u>\$ 3,565,778</u>	<u>\$ 3,043,898</u>