

United Way Montcalm - Ionia Counties

Financial Statements

**March 31, 2022
(With Summarized Comparative
Information for 2021)**



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Management and Board of Directors
United Way Montcalm - Ionia Counties
Belding, Michigan

Opinion

We have audited the accompanying financial statements of United Way Montcalm - Ionia Counties (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way Montcalm - Ionia Counties as of March 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way Montcalm - Ionia Counties and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way Montcalm - Ionia Counties' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way Montcalm - Ionia Counties internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way Montcalm - Ionia Counties' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements as of, and for the year ended, March 31, 2021, were audited by other auditors, whose report dated September 24, 2021 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Lansing, Michigan
January 12, 2023

United Way Montcalm - Ionia Counties

Statement of Financial Position

March 31, 2022

(With Summarized Comparative Information for March 31, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 141,277	\$ 93,626
Pledges receivable	40,798	73,533
Grants and other receivables	-	6,366
Prepaid expenses and other assets	750	750
Beneficial interest in assets held by Community Foundation	125,062	135,181
Property and equipment, net of accumulated depreciation	1,156	2,570
Total assets	\$ 309,043	\$ 312,026
Liabilities and net assets		
Accounts payable and accrued liabilities	\$ 11,950	\$ 21,545
Designations payable	21,239	3,825
Refundable advance - Paycheck Protection Program (PPP)	-	25,800
Total liabilities	33,189	51,170
Net assets		
Without donor restrictions	19,264	(92,902)
With donor restrictions	256,590	353,758
Total net assets	275,854	260,856
Total liabilities and net assets	\$ 309,043	\$ 312,026

See Accompanying Notes to the Financial Statements

United Way Montcalm - Ionia Counties
Statement of Activities
For the Year Ended March 31, 2022
(With Summarized Comparative Information for March 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Support, revenues and gains				
Gross campaign results	\$ -	\$ 175,786	\$ 175,786	\$ 163,681
Less: donor designations	-	(17,661)	(17,661)	(8,419)
Less: provisions for uncollectible pledges	-	(26,598)	(26,598)	(12,823)
Net campaign revenue	-	131,527	131,527	142,439
Grant revenue	389,190	-	389,190	522,739
Interest income	10	-	10	23
Change in beneficial interest	-	(10,119)	(10,119)	53,098
PPP loan forgiveness	25,800	-	25,800	25,800
Miscellaneous income	7,460	-	7,460	7,439
Net assets released from restrictions	218,576	(218,576)	-	-
Total support, revenues and gains	641,036	(97,168)	543,868	751,538
Expenses				
Program services	482,454	-	482,454	618,148
Supporting services				
Management and general	35,633	-	35,633	2,580
Fundraising	10,783	-	10,783	20,704
Total supporting services	46,416	-	46,416	23,284
Total expenses	528,870	-	528,870	641,432
Change in net assets	112,166	(97,168)	14,998	110,106
Net assets, beginning of year	(92,902)	353,758	260,856	150,750
Net assets, end of year	\$ 19,264	\$ 256,590	\$ 275,854	\$ 260,856

See Accompanying Notes to the Financial Statements

United Way Montcalm - Ionia Counties
Statement of Functional Expenses
For the Year Ended March 31, 2022
(With Summarized Comparative Information for March 31, 2021)

	Program Services	Supporting Services		Total	
		Management and General	Fundraising	2022	2021
Salaries and related expenses					
Salaries	\$ 247,885	\$ 17,780	\$ 8,444	\$ 274,109	\$ 121,746
Payroll taxes	17,376	1,360	646	19,382	8,509
Employee health and retirement benefits	7,264	1,625	761	9,650	3,549
Total salaries and related expenses	272,525	20,765	9,851	303,141	133,804
Operating expenses					
Dues and memberships	5,757	403	142	6,302	4,595
Contracted services	9,250	-	-	9,250	15,000
Professional services	-	12,222	-	12,222	13,254
Supplies	1,895	132	47	2,074	-
Telephone and internet	2,081	145	51	2,277	2,635
Office expenses	-	-	-	-	649
Postage and shipping	607	42	15	664	12
Marketing and promotions	3,779	264	93	4,136	120
Travel and automobile	114	8	3	125	1,277
Conference and meetings	1,438	101	35	1,574	1,102
Insurance	1,795	126	44	1,965	2,323
Rent and utilities	15,055	1,053	371	16,479	10,910
Grants	162,841	-	-	162,841	450,867
Depreciation	1,291	90	32	1,413	1,413
Software and computer support	3,544	248	87	3,879	2,382
Other	482	34	12	528	1,089
Total operating expenses	209,929	14,868	932	225,729	507,628
Total expenses	\$ 482,454	\$ 35,633	\$ 10,783	\$ 528,870	\$ 641,432

See Accompanying Notes to the Financial Statements

United Way Montcalm - Ionia Counties
Statement of Cash Flows
For the Year Ended March 31, 2022
(With Summarized Comparative Information for March 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 14,998	\$ 110,106
Adjustments for noncash items		
Depreciation	1,413	1,413
Change in beneficial interest in assets held by Community Foundation	5,197	(53,098)
Provision for uncollectible pledges	26,598	-
Changes in operating assets and liabilities		
Pledges receivable	6,138	50,083
Grants and other receivables	6,366	(6,366)
Prepaid expenses and other assets	-	(750)
Accounts payable and accrued liabilities	(9,595)	(21,760)
Designations payable	17,414	(4,301)
Deferred revenue	-	(30,579)
Agency allocations payable	-	(128,247)
Refundable advance	(25,800)	25,800
Net cash provided (used) by operating activities	<u>42,729</u>	<u>(57,699)</u>
Cash flows from investing activities		
Distributions from beneficial interest in assets held by Community Foundation	4,922	19,723
Purchase of beneficial interest	-	(3,920)
Net cash provided by investing activities	<u>4,922</u>	<u>15,803</u>
Net change in cash and cash equivalents	47,651	(41,896)
Cash and cash equivalents, beginning of the year	<u>93,626</u>	<u>135,522</u>
Cash and cash equivalents, end of the year	<u><u>\$ 141,277</u></u>	<u><u>\$ 93,626</u></u>

See Accompanying Notes to the Financial Statements

United Way Montcalm - Ionia Counties
Notes to the Financial Statements
March 31, 2022
(With Summarized Comparative Information as of March 31, 2021)

Note 1 - Nature of Organization

United Way Montcalm - Ionia Counties (the "Organization" or "UWMI") advances the common good in the Montcalm and Ionia counties 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.

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

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

Allocations and Grants to Non-Profit Agencies

The Organization invests financially in many local initiatives that improve people's lives and solve complex, systemic issues facing the local community. Part of UWMI'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 in the areas of Basic Needs (211, food security, and housing), early education, and literacy (birth to third grade and adult literacy), medical transportation, and financial stability (Volunteer Income Tax Assistance).

Community Impact

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

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

2-1-1 Call Center

Heart of West Michigan 2-1-1 provides comprehensive information and referral services to residents of Montcalm and Ionia 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.

Heart of West Michigan 2-1-1 is a free telephone, texting, chatting, and emailing 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. Heart of West Michigan 2-1-1 provides 24 hours a day, 7 days a week, 365 days a year. Services provided by telephone are free to callers.

United Way Montcalm - Ionia Counties
Notes to the Financial Statements
March 31, 2022
(With Summarized Comparative Information as of March 31, 2021)

Volunteer Center

UWMI is made relevant and impactful through the spirit of volunteerism. The UWMI Volunteer Center of became a program of the Organization in 2005. In addition to online volunteer opportunities, UWMI'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 UWMI 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, UWMI staff connect individual volunteers, groups of volunteers, those in need of court-ordered community service with opportunities available in the community.

In January 2021, UWMI launched an all-new digital Volunteer Center for the entire community to use. This resource is free to all UWMI funded partners to help in their volunteer recruitment and retention.

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.

United Way Montcalm - Ionia Counties
Notes to the Financial Statements
March 31, 2022
(With Summarized Comparative Information as of March 31, 2021)

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurements, refer to Note 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 the fall each year and each such campaign is principally associated with the subsequent fiscal year. All pledges received relating to the current campaign are recognized as pledges receivable. The Organization maintains reserves for potential uncollectible pledges that, in the aggregate, have not exceeded management's expectations. After two years, uncollected campaign pledges are written off.

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 5 to 10 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.

United Way Montcalm - Ionia Counties
Notes to the Financial Statements
March 31, 2022
(With Summarized Comparative Information as of March 31, 2021)

Designations and Agency Allocations Payable

Designations payable represent unpaid designations as of March 31, 2022 and 2021, respectively, net of a reserve for uncollectible pledges. Certain designations payable are also reported net of an administration fee of 10% in 2022 and 2021. The Organization pays allocations related to each campaign based on a 12-month disbursement period. Agency allocations payable represent unpaid allocations as of March 31, 2022 and 2021.

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. In the opinion of management, immaterial amounts of revenue are received from contracts with customers related to pledge processing fees which are recognized when performance obligations are met at time of the pledge.

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 March 31, 2022 and 2021, 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 charged directly to programs and supporting services based on specific identification. Other expenses, including compensation and benefits, and certain operating expenses are allocated based on management estimates of time and effort used in program and administrative areas. 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 March 31, 2022 and 2021, there were no penalties recorded in the financial statements. The Organization files information returns in the U.S. Federal jurisdiction.

United Way Montcalm - Ionia Counties
Notes to the Financial Statements
March 31, 2022
(With Summarized Comparative Information as of March 31, 2021)

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. All of these balances were insured by the Federal Deposit Insurance Corporation.

The Organization's contributions revenue and pledges receivable are primarily due from individuals, businesses, and foundations located in the areas of Ionia and Montcalm counties. Credit risk with respect to pledges receivable and revenues is mitigated by the large number of individual pledges and their dispersion among individuals employed across different industry segments, however, 44% and 43% of the Organization's total support and revenues were donated by six companies and their employees for the years ended March 31, 2022 and 2021.

Comparative Financial Information

The financial information for the year ended March 31, 2021 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, March 31, 2022 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 January 12, 2023, the date the financial statements were available to be issued.

Upcoming Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The update increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing essential information about leasing transactions. Implementation of this standard has been delayed, and will be adopted by the Organization for the year ended March 31, 2023. Management is evaluating the impact of the guidance on the Organization's financial statements.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for nonprofit organizations. The ASU requires nonprofit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires footnote disclosures related to the nonfinancial assets. This standard will be applicable for the fiscal year ending March 31, 2023. Management is evaluating the impact of the guidance on the Organization's financial statements.

United Way Montcalm - Ionia Counties

Notes to the Financial Statements

March 31, 2022

(With Summarized Comparative Information as of March 31, 2021)

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:

	2022	2021
Cash and cash equivalents	\$ 141,277	\$ 93,626
Pledges receivable, net	40,798	73,533
Grants and other receivables	-	6,366
Financial assets at year end	182,075	173,525
Less those unavailable for general expenditure within one year:		
Restricted by donor with time or purpose restrictions	(19,558)	(76,139)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 162,517</u>	<u>\$ 97,386</u>

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.

Note 4 - Pledges Receivable

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

	2022	2021
Pledges receivable		
Current campaign	\$ 52,506	\$ 82,276
First prior campaign	28,004	27,024
Total pledges receivable	80,510	109,300
Less allowance for uncollectable pledges		
Current campaign	(15,632)	(10,025)
First prior campaign	(24,080)	(25,742)
Total allowance for uncollectable pledges	(39,712)	(35,767)
Net pledges receivable	<u>\$ 40,798</u>	<u>\$ 73,533</u>

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.

United Way Montcalm - Ionia Counties
Notes to the Financial Statements
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(With Summarized Comparative Information as of March 31, 2021)

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

Beneficial interest in assets held by the community foundation consists of two funds held by the Greenville Area Community Foundation (Foundation). These funds were primarily established by the Organization using funds with donor restrictions as part of a merger between the Organization and United Way of Montcalm County and, therefore, shown within net assets with donor restrictions on the financial statements. 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 purpose of the Volunteer Connections Fund is to provide operating support for the volunteer response center. The purpose of the John Caswell Fund is to provide scholarships.

In addition, certain 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 March 31, 2022 and 2021, the value of funds held for the benefit of the Foundation, but not recorded on the statement of financial position was approximately \$133,000 and \$136,000, respectively.

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

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 March 31:

	2022	2021
Beginning of the year	\$ 135,181	\$ 97,886
Contributions	-	3,920
Investment earnings	(4,914)	53,098
Distributions	(4,922)	(19,723)
Administrative expenses	(283)	-
	\$ 125,062	\$ 135,181

United Way Montcalm - Ionia Counties
Notes to the Financial Statements
March 31, 2022
(With Summarized Comparative Information as of March 31, 2021)

Note 6 - Refundable Advance – PPP proceeds

During the prior fiscal year, the Organization received a conditional contribution in the form of a Paycheck Protection Program 2 (PPP2) Loan of \$25,800 funded by the Federal government through the Small Business Administration. The PPP2 loan and any accrued interest are forgivable after twenty-four weeks as long as the borrower meets certain criteria, which include maintaining salaries and FTE ratios. The loan proceeds must be used for eligible purposes, including payroll, health insurance, retirement plans, state and local taxes assessed on employee compensation, mortgage interest, rent, and utilities. The conditions impacting forgiveness of the proceeds are based on reductions in salaries or reductions in FTEs over a covered period. The entire amount of the loan was forgiven by the SBA in August 2021. Based on the timing of when the conditions were met to record the loan as contribution revenue, \$25,800 was recognized as revenue during 2022.

The Organization's PPP(1) loan in the amount of \$25,800 was forgiven by the SBA in November 2020. This loan was recognized as contribution revenue for the year ended March 31, 2021 which is the year the conditions were met to record as a contribution.

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods as of March 31:

	2022	2021
Subject to passage of time:		
Perpetually restricted		
Endowment principal	\$ 62,700	\$ 62,700
Pledges for future campaigns		
2021 activities	-	142,439
2022 activities	131,528	-
Subject to purpose restrictions:		
COVID-19 programs	-	76,137
Endowment earnings and gains	62,362	72,482
Total net assets with donor restrictions	\$ 256,590	\$ 353,758

Note 8 - 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 March 31:

	2022	2021
Prior campaign net assets released from restriction	\$ 142,439	\$ 171,170
Other purpose restrictions accomplished:		
Grant expenses incurred	76,138	500,565
Net beneficial interest activity	10,119	15,803
Total net assets released from restrictions	\$ 228,696	\$ 687,538

United Way Montcalm - Ionia Counties

Notes to the Financial Statements

March 31, 2022

(With Summarized Comparative Information as of March 31, 2021)

Note 9 - Payments to Affiliated Organizations

The Organization is a separate and autonomous organization from United Way Worldwide. The Organization incurred dues of \$3,655 and \$4,155 to United Way Worldwide for the year ended March 31, 2022 and 2021, 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 \$1,237 and \$1,073 for the years ended March 31, 2022 and 2021, respectively.

Note 10 - Operating Leases

The Organization has entered into a non-cancelable operating lease agreement for the rental office space through June 2026. Future minimum lease payments under such lease agreement are summarized as follows for each of the fiscal years succeeding March 31, 2022 and thereafter:

<u>Year</u>	<u>Amount</u>
2023	\$ 15,041
2024	10,026
2025	10,427
2026	2,632
Total	<u>\$ 38,126</u>

Rent expense was approximately \$12,750 and \$9,820 for the years ended March 31, 2022 and 2021, respectively.