

Audited Financial Statements  
and Other Supplementary Information

United Way of Washtenaw County

*15-Month Period Ended September 30, 2023  
with Report of Independent Auditors*

United Way of Washtenaw County

Audited Financial Statements  
and Other Supplementary Information

15-Month Period Ended September 30, 2023

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## Report of Independent Auditors

Board of Directors  
United Way of Washtenaw County  
Ann Arbor, Michigan

### **Opinion**

We have audited the accompanying financial statements of United Way of Washtenaw County (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the 15-month period 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 of Washtenaw County as of September 30, 2023, and the changes in its net assets and its cash flows for the 15-month period 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Washtenaw County 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.

### **Emphasis of Matter**

As discussed in Note 11, effective October 1, 2023, United Way of Washtenaw County merged with United Way for Southeastern Michigan. Based upon the merger arrangement, United Way of Washtenaw County will be consolidated into United Way for Southeastern Michigan and United Way of Washtenaw County will no longer exist as an independent entity. Our opinion is not modified with respect to this matter.

### **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 the United Way of Washtenaw County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's 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 auditor's 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

## 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 Donor Designations for the 15-month period ended September 30, 2023 is presented for additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is 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 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.

*Andrews Hooper Pavlik PLC*

Bloomfield Hills, Michigan  
April 3, 2024

United Way of Washtenaw County

Statement of Financial Position

September 30, 2023

**Assets**

Current assets:

|   |    |                  |
|---|----|------------------|
| Cash and cash equivalents                 | \$ | 864,353          |
| Pledges receivable, net                   |    | 741,345          |
| Investments                               |    | 3,006,826        |
| Prepaid expenses and other current assets |    | 69,396           |
| Total current assets                      |    | <u>4,681,920</u> |

Noncurrent assets:

|   |  |                  |
|---|--|------------------|
| Investments held for long-term purposes |  | 2,350,459        |
| Net property and equipment              |  | 1,114,870        |
| Total noncurrent assets                 |  | <u>3,465,329</u> |

|              |    |                  |
|--------------|----|------------------|
| Total assets | \$ | <u>8,147,249</u> |
|--------------|----|------------------|

**Liabilities and net assets**

Current liabilities:

|                               |    |                  |
|-------------------------------|----|------------------|
| Accounts payable              | \$ | 56,364           |
| Grants payable                |    | 509,996          |
| Designations payable          |    | 225,401          |
| Deferred revenue              |    | 57,018           |
| Accrued liabilities and other |    | 249,620          |
| Lease obligation              |    | 1,032            |
| Total current liabilities     |    | <u>1,099,431</u> |

Net assets:

|                            |  |                  |
|----------------------------|--|------------------|
| Without donor restrictions |  | 4,126,559        |
| With donor restrictions    |  | 2,921,259        |
| Total net assets           |  | <u>7,047,818</u> |

|                                  |    |                  |
|----------------------------------|----|------------------|
| Total liabilities and net assets | \$ | <u>8,147,249</u> |
|----------------------------------|----|------------------|

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

# United Way of Washtenaw County

## Statement of Activities

15-Month Period Ended September 30, 2023

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
|--|-------------------------------|----------------------------|--------------|
| <b>Contributions, gains, and other support</b>                                       |                               |                            |              |
| Campaign results:  |                               |                            |              |
| Contributions  | \$ 19,703                     | \$ 4,127,081               | \$ 4,146,784 |
| Uncollectible pledges  | -                             | (110,508)                  | (110,508)    |
| Donor designations   | -                             | (1,108,001)                | (1,108,001)  |
| Net campaign results   | 19,703                        | 2,908,572                  | 2,928,275    |
| Grants   | 280,013                       | -                          | 280,013      |
| Donor advised fund contributions   | 7,000                         | -                          | 7,000        |
| Contributed nonfinancial services and assets   | 72,780                        | -                          | 72,780       |
| Special events   | 88,514                        | -                          | 88,514       |
| Less: Costs with direct benefits to donors   | (10,902)                      | -                          | (10,902)     |
| Net revenues from special events   | 77,612                        | -                          | 77,612       |
| Other contributions and bequests   | 201,950                       | -                          | 201,950      |
| Net investment return  | 71,267                        | 147,537                    | 218,804      |
| Service fees   | 28,339                        | -                          | 28,339       |
| Miscellaneous income   | 26,457                        | -                          | 26,457       |
| Total contributions, gains, and other support  | 785,121                       | 3,056,109                  | 3,841,230    |
| Net assets released from restrictions  | 3,188,838                     | (3,188,838)                | -            |
| Total contributions, gains, other support, and net assets released from restrictions | 3,973,959                     | (132,729)                  | 3,841,230    |
| <b>Expenses</b>  |                               |                            |              |
| Program services:  |                               |                            |              |
| Grants to agencies   | 2,688,665                     | -                          | 2,688,665    |
| Less donor designations  | 1,108,002                     | -                          | 1,108,002    |
| Net grants to agencies   | 1,580,663                     | -                          | 1,580,663    |
| Donor advised giving   | 63,244                        | -                          | 63,244       |
| Community impact   | 388,558                       | -                          | 388,558      |
| Community service  | 167,531                       | -                          | 167,531      |
| Regional call center 2-1-1   | 40,000                        | -                          | 40,000       |
| Volunteer center   | 55,468                        | -                          | 55,468       |
| Financial stability  | 213,570                       | -                          | 213,570      |
| Diversity, equity, and inclusion   | 47,765                        | -                          | 47,765       |
| Total program services   | 2,556,799                     | -                          | 2,556,799    |
| Support services:  |                               |                            |              |
| Management and general   | 598,359                       | -                          | 598,359      |
| Fundraising  | 775,617                       | -                          | 775,617      |
| Total support services   | 1,373,976                     | -                          | 1,373,976    |
| Total expenses   | 3,930,775                     | -                          | 3,930,775    |
| Change in net assets   | 43,184                        | (132,729)                  | (89,545)     |
| Net assets as of beginning of year   | 4,083,375                     | 3,053,988                  | 7,137,363    |
| Net assets as of end of year   | \$ 4,126,559                  | \$ 2,921,259               | \$ 7,047,818 |

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

United Way of Washtenaw County

Statement of Functional Expenses

15-Month Period Ended September 30, 2023

|                                  | <b>Grants,<br/>Designations,<br/>and Donor<br/>Advised</b> | <b>Salary,<br/>Benefits, and<br/>Taxes</b> | <b>Professional<br/>Fees, Contract<br/>Services, and<br/>UWW Dues</b> | <b>Occupancy,<br/>Equipment,<br/>Depreciation,<br/>and Insurance</b> | <b>Advertising,<br/>Event, and<br/>Other</b> | <b>Contributed<br/>Non-Financial<br/>Assets</b> | <b>Total</b> |
|----------------------------------|--|--|---|--|--|---|--------------|
| <b>Program services</b>          |  |  |   |  |  |   |              |
| Grants and designations:         |  |  |   |  |  |   |              |
| Grants to agencies               | \$ 2,688,665   | \$ -                                       | \$ -  | \$ -   | \$ -   | \$ -  | \$ 2,688,665 |
| Less donor designations          | 1,108,002  | -  | -   | -  | -  | -   | 1,108,002    |
| Net grants to agencies           | 1,580,663  | -  | -   | -  | -  | -   | 1,580,663    |
| Donor advised giving             | 63,244   | -  | -   | -  | -  | -   | 63,244       |
| Community impact                 | -  | 257,570                                    | 51,279  | 40,894   | 38,815                                       | -   | 388,558      |
| Community service                | -  | 90,708                                     | 18,501  | 19,704   | 38,618                                       | -   | 167,531      |
| Regional call center 2-1-1       | -  | -  | -   | -  | 40,000                                       | -   | 40,000       |
| Volunteer center                 | -  | 7,243                                      | 3,833   | 4,120  | 40,272                                       | -   | 55,468       |
| Financial stability              | -  | 6,727                                      | 7,298   | 7,882  | 191,663                                      | -   | 213,570      |
| Diversity, equity, and inclusion | -  | 17,969                                     | 539   | -  | 29,257                                       | -   | 47,765       |
| Total program services           | 1,643,907  | 380,217                                    | 81,450  | 72,600   | 378,625                                      | -   | 2,556,799    |
| <b>Support services</b>          |  |  |   |  |  |   |              |
| Management and general           | -  | 441,697                                    | 50,815  | 42,251   | 59,203                                       | 4,393   | 598,359      |
| Fundraising                      | -  | 397,201                                    | 112,068   | 64,320   | 133,641                                      | 68,387  | 775,617      |
| Total support services           | -  | 838,898                                    | 162,883   | 106,571  | 192,844                                      | 72,780  | 1,373,976    |
| Total expenses                   | \$ 1,643,907   | \$ 1,219,115                               | \$ 244,333  | \$ 179,171   | \$ 571,469                                   | \$ 72,780                                       | \$ 3,930,775 |

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



United Way of Washtenaw County

Statement of Cash Flows

15-Month Period Ended September 30, 2023

|   |                   |
|---|-------------------|
| <b>Cash flows from operating activities</b>   |                   |
| Change in net assets  | \$ (89,545)       |
| Adjustments to reconcile changes in net assets to net cash from operating activities: |                   |
| Depreciation and loss on disposal   | 82,343            |
| Net realized and unrealized gains on investments                                      | (218,804)         |
| Uncollectible pledges   | 110,508           |
| Changes in operating assets and liabilities:  |                   |
| Pledges receivable  | 120,380           |
| Prepaid expenses and other current assets   | 125,367           |
| Accounts payable  | 39,141            |
| Grants payable  | (887,504)         |
| Designations payable  | (111,089)         |
| Deferred revenue  | (26,065)          |
| Accrued liabilities and other   | 243,444           |
|   | <hr/>             |
| Net cash from operating activities  | (611,824)         |
| <b>Cash flows from investing activities</b>   |                   |
| Purchases of property and equipment   | (8,264)           |
| Purchases of investments  | (901,040)         |
| Proceeds from sales of investments  | 1,023,205         |
|   | <hr/>             |
| Net cash from investing activities  | 113,901           |
| <b>Cash flows from financing activities</b>   |                   |
| Payments on capital lease   | (7,702)           |
|   | <hr/>             |
| Net cash from financing activities  | (7,702)           |
|   | <hr/>             |
| Net change in cash and cash equivalents   | (505,625)         |
| Cash and cash equivalents as of beginning of year                                     | 1,369,978         |
| Cash and cash equivalents as of end of year   | <u>\$ 864,353</u> |
| <b>Supplemental cash flow information</b>   |                   |
| Cash paid for interest  | <u>\$ 203</u>     |

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

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Organization and Summary of Significant Accounting Policies**

#### **Nature of Organization**

United Way of Washtenaw County (Organization) is a not-for-profit corporation that was formed on January 13, 1972. Skilled volunteers recruited by the Organization grant undesignated funds to local not-for-profits based on community needs. In addition, the Organization distributes funds to not-for-profits that are designated by the donor. The Organization's support is derived from voluntary contributions from the public. The Organization is governed by a volunteer Board of Directors. While the Organization is an affiliate of United Way Worldwide, it operates as an autonomous organization.

#### **Mission Statement**

The mission of the Organization is to connect people, resources, and agencies together to create a thriving community for everyone.

The Organization provides the following program services:

#### *Community Impact*

From 2010 through 2021, the Organization participated in the Coordinated Funding Model that supported shared community-wide strategies. Beginning in 2022, the Organization moved to stand-alone grant-making in order to focus funding on priority equity areas. The Organization continues to fund several other programs such as Regional Call Center 2-1-1, Volunteer Center, etc., exclusive of Coordinated Funding. The Organization also retains a small flexible fund to address emerging needs or opportunities in the community.

#### *Community Service*

The Organization promotes United Way contributions from union members, recruits, volunteers, and other not-for-profits serving the community and links families through the Community Labor Council and the AFL-CIO Community Services Programs.

#### *Regional Call Center 2-1-1*

The Organization provides callers with information about and referrals to human services for everyday needs and in times of crisis. United Way Regional Call Center 2-1-1 offers basic human needs resources; physical/mental health resources; employment support; support for senior citizens and persons with disabilities; support for children, youth, and families; and volunteer opportunities.

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

#### **Mission Statement (continued)**

##### *Volunteer Center*

The Organization administers a volunteer network that allows local not-for-profits to post volunteer opportunities. These opportunities are made available to the community via a website allowing individuals and other not-for-profits to assist with these projects. These services provide a way for the Organization to assist local not-for-profits without providing direct financial support.

##### *Financial Stability*

The Organization provides services designed towards helping citizens become economically self-sufficient reducing their need for safety-net services that are used during crisis situations. These services include a Volunteer Income Tax Assistance (VITA) Program which uses the Internal Revenue Service certified volunteers to assist low-income individuals with the preparation and filing of their annual tax return. In addition, the Organization also provides Financial Empowerment Coaching through Americorp members designed at helping individuals develop healthy budgeting and spending habits, as well as assistance with debt reduction and credit repair.

#### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) to focus on the Organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues and support, expenses, and gains or losses are classified based on the existence or absence of donor-imposed restrictions.

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are available for use at the discretion of management and/or the Board of Directors for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion (see Note 3).

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

#### **Basis of Presentation (continued)**

*Net Assets With Donor Restrictions* – Net assets with donor restrictions consists of contributions that have been restricted by the donor for specific purposes or are time restricted. 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 those resources be maintained in perpetuity.

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the allowance for uncollectible pledges.

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments purchases with an original maturity of three months or less to be cash equivalents. The Organization maintains cash deposits with financial institutions, which at times, may exceed federally insured limits.

#### **Pledges Receivable, Campaign Contribution, Deferred Revenue, and Revenue Recognition**

Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are reported as support when received at fair value. These pledges, most of which are due within one year, consist of amounts designated to other organizations and amounts to be used for operations. Pledges receivable that are expected to be collected in future years are initially recorded at their estimated fair value using a probability weighted, discounted rate adjusted present value model. The unamortized discount represents the adjustment required to record promises expected to be received in future years at their fair value. Amortization of the discount is recorded as an additional contribution and used in accordance with any donor-imposed restrictions over the promise period. No such discount is recorded as of September 30, 2023.

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

#### **Pledges Receivable, Campaign Contribution, Deferred Revenue, and Revenue Recognition (continued)**

Contributions with donor-imposed time or purpose restrictions are reported as support with donor restrictions. All other contributions are reported as support without donor restrictions. Unconditional promises to give (pledges) with payments due in future periods are assumed to have an implicit time restriction. Those restrictions are released as contributions are collected or when grants are made to recipient organizations based on those future collections.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

The provision for uncollectible pledges is computed based upon a five-year historical average, adjusted by management's estimates of current economic factors and applied to campaign results, excluding donor designations. The provision for uncollectible pledges is approximately \$81,000 as of September 30, 2023.

Other revenues are recognized when earned. Program service fees and deferred revenue are recognized when the applicable performance obligations are met.

#### **Donor Designations to Agencies**

The Organization receives pledges from donors designating the resources to specified agencies. The Organization collects these resources and disburses the funds to the designated agencies. Designated pledges are excluded from contributions and the related disbursements to specified agencies are excluded from gross funds awarded in the statement of activities. Service fees are withheld from these designated amounts in accordance with the agreement with the donor. Service fee revenue is recognized in the period when the designation is received from the donor.

#### **Investments**

Investment securities purchased are stated at fair value, which is based on quoted market prices. Investment securities received as gifts are initially recorded at fair value at the date of donation. Income from investments, including realized and unrealized gains and losses, is allocated among net assets with donor restrictions and without donor restrictions based on donor restrictions or the absence thereof. Realized gains and losses are determined using the specific identification method. Investment return is reported net of external investment expenses.

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

#### Investments (continued)

The Organization 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 statement of financial position.

#### Donor-Advised Funds

Donor-advised funds are established with gifts from donors with the request that the donors be allowed to provide advice regarding the distribution of the transferred assets to unaffiliated beneficiaries. These donors have granted the Organization variance power, which allows the Organization the flexibility to modify the donors' advice as necessary to serve the charitable purposes of the Organization. When accounting for additions to donor-advised funds, the Organization records the assets received or promised as contributions without donor restrictions and amounts awarded as donor-advised funds awarded on the statement of activities.

#### Grants to Agencies

Grants to agencies are reported as expenses when unconditionally committed to the recipient by the Organization. Grants represent ongoing service delivery to recipients.

#### Contributed Nonfinancial Services and Assets

Businesses, individuals, and others contribute materials and services toward the fulfillment of programs and fundraising campaigns. To the extent that contributions of materials and services are objectively measurable and represent program or support expenditures that would otherwise be incurred by the Organization, they are reflected in both support service and program service expenses in the accompanying financial statements. Donated materials and services are recorded at the fair market value upon receipt. The Organization recognized \$72,780 of donated materials and services during the 15-month period ended September 30, 2023

Total contributed nonfinancial assets consisted of the following for the 15-month period ended September 30 2023:

|                                       |                  |
|---------------------------------------|------------------|
| Contributed nonfinancial assets:      |                  |
| Marketing and advertising             | \$ 68,387        |
| Printing and mailing                  | 1,243            |
| Legal services                        | 3,150            |
| Total contributed nonfinancial assets | <u>\$ 72,780</u> |

United Way of Washtenaw County

Notes to Financial Statements

September 30, 2023

**1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

**Contributed Nonfinancial Services and Assets (continued)**

Contributed services, including marketing and advertising, comprise professional services from contractors, advertisers, and associated technological support. Contributed services were valued and were reported at the estimated fair market value in the financial statements based on current rates for similar services

Printing and mailing services were provided by various companies to assist the Organization in conducting fundraising drives and to provide “thank you” letters to donors. These services were valued and were reported at the estimated fair market value in the financial statements based on quoted prices from vendors.

Legal services were provided by Attorneys to assist with the merger of United Way of Washtenaw County and United Way for Southeastern Michigan. Services were valued and reported at the estimated fair market value in the financial statements based on invoices received from their Attorneys.

No volunteer services have been valued or recorded in the financial statements, as there is no objective basis available to measure the value of such services; however, for the 15-month period ended September 30, 2023, 287 volunteers donated 2,856 hours of their time to the Organization’s programs. Using the independent sector hourly rate for the 15-month period ended September 30, 2023, of \$31.80, the total amount of volunteer services equates to \$90,821.

**Property and Equipment and Depreciation**

All property and equipment purchased exceeding \$1,000 is capitalized. Ordinary maintenance and repairs are expensed. Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amounts may not be recoverable. Depreciation is provided over the shorter of the estimated useful lives of the respective assets or the lease term on a straight-line basis. A summary of depreciable lives follows:

|                         |              |
|-------------------------|--------------|
| Land improvements       | 25 years     |
| Buildings               | 50 years     |
| Furniture and equipment | 3 – 15 years |

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

#### **Functional Allocation of Expenses**

Direct expenses which can be clearly defined as incurred for a specific program are charged to that program. Natural expenses attributable to more than one functional expense category are allocated using a reasonable cost allocation method. Salaries and related employee benefits have been allocated to programs and services based on estimated time and effort. Other expenses are allocated based on estimates of usage.

#### **Income Taxes**

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted an income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.”

The Organization has evaluated its income tax filing positions for fiscal years 2020 through 2023, the years which remain subject to examination as of September 30, 2023. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization’s financial statements. The Organization does not expect the total amount of unrecognized tax benefits (UTB) (e.g., tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next 12 months. The Organization does not have any amounts accrued for interest and penalties related to UTBs as of September 30, 2023, and is not aware of any claims for such amounts by federal or state income tax authorities.

#### **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).



# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

#### **Fair Value Measurements (continued)**

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an organization’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

For further discussion of fair value measurement, refer to Note 2 to the financial statements.

#### **Subsequent Events**

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2023, the most recent statement of financial position presented herein, through April 3, 2024, the date these financial statements were available to be issued.

### **2. Investments and Fair Value Measurements**

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Certain investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

United Way of Washtenaw County

Notes to Financial Statements

September 30, 2023

**2. Investments and Fair Value Measurements (continued)**

*Money Market Funds and Mutual Funds* – Shares held in money market funds and mutual funds traded on national securities exchanges are valued at the net asset value (NAV) of shares held by the Organization at year end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, then divided by the number of shares outstanding (Level 1).

*Beneficial Interest in Funds Held by the Community Foundation* – The Organization allocated its portion of the total fair values of the underlying securities of the Community Foundation, a measure considered equivalent to net asset value. The underlying securities held by the Community Foundation cannot be liquidated or redeemed by the Organization (Level 3).

Investments are summarized as follows as of September 30, 2023:

|  |                     |
|--|---------------------|
| Cash equivalents   | \$ 79,762           |
| Mutual funds:  |                     |
| Fixed income   | 836,546             |
| Equity   | <u>1,300,645</u>    |
| Total mutual funds   | 2,216,953           |
| Beneficial interest in funds held by<br>the Community Foundation | 133,506             |
| Certificates of deposit  | 460,138             |
| Money market funds   | <u>2,546,688</u>    |
| Total investments  | <u>\$ 5,357,285</u> |

United Way of Washtenaw County

Notes to Financial Statements

September 30, 2023

**2. Investments and Fair Value Measurements (continued)**

**Assets Recorded at Fair Value on a Recurring Basis**

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of September 30, 2023:

|   | Assets at Fair Value |         |            | Total        |
|---|----------------------|---------|------------|--------------|
|   | Level 1              | Level 2 | Level 3    |              |
| Mutual funds  | \$ 2,216,953         | \$ -    | \$ -       | \$ 2,216,953 |
| Money market funds  | 2,546,688            | -       | -          | 2,546,688    |
| Beneficial interest in<br>funds held by the<br>Community Foundation | -                    | -       | 133,506    | 133,506      |
| Total assets at fair value  | \$ 4,763,641         | \$ -    | \$ 133,506 | \$ 4,897,147 |

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 asset measured at fair value on a recurring basis for the years ended September 30, 2023:

**Community Foundation**

|   |            |
|---|------------|
| Balance of recurring Level 3 asset at beginning of year | \$ 122,868 |
| Net investment return                                   | 8,493      |
| Contributions   | 7,000      |
| Distributions   | (4,855)    |
| Balance of recurring Level 3 asset at end of year       | \$ 133,506 |

United Way of Washtenaw County

Notes to Financial Statements

September 30, 2023

**3. Net Assets and Endowments**

Net assets with donor restrictions are restricted for the following purposes or periods as of September 30, 2023:

|   |                     |
|---|---------------------|
| Subject to the passage of time  | \$ 565,945          |
| <b>Endowments</b>   |                     |
| Accumulated investment returns available for appropriation  | 429,440             |
| Perpetual in nature, earnings from which are subject to endowment spending policy and appropriations: |                     |
| Donor-restricted endowments   | <u>1,925,874</u>    |
| Total endowments  | <u>2,355,314</u>    |
| Total net assets with donor restrictions  | <u>\$ 2,921,259</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No such deficiency exists as of September 30, 2023.

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization complies with the MI-UPMIFA, an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization's endowment funds are donor-restricted endowment funds.

United Way of Washtenaw County

Notes to Financial Statements

September 30, 2023

**3. Net Assets and Endowments (continued)**

The Board of Directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers 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 purpose 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
7. The investment policies of the Organization

The following tables summarize the changes in the Organization's endowment during the 15-month period ended September 30, 2023:

|  | <b><u>With Donor<br/>Restrictions</u></b> |
|--|---|
| Endowment net assets comparison by type of fund:   |   |
| Original donor-restricted gift amount and amounts<br>required to be maintained in perpetuity | \$ 1,925,874                              |
| Accumulated investment return  | <u>429,440</u>                            |
| Total donor-restricted endowments  | <u>\$ 2,355,314</u>                       |

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### 3. Net Assets and Endowments (continued)

|   | <u>With Donor<br/>Restrictions</u> |
|---|------------------------------------|
| Changes in endowment net assets for the 15-month period ended September 30, 2023: |                                    |
| Net investment return   | \$ 147,537                         |
| Appropriation of endowment assets for expenditure                                 | <u>(155,467)</u>                   |
| Changes to endowment net assets   | (7,930)                            |
| Endowment net assets beginning of year  | <u>2,363,244</u>                   |
| Endowment net assets end of year  | <u>\$ 2,355,314</u>                |

#### Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. The primary objective under this investment policy, as approved by the board of directors, is to accept a moderate level of risk in exchange for capital appreciation and growth of principal.

Income from endowment assets accrues to the individual funds at the rate earned by the combined assets, unless otherwise specified by the donor. Investments are diversified amongst equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. In general, investment distribution percentage targets are 40% to 80% equity, 10% to 55% in bonds, and 0% to 30% in cash equivalents.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization 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.

#### Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the lesser of the prior five or seven quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment.

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### 3. Net Assets and Endowments (continued)

#### Endowment Fund Held at Community Foundation

In 2020, a donor partnered with Ann Arbor Area Community Foundation to create funds available for the Organization. The initial donation was in the amount of \$500,000. These funds and any earnings thereon are owned and directed by the Community Foundation. The Community Foundation's trustees determine the timing and the amount of any distributions. The Community Foundation's trustees are also granted variance power, that is, unilateral power to redirect the distribution of funds to another beneficiary under certain conditions. Accordingly, the Organization has not recorded an asset in the financial statements to reflect its interest in these funds. The value of these funds at the Community Foundation was approximately \$585,000 as of September 30, 2023.

### 4. Property and Equipment

Net property and equipment consist of the following assets as of September 30, 2023:

|                               |    |                  |
|-------------------------------|----|------------------|
| Land                          | \$ | 81,195           |
| Land improvements             |    | 33,327           |
| Buildings                     |    | 1,913,225        |
| Furniture and equipment       |    | 239,084          |
| Total                         |    | <u>2,266,831</u> |
| Less accumulated depreciation |    | <u>1,151,961</u> |
| Net property and equipment    | \$ | <u>1,114,870</u> |

### 5. Leases

The Organization conducts a portion of its operations with leased property, a portion of which meet capitalization criteria specified by GAAP. The future minimum lease payments of \$1,032 will be paid in the next 12 months.

Equipment acquired under the lease has been capitalized and is included in property and equipment. As of September 30, 2023, approximately \$29,000 had been capitalized as equipment with related accumulated depreciation of approximately \$28,000.

# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### 6. Defined Contribution Retirement Plans

The Organization had an employee 401(k) salary deferral plan. All employees who have reached the age of 21 are eligible to participate in the plan. The Organization made matching and discretionary contributions for all eligible employees with service of at least one year and 1,000 hours of service. The Organization matched 1% of employee salary up to the salary deferral from July 1, 2020 through October 31, 2020, and 3% of employee salary up to the salary deferral for the period November 1, 2020 to June 30, 2022. No matching or discretionary contributions were made during the 15-month period ended September 30, 2023. In August 2022, the Board adopted a resolution to terminate the 401(k) plan as soon as administratively feasible due to entering an employee leaseback arrangement (Note 10) with the United Way for Southeastern Michigan.

The Organization had an employee 403(b) salary deferral plan. This plan is inactive, and no new participants have been accepted since January 2009. In September of 2021, the Board adopted a resolution to terminate the 403(b) plan as soon as administratively feasible and the termination was completed in the 15-month period ended September 30, 2023.

### 7. Concentration

The Organization received pledges from employees at businesses and organizations located throughout Washtenaw County. Employees at one local organization accounted for approximately 29% of the total campaign revenues for the 15-month period ended September 30, 2023. Employees at the same local organization accounted for approximately 29% of the outstanding pledges receivable as of September 30, 2023.

### 8. Related Party Transactions

The Organization has various vendor relationships with entities whose officers are members of the Board of Directors. In addition, the Organization awarded or received grants and assistance to/from organizations who employ a member of the Board of Directors. A summary of expenses resulting from business conducted with the related entities or individuals is as follows for the 15-month period ended September 30, 2023:

|                        |    |         |
|------------------------|----|---------|
| Information technology | \$ | 24,447  |
| Grants awarded         | \$ | 152,500 |
| Grants received        | \$ | 46,000  |



# United Way of Washtenaw County

## Notes to Financial Statements

September 30, 2023

### 9. Liquidity and Availability of Resources

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 as of September 30, 2023:

#### Financial assets

|                           |                  |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 864,353       |
| Pledges receivable, net   | 741,345          |
| Investments               | <u>5,357,285</u> |
| Total financial assets    | <u>6,962,983</u> |

Less amounts unavailable for general expenditures within one year:

|   |                            |
|---|----------------------------|
| Endowment assets subject to endowment spending policy and appropriation | <u>2,355,314</u>           |
| Financial assets available for general use within one year              | <u><u>\$ 4,607,669</u></u> |

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of weekly requirements in short-term investments.

### 10. Employee Leaseback Agreement

Effective July 1, 2022, the organization entered into an employee leaseback agreement with the United Way for Southeastern Michigan. Under this agreement, the organization will lease employees from the United Way for Southeastern Michigan and provide reimbursement to the United Way for Southeastern Michigan for the wages and salary, payroll taxes, fringe benefits, and payroll processing fees associated with each leased employee. Leased employees will be at-will employees of the United Way for Southeastern Michigan. The purpose of this arrangement is to combine resources to create efficiencies and provide services to a larger geographic area.

### 11. Merger

Effective October 1, 2023, United Way of Washtenaw County and United Way for Southeastern Michigan completed a merger. Based upon the merger arrangement, United Way of Washtenaw County will be consolidated into United Way for Southeastern Michigan and United Way of Washtenaw County will no longer exist as an independent entity.

## Other Supplementary Information

# United Way of Washtenaw County

## Schedule of Grants and Donor Designations

15-Month Period Ended September 30, 2023

|  |    |        |
|--|----|--------|
| 826michigan                                  | \$ | 20,000 |
| A Brighter Way                               |    | 30,000 |
| Aid in Milan                                 |    | 18,750 |
| Ann Arbor Center for Independent Living      |    | 1,000  |
| Ann Arbor YMCA                               |    | 45,000 |
| Apple Playschools                            |    | 20,000 |
| Avalon Housing, Inc.                         |    | 19,282 |
| Big Brothers Big Sisters of Washtenaw County |    | 10,000 |
| Boys & Girls Clubs of Southeastern Michigan  |    | 30,000 |
| Care Seats of Michigan                       |    | 18,750 |
| Child Care Network                           |    | 45,000 |
| Community Action Network                     |    | 52,500 |
| Community Family Life Centers                |    | 15,000 |
| Community Resource Center                    |    | 40,000 |
| Corner Health Center                         |    | 15,000 |
| Eastern Michigan Foundation                  |    | 30,000 |
| Educate Youth                                |    | 5,000  |
| Elevation Youth Corp                         |    | 33,750 |
| Fair Housing Center of SE & Mid-Michigan     |    | 37,500 |
| Family Learning Institute of Ann Arbor       |    | 20,000 |
| Feonix-Mobility Rising                       |    | 10,000 |
| Food Gatherers                               |    | 56,248 |
| Foundations Preschool of Washtenaw County    |    | 67,500 |
| Fresh Start Clubhouse                        |    | 20,000 |
| Friends in Deed                              |    | 30,000 |
| Girls Group                                  |    | 37,500 |
| Girls on the Run of SE Michigan              |    | 10,000 |
| Growing Forward Together                     |    | 4,930  |
| Growing Hope                                 |    | 25,000 |
| Habitat for Humanity, Huron Valley           |    | 26,356 |
| Hands Across the Water                       |    | 15,000 |
| HouseN2Home                                  |    | 10,737 |
| Interfaith Council for Peace and Justice     |    | 37,500 |
| Interfaith Hospitality Network               |    | 10,000 |
| Jewish Family Services of Washtenaw County   |    | 50,000 |
| Journey of Faith Christian Church            |    | 12,500 |
| Legacy Land Conservancy                      |    | 15,000 |
| Manchester Community Resource Center         |    | 7,278  |
| Mentor2Youth                                 |    | 30,000 |

United Way of Washtenaw County

Schedule of Grants and Donor Designations

15-Month Period Ended September 30, 2023

|  |    |                  |
|--|----|------------------|
| Michigan Advocacy Program                    | \$ | 30,000           |
| Michigan Prison Doula Initiative             |    | 20,000           |
| Milan Seniors for Healthy Living             |    | 5,000            |
| Neutral Zone                                 |    | 6,832            |
| NEW  |    | 55,000           |
| Northfield Human Services                    |    | 20,000           |
| Our House                                    |    | 30,000           |
| Peace Neighborhood Center                    |    | 45,000           |
| Regents of University of Michigan            |    | 20,000           |
| SafeHouse Center                             |    | 5,000            |
| Shelter Association of Washtenaw County      |    | 1,000            |
| SOS Community Services                       |    | 55,000           |
| Stand with Trans                             |    | 25,000           |
| Student Advocacy Center                      |    | 38,500           |
| Survivors Speak                              |    | 10,000           |
| The Mutual Aid Network                       |    | 15,000           |
| Washtenaw Area Council for Children          |    | 12,500           |
| Washtenaw Association for Community Advocacy |    | 15,000           |
| Washtenaw Camp Placement Association         |    | 15,000           |
| Washtenaw Community College Foundation       |    | 30,000           |
| Washtenaw Intermediate School District       |    | 40,000           |
| Washtenaw Literacy                           |    | 15,000           |
| We the People Opportunity Farm               |    | 15,000           |
| Women's Center of Southeastern Michigan      |    | 26,250           |
| Ypsilanti Community Schools                  |    | 10,000           |
| Ypsilanti Meals on Wheels                    |    | 38,500           |
|  |    | <hr/>            |
| Total grants to agencies                     |    | 1,580,663        |
| Donor designations                           |    | 1,108,001        |
| Donor-advised funds awarded                  |    | 63,244           |
|  |    | <hr/>            |
| Gross funds awarded                          | \$ | <u>2,751,908</u> |