

ALLEGAN COUNTY UNITED WAY

AUDIT REPORT

JUNE 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

Tibbitts & Associates, PLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Allegan County United Way
Allegan, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Allegan County United Way (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allegan County United Way as of June 30, 2020, and the statement of activities, and changes in its net assets, functional expense, and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Allegan County United Way's June 30, 2019, financial statements and, our report dated September 23, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tibbitts & Associates PLC

TIBBITTS & ASSOCIATES, PLC

September 3, 2020

**ALLEGAN COUNTY UNITED WAY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals For 2019)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
ASSETS				
ASSETS				
Cash and Cash Equivalents	\$ 427,034	76,798	503,832	588,363
Pledges Receivable	39,136	152,969	192,105	235,979
(Less Allowance for Uncollectible)	(39,136)	(22,678)	(61,814)	(54,396)
Designations Receivable	90,806		90,806	87,943
(Less Allowance for Uncollectible)	(14,268)		(14,268)	(13,695)
Prepaid Expenses	11,950		11,950	11,861
Land, Building, and Equipment, Net of Depreciation	204,778		204,778	212,826
Beneficial Interest in Assets Held by ACCF	78,347		78,347	87,061
TOTAL ASSETS	\$ <u>798,647</u>	<u>207,089</u>	<u>1,005,736</u>	<u>1,155,942</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Allocations Payable	\$			150,000
Designations Payable - net	125,173		125,173	128,549
Operating Payables	2,761		2,761	9,764
TOTAL LIABILITIES	\$ <u>127,934</u>		<u>127,934</u>	<u>288,313</u>
NET ASSETS				
Without donor restrictions	\$ 660,713		660,713	651,537
Board designated Covid-19 Response	10,000		10,000	
With donor restrictions		207,089	207,089	216,092
TOTAL NET ASSETS	\$ <u>670,713</u>	<u>207,089</u>	<u>877,802</u>	<u>867,629</u>
TOTAL LIABILITIES & NET ASSETS	\$ <u>798,647</u>	<u>207,089</u>	<u>1,005,736</u>	<u>1,155,942</u>

See accompanying notes

ALLEGAN COUNTY UNITED WAY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals For 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
PUBLIC SUPPORT & REVENUE				
Gross Campaign Results (prior campaigns)	\$ 24,369		24,369	11,924
Change in Provision for Uncollectible	<u>(21,598)</u>		<u>(21,598)</u>	<u>(28)</u>
Net Campaign Revenue (prior campaigns)	\$ 2,771		2,771	11,896
Gross Campaign Results (2019/2020)	\$	433,848	433,848	427,918
(Less Donor Designations)		(147,207)	(147,207)	(158,372)
(Less Provision for Uncollectible)		<u>(22,678)</u>	<u>(22,678)</u>	<u>(21,315)</u>
Net Campaign Revenue (2019/2020)	\$	263,963	263,963	248,231
Designations from Other United Ways		44,930	44,930	85,697
Service Fees	20,814		20,814	22,203
Grants/Donations		60,000	60,000	102,286
Interest	965		965	1,180
Endowment Gain (Loss)	(8,714)		(8,714)	3,613
Miscellaneous Income	2,327		2,327	761
Program Income	1,498		1,498	
Rental Income	2,400		2,400	
In-Kind Revenue	3,410		3,410	16,409
Contributed services	15,925		15,925	
Net Assets Released from Restrictions	<u>377,896</u>	<u>(377,896)</u>		
TOTAL REVENUE	\$ 419,292	(9,003)	410,289	492,276
EXPENSES				
Program Services				
Gross Funds Awarded/Distributed	\$ 126,447		126,447	286,169
(Less Donor Designations)	<u>(126,447)</u>		<u>(126,447)</u>	<u>(136,169)</u>
Net Funds Awarded/Distributed	\$			150,000
Program Expenses	252,195		252,195	253,763
Support Services	142,509		142,509	156,671
United Way Worldwide	<u>5,412</u>		<u>5,412</u>	<u>6,480</u>
TOTAL EXPENSES	\$ 400,116		400,116	566,914
CHANGE IN NET ASSETS	\$ 19,176	(9,003)	10,173	(74,638)
NET ASSETS - Beginning of year	<u>651,537</u>	<u>216,092</u>	<u>867,629</u>	<u>942,267</u>
NET ASSETS - End of year	<u><u>\$ 670,713</u></u>	<u><u>207,089</u></u>	<u><u>877,802</u></u>	<u><u>867,629</u></u>

See accompanying notes

**ALLEGAN COUNTY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals For 2019)**

EXPENSES	PROGRAM SERVICES				TOTAL PROGRAM SERVICES
	Community Impact	Imagination Library	Volunteers	Other Programs	
Salaries	\$				
Payroll Taxes					
Employee Benefits					
Contract Services	44,864	7,546	38,364	7,546	98,320
Contributed Contract Services	3,981	1,593	3,981	1,593	11,148
Campaign Expenses					
Meetings	25				25
Conference/Staff Development					
Supplies	270	107	269	107	753
Postage & Shipping	95	644	77	39	855
Telephone & Networks	844	338	844	338	2,364
Occupancy	2,273	909	2,273	909	6,364
Printing & Publications	1,095	168	421	168	1,852
Professional Fees					
Travel/Mileage					
Insurance	1,559	624	1,559	699	4,441
Miscellaneous					
Subscriptions & Dues	655	262	655	262	1,834
Equipment/Technology Support	4,360	664	3,530	1,653	10,207
In-Kind Public Ser. Announcements					
Marketing/Advertising	133	53	133	53	372
Loss on Asset Disposal					
Special Events	265	106	265	106	742
Program/Community Outreach	33,114	64,498	8,231	1,441	107,284
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 93,533	77,512	60,602	14,914	246,561
Depreciation/Amortization Expense	2,012	805	2,012	805	5,634
TOTAL EXPENSES	\$ 95,545	78,317	62,614	15,719	252,195

See accompanying notes

**ALLEGAN COUNTY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals For 2019)**

EXPENSES	<u>SUPPORT SERVICES</u>			TOTAL 2020	TOTAL 2019
	<u>Administration</u>	<u>Fundraising</u>	<u>TOTAL SUPPORT SERVICES</u>		
Salaries					15,517
Payroll Taxes					2,297
Employee Benefits					1,217
Contract Service	68,773	38,364	107,137	205,457	223,248
Contributed Contract Services	796	3,981	4,777	15,925	
Campaign Expenses		1,093	1,093	1,093	1,092
Meetings	58		58	83	792
Conference/Staff Development					1,623
Supplies	436	269	705	1,458	904
Postage & Shipping	91	209	300	1,155	1,523
Telephone & Networks	171	844	1,015	3,379	3,526
Occupancy	454	2,273	2,727	9,091	8,115
Printing & Publications	84	927	1,011	2,863	2,118
Professional Fees	7,550		7,550	7,550	7,550
Travel/Mileage					2,298
Insurance	312	1,559	1,871	6,312	6,188
Miscellaneous	2,262		2,262	2,262	2,186
Subscriptions & Dues	131	655	786	2,620	3,993
Equipment/Technology Support	832	3,302	4,134	14,341	12,856
In-Kind Public Service Announcements		3,410	3,410	3,410	4,342
Marketing/Advertising	27	557	584	956	2,091
Loss on Asset Disposal					200
Special Events	78	597	675	1,417	16,131
Program/Community Outreach				107,284	81,895
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 82,055	58,040	140,095	386,656	401,702
Depreciation/Amortization Expense	402	2,012	2,414	8,048	8,732
TOTAL EXPENSES	\$ <u>82,457</u>	<u>60,052</u>	<u>142,509</u>	<u>394,704</u>	<u>410,434</u>

See accompanying notes

**ALLEGAN COUNTY UNITED WAY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals For 2019)**

	<u>Total 2020</u>	<u>Total 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 10,173	(74,638)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation/Amortization expense	8,048	8,732
Endowment loss	8,714	(3,613)
Loss on disposal of fixed asset		200
Change in Assets and Liabilities:		
Pledges receivable	51,292	34,695
Designations receivable	(2,290)	6,981
Prepaid expenses	(89)	(1,133)
Allocations and designations payable	(153,376)	(2,179)
Accounts payable and accrued expenses	<u>(7,003)</u>	<u>3,330</u>
Net cash provided (used) by operating activities	\$ <u>(84,531)</u>	<u>(27,625)</u>
CASH FLOWS FROM INVESTING:		
Distribution received from assets at ACCF	\$	2,712
Property and equipment purchases, net of disposals		<u>(3,235)</u>
Net cash provided (used) by investing activities	\$ <u> </u>	<u>(523)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (84,531)	(28,148)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>588,363</u>	<u>616,511</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 503,832</u>	<u>588,363</u>

See accompanying notes

**ALLEGAN COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Allegan County United Way, Allegan, Michigan, was formed in 1989. The Organization's mission is to improve the lives of its residents by mobilizing the caring power of the community. They also operate a Volunteer Center that works to further the mission of the Allegan County United Way by connecting and supporting volunteers and the groups that utilize them for the betterment of the community. Another program is the Dolly Parton Imagination Library.

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

Fixed assets are recorded at cost less accumulated depreciation, which is computed by the straight-line method over the useful life of the asset.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision has been made for income taxes.

The financial statements of Allegan County United Way have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires Allegan County United Way to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Allegan County United Way's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Allegan County United Way or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Grants and contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Noncash, in-kind donations are recorded as contributions at their estimated fair values at the date of donation.

The Organization receives donated services from unpaid volunteers and board members who assist Allegan County United Way with their mission. No amounts have been recognized in the accompanying statement of activities for these volunteer services because the required criteria for recognition of such volunteer effort have not been satisfied.

**ALLEGAN COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization did record contractual services of \$15,925 donated from Greater Ottawa County United Way for the months of May and June 2020. Full services of essential staff who are normally paid for was provided at no charge due to Greater Ottawa County United Way obtaining COVID-19 related payroll assistance.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

For the purpose of the Statement of Cash Flows, cash and cash equivalents are considered all highly liquid investments with an initial maturity of three months or less.

The provision for uncollectible is computed based upon historical estimates applied to the campaign pledges, including donor designations. For the year ended June 30, 2020, this provision was \$76,082.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

CONCENTRATION OF CREDIT RISK

The Allegan County United Way is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Allegan County United Way to concentrations of credit risk consist principally of cash investments, pledges, and designations receivable.

The Allegan County United Way maintains its cash accounts at a local financial institution. Although such cash balances may have exceeded the federally insured limits at certain times during the year they are, in the opinion of management, subject to minimal risk. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. Amounts in excess of insured limits were \$167,336 at June 30, 2020.

With respect to campaign pledges, approximately 31% of Allegan County United Way's gross campaign contributions are from a local, publicly traded company, and another 31% from the employees of the same company.

**ALLEGAN COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

OPERATING LEASES

Allegan County United Way leases a copier and postage meter. Total lease payments were \$4,154 for the year ended June 30, 2020. Future minimum lease payments are as follows:

2021	\$2,262
2022	<u>1,072</u>
Total minimum lease payments	<u>\$3,334</u>

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of 19/20 undesignated, net pledges receivable of \$130,291, \$38,818 from donations restricted for Imagination Library, and \$37,980 for COVID-19 Response.

Pledges receivable are considered donor restricted because there is an implied time restriction on these pledges because the donor's promise to give is scheduled to be received in future time periods.

BOARD DESIGNATED NET ASSETS

In addition to the \$37,980 of net assets with donor restrictions for COVID-19 Response, the Board of Directors has designated an additional \$10,000 to be spent on COVID-19 Response.

LAND, BUILDING, AND EQUIPMENT

Property and equipment at June 30, 2020, consist of the following:

Office furniture and equipment	\$ 28,284
Building and land	<u>310,546</u>
	\$338,830
Less accumulated depreciation	<u>(134,052)</u>
Net Land, Building, and Equipment	<u>\$204,778</u>

Depreciation expense was \$8,048. Depreciation is computed by the straight-line method over the useful life of the asset.

**ALLEGAN COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the nature of the expense and a cost allocation formula determined by management. The cost allocation is applied to expenses that benefit all service areas. The 2019/2020 cost allocation was as follows:

Community Impact	25%
Imagination Library	10%
Volunteers	25%
Other Programs	10%
Administration	5%
Fundraising	<u>25%</u>
Total	<u>100%</u>

CONTRACTUAL AGREEMENTS

Allegan County United Way entered into a Shared Services Agreement with Greater Ottawa County United Way for a three year term beginning January 1, 2017, through December 31, 2019. A new one year agreement was entered for January 1, 2020, ending December 31, 2020. Under the agreement, Greater Ottawa County United Way provides leadership and administrative services for Allegan County United Way. For the year ending June 30, 2020, \$130,000 was paid under the agreement. Future payments in accordance with the contract are \$65,000 for the year ending December 31, 2020.

The agreement may be terminated by either party with 90 days written notice.

In addition to the Shared Services Agreement, Allegan County United Way also reimbursed Greater Ottawa County United Way \$75,457 for employees who provide services to Allegan County United Way directly and not covered by the Shared Services Agreement. Greater Ottawa County United Way also donated \$15,925 of employee services in May and June 2020, which has been recorded in the financial statements. These services were donated due to Greater Ottawa County United Way obtaining COVID-19 related payroll assistance.

BENEFICIAL INTEREST IN ASSETS HELD BY ALLEGAN COUNTY COMMUNITY FOUNDATION

When a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the NPO must account for the transfer of such assets as a beneficial interest in funds held by the community foundation. The community foundation refers to such funds as agency fund endowments.

**ALLEGAN COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

BENEFICIAL INTEREST IN ASSETS HELD BY ALLEGAN COUNTY COMMUNITY FOUNDATION (continued)

The community foundation maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the community foundation. However, the NPO also records the agency funds as an asset at the fair value of the fund, which is generally equivalent to the present value of future payments expected to be received by the NPO. At June 30, 2020, the agency fund endowments held at the Allegan County Community Foundation were \$78,347.

Contributions by third parties have also been made to the Allegan County Community Foundation. These amounts are not shown as agency fund endowments. The totals of these funds were \$52,291 at June 30, 2020.

AVAILABILITY AND LIQUIDITY

The following represents Allegan County United Way's financial assets at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$503,832
Net pledges receivable	<u>130,291</u>
Total financial assets	\$634,123
Less amounts not available to be used within one year:	
Restricted by donors with purpose	<u>(76,798)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$557,325</u>

The Organization's cash is maintained in savings and checking accounts and is readily available to manage liquidity needs.

SUBSEQUENT EVENTS

Merger Negotiations

Allegan County United Way is in negotiations to merge with Greater Ottawa County United Way. The goal is to merge effective January 1, 2021.

**ALLEGAN COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

SUBSEQUENT EVENTS (continued)

COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Governor of Michigan issued an executive order effective March 24, 2020, through April 13, 2020, which was then extended, requiring the suspension of activities that are not necessary to sustain or protect life in order to suppress the spread of the virus in Michigan. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial statements in fiscal 2021.

EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through September 3, 2020, which is the date the financial statements were available to be issued.