

# **Head of the Lakes United Way**

Financial Report  
June 30, 2021

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Head of the Lakes United Way

### Report on the Financial Statements

We have audited the accompanying financial statements of Head of the Lakes United Way, which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Head of the Lakes United Way as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*  
Duluth, Minnesota  
December 22, 2021

## Head of the Lakes United Way

### Statements of Financial Position June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents:	\$ 1,228,770	\$ 1,422,649
Investments	46,534	47,684
Contributions receivable, less allowance for uncollectibles of \$78,535 in 2021 and \$99,797 in 2020	287,537	346,898
Other receivables	193,129	60,177
Prepaid expenses	12,567	15,792
<b>Total current assets</b>	<b>1,768,537</b>	<b>1,893,200</b>
Noncurrent assets:		
Property and equipment, net (Note 3)	36,042	30,283
Beneficial interest in perpetual trust (Note 4)	6,484,316	4,915,904
Beneficial interest in assets held by others (Note 5)	761,890	611,626
<b>Total noncurrent assets</b>	<b>7,282,248</b>	<b>5,557,813</b>
<b>Total assets</b>	<b>\$ 9,050,785</b>	<b>\$ 7,451,013</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Allocations and designations payable (Note 6)	\$ 764,745	\$ 867,769
Accounts payable	5,705	6,870
Accrued expenses	34,503	53,225
Current maturities of long-term debt (Note 7)	-	63,906
<b>Total current liabilities</b>	<b>804,953</b>	<b>991,770</b>
Long-term debt, less current maturities (Note 7)	118,023	81,404
<b>Total liabilities</b>	<b>922,976</b>	<b>1,073,174</b>
Net assets:		
Without donor restrictions		
Non-designated	83,412	-
Board-designated (Note 12)	731,181	781,131
Property and equipment	36,042	30,283
United Way Endowment Fund (Note 5)	761,890	611,626
<b>Total net assets without donor restrictions</b>	<b>1,612,525</b>	<b>1,423,040</b>
With donor restrictions (Note 8)	6,515,284	4,954,799
<b>Total net assets</b>	<b>8,127,809</b>	<b>6,377,839</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,050,785</b>	<b>\$ 7,451,013</b>

See notes to financial statements.

## Head of the Lakes United Way

### Statements of Activities Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Gross campaign results	\$ 1,352,665	\$ 26,522	\$ 1,379,187
Gross campaign results in prior year, released from restrictions	20,449	\$ (20,449)	-
<b>Total campaign results</b>	<b>1,373,114</b>	<b>6,073</b>	<b>1,379,187</b>
Less donor-designated contributions (Note 6)	(46,814)	-	(46,814)
Less provision for uncollectible accounts	(33,707)	-	(33,707)
<b>Net campaign revenue</b>	<b>1,292,593</b>	<b>6,073</b>	<b>1,298,666</b>
Perpetual trust contribution	253,120	-	253,120
Duluth-Superior Area Community Foundation contribution	27,024	-	27,024
Other contributions	1,513	-	1,513
Grant income	4,900	-	4,900
Sponsorships	6,000	-	6,000
Special events	600	-	600
Services revenue	18,400	-	18,400
Net assets released from restrictions	14,000	(14,000)	-
<b>Total public support</b>	<b>1,618,150</b>	<b>(7,927)</b>	<b>1,610,223</b>
Investment income	336	-	336
Change in beneficial interest in assets held by others	176,534	-	176,534
Change in beneficial interest in perpetual trust	-	1,568,412	1,568,412
Donated goods and services	2,173	-	2,173
Miscellaneous	2,693	-	2,693
Loss on disposal of equipment	(897)	-	(897)
Gain on extinguishment of debt	145,310	-	145,310
<b>Total revenue</b>	<b>1,944,299</b>	<b>1,560,485</b>	<b>3,504,784</b>
Allocations and expenses:			
Allocations and program services:			
Gross allocations to agencies for programs	1,051,319	-	1,051,319
Less donor-designated contributions (Note 6)	(46,814)	-	(46,814)
<b>Net allocations awarded (Note 9)</b>	<b>1,004,505</b>	<b>-</b>	<b>1,004,505</b>
Initiatives distributions (Note 9)	2,000	-	2,000
Other program services	214,673	-	214,673
<b>Total program expenses</b>	<b>1,221,178</b>	<b>-</b>	<b>1,221,178</b>
Supporting services:			
Management and general	221,435	-	221,435
Fundraising	312,201	-	312,201
<b>Total allocations and expenses</b>	<b>1,754,814</b>	<b>-</b>	<b>1,754,814</b>
<b>(Decrease) increase in net assets</b>	<b>189,485</b>	<b>1,560,485</b>	<b>1,749,970</b>
Net assets:			
Beginning of year	1,423,040	4,954,799	6,377,839
End of year	\$ 1,612,525	\$ 6,515,284	\$ 8,127,809

See notes to financial statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,578,734	\$ 20,449	\$ 1,599,183
27,385	(27,385)	-
1,606,119	(6,936)	1,599,183
(75,343)	-	(75,343)
(53,877)	-	(53,877)
1,476,899	(6,936)	1,469,963
225,330	-	225,330
26,442	-	26,442
31,639	-	31,639
15,817	14,000	29,817
14,500	-	14,500
99,763	-	99,763
40,174	-	40,174
15,000	(15,000)	-
1,945,564	(7,936)	1,937,628
(328)	-	(328)
12,539	-	12,539
-	233,538	233,538
26,729	-	26,729
3,618	-	3,618
-	-	-
1,988,122	225,602	2,213,724
1,200,637	-	1,200,637
(75,343)	-	(75,343)
1,125,294	-	1,125,294
2,950	-	2,950
316,801	-	316,801
1,445,045	-	1,445,045
190,264	-	190,264
396,625	-	396,625
2,031,934	-	2,031,934
(43,812)	225,602	181,790
1,466,852	4,729,197	6,196,049
\$ 1,423,040	\$ 4,954,799	\$ 6,377,839

## Head of the Lakes United Way

### Statements of Functional Expenses Years Ended June 30, 2021 and 2020

	2021			
	Program Services	Management and General	Fundraising	Total
Gross allocations to agencies for programs	\$ 1,051,319	\$ -	\$ -	\$ 1,051,319
Less donor-designated contributions	(46,814)	-	-	(46,814)
<b>Net allocations awarded</b>	<b>1,004,505</b>	<b>-</b>	<b>-</b>	<b>1,004,505</b>
Initiatives distributions	2,000	-	-	2,000
Salaries	125,005	124,877	185,277	435,159
Payroll taxes	10,326	10,231	15,380	35,937
Employee benefits	30,102	23,767	31,089	84,958
<b>Total salaries and related expenses</b>	<b>165,433</b>	<b>158,875</b>	<b>231,746</b>	<b>556,054</b>
Conferences, conventions and meetings	1,605	721	1,604	3,930
Insurance	4,563	856	1,616	7,035
Membership dues	740	1,723	3,256	5,719
Other	1,642	1,203	8,678	11,523
Occupancy	14,824	8,898	16,818	40,540
Postage	149	230	1,027	1,406
Printing and marketing	984	2,285	6,543	9,812
Professional fees	838	27,963	2,847	31,648
Rental and maintenance of equipment	11,662	6,847	12,747	31,256
Supplies	763	396	1,250	2,409
Telephone and communications	2,288	1,731	4,981	9,000
Special events	-	-	-	-
Donated services	-	493	1,680	2,173
Community outreach	1,315	-	-	1,315
United Way Worldwide	5,863	4,801	9,070	19,734
Depreciation	2,004	4,413	8,338	14,755
<b>Total other program services</b>	<b>214,673</b>	<b>221,435</b>	<b>312,201</b>	<b>748,309</b>
<b>Total allocations and expenses</b>	<b>\$ 1,221,178</b>	<b>\$ 221,435</b>	<b>\$ 312,201</b>	<b>\$ 1,754,814</b>

See notes to financial statements.

2020

Program Services	Management and General	Fundraising	Total
\$ 1,200,637	\$ -	\$ -	\$ 1,200,637
(75,343)	-	-	(75,343)
1,125,294	-	-	1,125,294
2,950	-	-	2,950
193,077	112,059	208,300	513,436
14,756	8,597	15,942	39,295
49,183	15,138	36,180	100,501
257,016	135,794	260,422	653,232
1,414	1,285	2,918	5,617
3,903	456	1,025	5,384
845	1,274	2,597	4,716
2,325	496	5,200	8,021
15,766	7,515	16,881	40,162
150	562	1,436	2,148
884	127	4,260	5,271
1,520	27,580	2,420	31,520
14,408	4,995	11,321	30,724
1,374	456	2,084	3,914
3,477	1,705	5,084	10,266
1,921	174	38,728	40,823
-	647	26,082	26,729
1,909	-	-	1,909
7,565	3,383	7,598	18,546
2,324	3,815	8,569	14,708
316,801	190,264	396,625	903,690
\$ 1,445,045	\$ 190,264	\$ 396,625	\$ 2,031,934



## Head of the Lakes United Way

### Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 1,749,970	\$ 181,790
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,755	14,708
Gain on extinguishment of debt	(145,310)	-
Loss on disposal of equipment	897	-
Changes in:		
Beneficial interest in:		
Assets held by others	(150,264)	13,189
Perpetual trust	(1,568,412)	(233,538)
Assets and liabilities:		
Contributions receivable	59,361	138,877
Other receivables	(132,952)	23,363
Prepaid expenses	3,225	(6,453)
Investments	1,150	2,793
Allocations payable and designated pledges	(103,024)	(40,834)
Accounts payable	(1,165)	3,541
Accrued expenses	(18,722)	2,183
Unearned revenue	-	(55,450)
<b>Net cash provided by (used in) operating activities</b>	<b>(290,491)</b>	<b>44,169</b>
Cash flows from investing activities:		
Purchase of property and equipment	(21,411)	(3,000)
<b>Net cash used in investing activities</b>	<b>(21,411)</b>	<b>(3,000)</b>
Cash flows from financing activities:		
Proceeds on long-term debt	118,023	145,310
<b>Net cash provided by financing activities</b>	<b>118,023</b>	<b>145,310</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(193,879)</b>	<b>186,479</b>
Cash and cash equivalents:		
Beginning	1,422,649	1,236,170
Ending	\$ 1,228,770	\$ 1,422,649

See notes to financial statements.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** Head of the Lakes United Way (the Organization) is a voluntary health and welfare nonprofit entity organized to lead a united response to the human service needs of the Ashland-Bayfield, Greater Duluth, North Shore and Superior-Douglas County Communities.

A summary of the Organization's significant accounting policies follows:

**Net assets:** The Organization reports its net assets and changes therein in the following categories:

**Net assets without donor restrictions:** Net assets 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 the Organization's management and the Board of Directors.

**Net assets with donor restrictions:** Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. See Note 8 for further information.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Support and expenses:** Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Expenses are recorded as incurred in accordance with the accrual basis of accounting.

**Donated goods and services:** Donated goods and services are reflected in the statements of activities at their estimated fair values at date of receipt. During the years ended June 30, 2021 and 2020, the Organization recognized \$2,173 and \$26,729, respectively, of donated services relating to advertising and website development. In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Organization's program services and fundraising campaigns. These donated services are not reflected in the financial statements since the services do not require specialized skills.

**Cash and cash equivalents:** Unrestricted highly liquid investments with an initial maturity of three months or less are considered cash equivalents. The carrying value approximates fair value.

**Investments:** Investments in equity securities with readily determinable fair values are measured at fair value in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss, including gains and losses on investments, interest, and dividends, is included in the statements of activities as increases or decreases in unrestricted net assets unless the gains or losses are restricted by donor stipulations or by law. Investments in certificates of deposit are reported at amortized cost.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Contributions receivable:** All contributions receivable are due in less than one year. Management determines the allowance for uncollectible accounts by using historical collection experience applied to pledges received by the Organization and by identifying troubled accounts. Contributions receivable are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received.

**Other receivables:** Other receivables include grant receivable, service fee receivable, and distribution receivable from the beneficial interest assets. All amounts are expected to be collected in less than one year.

**Property and equipment:** Property and equipment acquisitions are recorded at cost. Depreciation is provided using the straight-line method based on estimated useful lives of individual units of three to five years.

**Unearned revenue:** Funds received but not earned from exchange transactions and conditional contributions received where the conditions have not been met are classified as unearned revenue. Revenues will be recognized in future periods when earned, typically as the expenses are incurred, or when the conditions are met.

**Concentration of credit risk:** The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

**Fair value measurement:** The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America (U.S. GAAP), requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

**Level 1:** Inputs are quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

**Level 2:** Inputs are those other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

**Level 3:** Inputs are unobservable for the asset or liability and should be used to measure the fair value to the extent that observable inputs are not available.

The fair value of investments (equities) is determined using the Level 1 inputs described above and fair value of the beneficial interest in perpetual trust and the beneficial interest in assets held by others are determined using the Level 3 inputs described above.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Income taxes:** The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

Nonprofit organizations may become subject to income taxes if qualification as a tax-exempt entity changes, if unrelated business income is generated, and in certain other instances. Nonprofit organizations are required to assess the certainty of their tax positions related to these matters and, in some cases, record liabilities for potential taxes, interest and penalties accompanied by footnote disclosures. The Organization has not identified any uncertain tax positions that would require the accrual of an income tax provision.

Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2017.

**Functional expenses:** The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Where a cost can be attributed to a single function, a direct allocation of expense is made to that function. When rent expense cannot be allocated directly to a specific function, rent expense is allocated based upon square footage. All remaining costs are expensed to functions using an allocation process based upon time studies on a biweekly basis.

**Use of estimates in the preparation of financial statements:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated subsequent events through December 22, 2021, the date the financial statements were issued, in preparing the financial statements and related footnotes.

#### Note 2. Availability and Liquidity

The following reflects the Organization's financial assets as of June 30, 2021, available to meet cash needs for general expenditures within one year of June 30, 2021:

	<u>Amount</u>
Cash and cash equivalents	\$ 1,228,770
Investments	46,534
Contributions receivable	287,537
Other receivables	<u>193,129</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,755,970</u>

The Organization's goal is generally to maintain financial assets to meet the Board-designated net assets (\$731,181), Community Care allocations payable at the end of the year (\$764,745) and three months of other program services expenses (approximately \$187,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market funds.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 3. Property and Equipment

	2021	2020
Office equipment	\$ 199,395	\$ 228,616
Leasehold improvements	47,553	47,553
	<u>246,948</u>	<u>276,169</u>
Less accumulated depreciation	210,906	245,886
	<u>\$ 36,042</u>	<u>\$ 30,283</u>

#### Note 4. Beneficial Interest in Perpetual Trust

The Organization is the sole beneficiary of the yearly income derived from the assets of Head of the Lakes United Way Trust. The beneficial interest in perpetual trust is recorded at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 1, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

	2021	2020
Beneficial interest, beginning of year	\$ 4,915,904	\$ 4,682,366
Increase in beneficial interest	1,821,562	458,868
Amount distributed	(253,150)	(225,330)
Beneficial interest, end of year	<u>\$ 6,484,316</u>	<u>\$ 4,915,904</u>

The change in the fair value of the beneficial interest in the trust is recognized in the statements of activities.

#### Note 5. Beneficial Interest in Assets Held by Others

The United Way Endowment Fund (the Fund) was established with the Duluth-Superior Area Community Foundation (the Foundation) by both the Organization and third-party donors. The Organization is the sole beneficiary of the Fund.

The portion of the Fund contributed by the Organization is reported as an asset of the Organization. The Organization has granted variance power to the Foundation. This variance power allows the Foundation to move funds received by the Foundation from the Fund to other Foundation endowment funds if deemed appropriate. The net income of the Fund shall be distributed at least annually to the Organization. The balance at June 30, 2021 and 2020, is included in the statements of financial position under the caption "Beneficial interest in assets held by others." This portion is recorded at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 1, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

	2021	2020
Beneficial interest, beginning of year	\$ 611,626	\$ 624,815
Increase in beneficial interest	176,534	12,539
Amount distributed	(26,270)	(25,728)
Beneficial interest, end of year	<u>\$ 761,890</u>	<u>\$ 611,626</u>

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 5. Beneficial Interest in Assets Held by Others (Continued)

The portion of the Fund contributed by unrelated third-party donors is considered a contribution to the Foundation, as the Foundation has been granted variance power over these assets. This portion of the Fund, \$784,854 and \$629,616 at June 30, 2021 and 2020, respectively, has not been recorded as an asset on these financial statements.

#### Note 6. Allocations and Designations Payable

	2021	2020
Community Care allocations payable	\$ 753,381	\$ 847,486
Donor-designated contributions	11,364	20,283
	<u>\$ 764,745</u>	<u>\$ 867,769</u>

The Organization receives various donor pledges that are designated for specific beneficiaries. The Organization is considered an agent for the donor-designated beneficiaries and, as such, records amounts received from the donor as a liability to the designated beneficiaries. The donor-designated contributions are not included in revenue of the Organization. During the years ended June 30, 2021 and 2020, the Organization raised \$46,814 and \$75,343, respectively, of donor-designated contributions, of which amounts due to the designated beneficiaries are included in the above table.

#### Note 7. Long-Term Debt

During 2020, the Organization obtained a \$145,310 Small Business Administration Paycheck Protection Program loan with an interest rate of 1%. The loan defers principal and interest payments during the first six months, and has a forgiveness feature in which a portion or the entire principal and interest amounts will be forgiven based on actual payroll costs incurred plus certain eligible expenses, as defined in the agreement, during the eight-week or 24-week period following the date of the loan. During 2021, the Organization received formal forgiveness of the PPP loan principal and interest amounts.

During 2021, the Organization obtained a \$118,023 Small Business Administration Paycheck Protection Program loan with an interest rate of 1%. The loan defers principal and interest payments during the first six months, and has a forgiveness feature in which a portion or the entire principal and interest amounts will be forgiven based on actual payroll costs incurred plus certain eligible expenses, as defined in the agreement, during the eight-week or 24-week period following the date of the loan. Subsequent to year-end, the Organization received formal forgiveness of the PPP loan principal and interest amounts.

#### Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following:

	2021	2020
2-1-1 Information and referral (purpose restriction)	\$ -	\$ 14,000
Contributions for the subsequent fiscal year's campaign (time restriction)	26,522	20,449
Women's Leadership Council (purpose restriction)	4,446	4,446
Beneficial interest in perpetual trust (perpetual restriction)	6,484,316	4,915,904
	<u>\$ 6,515,284</u>	<u>\$ 4,954,799</u>

## Head of the Lakes United Way

### Notes to Financial Statements

#### Note 8. Net Assets With Donor Restrictions (Continued)

Investment income received from the perpetual trust is unrestricted.

#### Note 9. Allocations to Agencies

Allocations were as follows:

	2021			2020
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Indian Community Housing Organization	\$ 8,430	\$ 2,108	\$ 6,322	\$ 9,846
American Red Cross—Northern Minnesota Chapter	4,795	1,199	3,596	5,600
ARC Northland	7,618	1,905	5,713	8,898
Boys & Girls Clubs of the Northland	30,698	7,674	23,024	35,854
Center City Housing Corp.	19,968	4,992	14,976	23,322
Children's Dental Services	5,593	1,398	4,195	6,532
Churches United in Ministry	37,720	9,430	28,290	44,055
Community Action Duluth	29,381	7,345	22,036	34,316
Courage Center	6,049	1,512	4,537	7,065
Damiano Center	45,367	11,342	34,025	52,987
Duluth Area Family YMCA	14,549	3,637	10,912	16,993
Duluth Community School Collaborative	23,395	5,849	17,546	27,324
Girl Scouts—Northern Pine Council	13,157	3,289	9,868	15,367
Goodwill Industries Vocational Enterprises, Inc.	6,121	1,530	4,591	7,149
Human Development Center	32,541	8,135	24,406	38,006
Just Kids Dental	5,593	1,398	4,195	6,532
Lake Superior Community Health Center	41,586	10,397	31,189	48,571
Legal Aid Service of NE MN	41,679	10,420	31,259	48,679
Life House	73,290	18,323	54,967	85,600
Lutheran Social Service	29,365	7,341	22,024	34,297
Men as Peacemakers	21,915	5,479	16,436	25,596
Mentor North, Inc.	50,519	12,630	37,889	59,004
Positive Energy Outdoors	8,083	2,021	6,062	9,441
Safe Haven Shelter	25,710	6,427	19,283	30,028
Greater Duluth Area Salvation Army	41,490	10,373	31,117	48,459
Second Harvest Northern Lakes Food Bank	16,094	4,023	12,071	18,797
SOAR Career Solutions	31,625	7,906	23,719	36,937
The Hills Youth and Family Services, Inc.	39,697	9,924	29,773	46,365
Welch Center, Inc., DBA Valley Youth Center	52,540	13,135	39,405	61,364
YWCA of Duluth	37,384	9,346	28,038	43,663
Changes in 2020 Allocation Payable	-	-	-	(3,684)
Duluth Area Community Care allocations	801,952	200,488	601,464	932,963

(Continued)

## Head of the Lakes United Way

### Notes to Financial Statements

#### Note 9. Allocations to Agencies (Continued)

	2021			2020
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
Care Partners of Cook County	\$ 4,319	\$ 1,080	\$ 3,239	\$ 5,174
Community Partners	9,258	2,314	6,944	11,091
Just Kids Dental	1,235	309	926	1,479
Northshore Area Partners	6,173	1,543	4,630	7,395
North Shore Horizons	2,469	617	1,852	2,958
Two Harbors Area Food Shelf	6,173	1,543	4,630	7,395
North Shore Community Care allocations	<u>29,627</u>	<u>7,406</u>	<u>22,221</u>	<u>35,492</u>
American Red Cross—Northern Minnesota Chapter	6,241	1,560	4,681	5,821
Boys & Girls Clubs of the Northland	26,000	6,501	19,499	24,250
Center Against Sexual & Domestic Abuse, Inc.	22,429	5,607	16,822	20,919
Faith United Methodist Church (funded program: Homeless Stabilization Program)	19,316	4,830	14,486	18,016
Faith United Methodist Church (funded program: Children's Life Skills Enhancement)	3,915	978	2,937	3,651
Health Care Clinic	1,108	276	832	1,033
Just Kids Dental	5,538	1,383	4,155	5,165
Lake Superior Community Health Center	4,299	1,074	3,225	4,010
Lutheran Social Service of Wisconsin and Upper Michigan	2,215	555	1,660	2,066
Mentor North, Inc.	26,000	6,501	19,499	24,250
School District of Superior	20,800	5,199	15,601	19,400
Superior Douglas County Family YMCA	5,538	1,383	4,155	5,165
Superior Vocation Center, Inc.	14,159	3,540	10,619	13,206
Changes in 2020 Allocation Payable	-	-	-	(1,006)
Superior/Douglas County Community Care allocations	<u>157,558</u>	<u>39,387</u>	<u>118,171</u>	<u>145,946</u>
Northwoods Women, Inc. (dba, New Day Shelter)	4,532	1,134	3,398	7,681
The BRICK Ministries, Inc	10,836	2,709	8,127	3,212
Ashland/Bayfield Community Care allocations	<u>15,368</u>	<u>3,843</u>	<u>11,525</u>	<u>10,893</u>
Total Community Care allocations	<u>1,004,505</u>	<u>251,124</u>	<u>753,381</u>	<u>1,125,294</u>
ALICE report	-	-	-	950
Duluth Profile Project	2,000	2,000	-	2,000
Total initiatives distributions	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,950</u>
Total agency allocations	<u>\$ 1,006,505</u>	<u>\$ 253,124</u>	<u>\$ 753,381</u>	<u>\$ 1,128,244</u>

These amounts do not include contributions that donors have designated for a specific beneficiary.

#### Note 10. Retirement Plan

The Organization has a defined contribution retirement plan covering substantially all full-time employees 21 years of age or older with at least one year of service. Contributions are 5.5% of each covered employee's salary with less than five years of service. Contributions are 6.0% of each covered employee's salary with five years or more of service. Total contributions were \$23,460 and \$29,509 for the years ended June 30, 2021 and 2020, respectively.



## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 11. Operating Lease

The Organization leases office space from the Ordean Foundation based upon an agreement renewed annually. Total office space rent expense was \$40,540 and \$40,162 for the years ended June 30, 2021 and 2020, respectively.

#### Note 12. Board-Designated Net Assets

Net assets have been designated by the Board to support strategic business practices and to ensure the long-term health of the Organization. Amounts are designated for, but are not limited to managing cash flow interruptions, minimizing the need for working capital borrowing, meeting commitments and obligations, and generating investment income. In addition, the contribution received related to the acquisition of United Way-Superior-Douglas County, Inc. less expenditures incurred related to United Way of Superior-Douglas County, Inc., has been designated for use to support the campaigns related to Wisconsin Programs. Designated net assets were as follows:

	2021	2020
Strategic business practices	\$ 501,397	\$ 539,347
Wisconsin programs	229,784	241,784
	<u>\$ 731,181</u>	<u>\$ 781,131</u>

#### Note 13. Risks and Uncertainties

The investments held in perpetual trust and by others in which the Organization has beneficial interests consist of various investment securities. Investment securities are exposed to 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 Organization's interest in such assets and the amounts reported in the statements of financial position.

#### Note 14. Pending Accounting Standards

The Financial Accounting Standards Board (FASB) has issued several Accounting Standards Updates (ASUs) not yet implemented by the Foundation. Listed below are the ASUs that may impact future financial statements of the Organization.

The guidance in ASU No. 2016-02, *Leases*, issued February 2016, will be effective for the Organization beginning with its year ending June 30, 2023. The guidance in this ASU supersedes the leasing guidance in Accounting Standards Codification Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements with certain practical expedients available.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### **Note 14. Pending Accounting Standards (Continued)**

The guidance in ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, issued September 2020, will be effective for the Organization beginning with its year ending June 30, 2022. The guidance is increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit entities, as well as the amount of those contributions used in a not-for-profit entity's programs and other activities.

#### **Note 15. COVID-19 Implications**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. Although the Organization's services and programs have not been reduced or suspended due to the pandemic as of the date of this report, the operations of the Organization could be impacted by the regional and global outbreak of COVID-19. Any quarantines, labor shortages or other disruptions to the Organization's operations may impact the Organization's revenues, ability to provide its services, and operating results. The extent to which the COVID-19 pandemic impacts the Organization's future financial statements will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

Board of Directors  
Head of the Lakes United Way

We have audited the financial statements of Head of the Lakes United Way as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon, dated December 22, 2021, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Duluth, Minnesota  
December 22, 2021

Head of the Lakes United Way

Other Program Services  
Years Ended June 30, 2021 and 2020

	2021			
	Community Impact	Fund Distribution	AFL-CIO Community Services	Volunteer Center
Salaries	\$ 53,805	\$ 2,602	\$ 44,581	\$ 884
Payroll taxes	4,356	217	3,721	69
Employee benefits	15,775	389	12,384	-
<b>Total salaries and related expenses</b>	<b>73,936</b>	<b>3,208</b>	<b>60,686</b>	<b>953</b>
Conferences, conventions and meetings	648	17	60	-
Insurance	1,025	20	45	-
Membership dues	700	40	-	-
Other	1,444	28	16	17
Occupancy	3,639	207	3,587	-
Postage	15	127	-	-
Printing and marketing	381	11	592	-
Professional fees	620	14	152	4
Rental and maintenance of equipment	8,085	155	394	3,028
Supplies	475	9	279	-
Telephone and communications	1,133	36	669	84
Special events	-	-	-	-
Community outreach	1,315	-	-	-
United Way Worldwide	5,752	111	-	-
Depreciation	1,793	103	54	27
	<b>\$ 100,961</b>	<b>\$ 4,086</b>	<b>\$ 66,534</b>	<b>\$ 4,113</b>

<b>2021</b>			
<b>2-1-1</b>			
<b>Information and</b>		<b>Total</b>	<b>2020</b>
<b>Referral</b>			
<b>\$ 23,133</b>	<b>\$ 125,005</b>	<b>\$ 193,077</b>	
<b>1,963</b>	<b>10,326</b>	<b>14,756</b>	
<b>1,554</b>	<b>30,102</b>	<b>49,183</b>	
<b>26,650</b>	<b>165,433</b>	<b>257,016</b>	
<b>880</b>	<b>1,605</b>	<b>1,414</b>	
<b>3,473</b>	<b>4,563</b>	<b>3,903</b>	
<b>-</b>	<b>740</b>	<b>845</b>	
<b>137</b>	<b>1,642</b>	<b>2,325</b>	
<b>7,391</b>	<b>14,824</b>	<b>15,766</b>	
<b>7</b>	<b>149</b>	<b>150</b>	
<b>-</b>	<b>984</b>	<b>884</b>	
<b>48</b>	<b>838</b>	<b>1,520</b>	
<b>-</b>	<b>11,662</b>	<b>14,408</b>	
<b>-</b>	<b>763</b>	<b>1,374</b>	
<b>366</b>	<b>2,288</b>	<b>3,477</b>	
<b>-</b>	<b>-</b>	<b>1,921</b>	
<b>-</b>	<b>1,315</b>	<b>1,909</b>	
<b>-</b>	<b>5,863</b>	<b>7,565</b>	
<b>27</b>	<b>2,004</b>	<b>2,324</b>	
<b>\$ 38,979</b>	<b>\$ 214,673</b>	<b>\$ 316,801</b>	

Head of the Lakes United Way

Fundraising Expenses  
Years Ended June 30, 2021 and 2020

	2021			2020
	Resource Development	Marketing	Total	
Salaries	\$ 165,627	\$ 19,650	\$ 185,277	\$ 208,300
Payroll taxes	13,768	1,612	15,380	15,942
Employee benefits	25,819	5,270	31,089	36,180
<b>Total salaries and related expenses</b>	<b>205,214</b>	<b>26,532</b>	<b>231,746</b>	260,422
Conferences, conventions and meetings	1,468	136	1,604	2,918
Insurance	1,455	161	1,616	1,025
Membership dues	2,931	325	3,256	2,597
Other	8,452	226	8,678	5,200
Occupancy	15,139	1,679	16,818	16,881
Postage	1,025	2	1,027	1,436
Printing and marketing	6,450	93	6,543	4,260
Professional fees	2,706	141	2,847	2,420
Rental and maintenance of equipment	11,474	1,273	12,747	11,321
Supplies	1,175	75	1,250	2,084
Telephone and communications	4,515	466	4,981	5,084
Special events	-	-	-	38,728
Donated services	1,680	-	1,680	26,082
United Way Worldwide	8,164	906	9,070	7,598
Depreciation	7,506	832	8,338	8,569
	<b>\$ 279,354</b>	<b>\$ 32,847</b>	<b>\$ 312,201</b>	<b>\$ 396,625</b>