

# Head of the Lakes United Way

Financial Report  
June 30, 2020

## Contents

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Independent auditor's report	1-2
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Financial statements	
Statements of financial position	3
Statements of activities	4-5
Statements of functional expenses	6-7
Statements of cash flows	8
Notes to financial statements	9-17

---

Independent auditor's report on the supplementary information	18
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Supplementary information	
Other program services	19-20
Fundraising expenses	21

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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, 2020 and 2019, 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, 2020 and 2019, 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 7, 2020

## Head of the Lakes United Way

### Statements of Financial Position June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents:	\$ 1,422,649	\$ 1,236,170
Investments	47,684	50,477
Contributions receivable, less allowance for uncollectibles of \$99,797 in 2020 and \$82,427 in 2019	346,898	485,775
Other receivables	60,177	83,540
Prepaid expenses	15,792	9,339
<b>Total current assets</b>	<b>1,893,200</b>	<b>1,865,301</b>
Noncurrent assets:		
Property and equipment, net (Note 3)	30,283	41,991
Beneficial interest in perpetual trust (Note 4)	4,915,904	4,682,366
Beneficial interest in assets held by others (Note 5)	611,626	624,815
<b>Total noncurrent assets</b>	<b>5,557,813</b>	<b>5,349,172</b>
<b>Total assets</b>	<b>\$ 7,451,013</b>	<b>\$ 7,214,473</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Allocations and designations payable (Note 6)	\$ 867,769	\$ 908,603
Accounts payable	6,870	3,329
Accrued expenses	53,225	51,042
Current maturities of long-term debt (Note 7)	63,906	-
Unearned revenue	-	55,450
<b>Total current liabilities</b>	<b>991,770</b>	<b>1,018,424</b>
Long-term debt, less current maturities (Note 7)	81,404	-
<b>Total liabilities</b>	<b>1,073,174</b>	<b>1,018,424</b>
Net assets:		
Without donor restrictions		
Board-designated (Note 12)	781,131	800,046
Property and equipment	30,283	41,991
United Way Endowment Fund (Note 5)	611,626	624,815
<b>Total net assets without donor restrictions</b>	<b>1,423,040</b>	<b>1,466,852</b>
With donor restrictions (Note 8)	4,954,799	4,729,197
<b>Total net assets</b>	<b>6,377,839</b>	<b>6,196,049</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,451,013</b>	<b>\$ 7,214,473</b>

See notes to financial statements.

## Head of the Lakes United Way

### Statements of Activities Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Gross campaign results	\$ 1,578,734	\$ 20,449	\$ 1,599,183
Gross campaign results in prior year, released from restrictions	27,385	(27,385)	-
<b>Total campaign results</b>	<b>1,606,119</b>	<b>(6,936)</b>	<b>1,599,183</b>
Less donor-designated contributions (Note 6)	(75,343)	-	(75,343)
Less provision for uncollectible accounts	(53,877)	-	(53,877)
<b>Net campaign revenue</b>	<b>1,476,899</b>	<b>(6,936)</b>	<b>1,469,963</b>
Perpetual trust contribution	225,330	-	225,330
Duluth-Superior Area Community Foundation contribution	26,442	-	26,442
Other contributions	31,639	-	31,639
Grant income	15,817	14,000	29,817
Sponsorships	14,500	-	14,500
Bequests and memorials	-	-	-
Special events	99,763	-	99,763
Services revenue	40,174	-	40,174
Net assets released from restrictions	15,000	(15,000)	-
<b>Total public support</b>	<b>1,945,564</b>	<b>(7,936)</b>	<b>1,937,628</b>
Investment income	(328)	-	(328)
Change in beneficial interest in assets held by others	12,539	-	12,539
Change in beneficial interest in perpetual trust	-	233,538	233,538
Donated goods and services	26,729	-	26,729
Miscellaneous	3,618	-	3,618
<b>Total revenue</b>	<b>1,988,122</b>	<b>225,602</b>	<b>2,213,724</b>
Allocations and expenses:			
Allocations and program services:			
Gross allocations to agencies for programs	1,200,637	-	1,200,637
Less donor-designated contributions (Note 6)	(75,343)	-	(75,343)
<b>Net allocations awarded (Note 9)</b>	<b>1,125,294</b>	<b>-</b>	<b>1,125,294</b>
Initiatives distributions (Note 9)	2,950	-	2,950
Other program services	316,801	-	316,801
<b>Total program expenses</b>	<b>1,445,045</b>	<b>-</b>	<b>1,445,045</b>
Supporting services:			
Management and general	190,264	-	190,264
Fundraising	396,625	-	396,625
<b>Total allocations and expenses</b>	<b>2,031,934</b>	<b>-</b>	<b>2,031,934</b>
<b>(Decrease) increase in net assets</b>	<b>(43,812)</b>	<b>225,602</b>	<b>181,790</b>
Net assets:			
Beginning of year	1,466,852	4,729,197	6,196,049
End of year	\$ 1,423,040	\$ 4,954,799	\$ 6,377,839

See notes to financial statements.

2019

Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,720,596	\$ 27,385	\$ 1,747,981
11,978	(11,978)	-
1,732,574	15,407	1,747,981
(82,508)	-	(82,508)
(35,180)	-	(35,180)
1,614,886	15,407	1,630,293
223,484	-	223,484
26,525	-	26,525
238	-	238
17,074	15,000	32,074
18,000	-	18,000
100	-	100
18,032	-	18,032
111,144	-	111,144
22,000	(22,000)	-
2,051,483	8,407	2,059,890
(3,588)	-	(3,588)
28,311	-	28,311
-	241,193	241,193
3,719	-	3,719
11,072	-	11,072
2,090,997	249,600	2,340,597
1,260,068	-	1,260,068
(82,508)	-	(82,508)
1,177,560	-	1,177,560
2,000	-	2,000
519,469	-	519,469
1,699,029	-	1,699,029
189,879	-	189,879
341,109	-	341,109
2,230,017	-	2,230,017
(139,020)	249,600	110,580
1,605,872	4,479,597	6,085,469
\$ 1,466,852	\$ 4,729,197	\$ 6,196,049

## Head of the Lakes United Way

### Statements of Functional Expenses Years Ended June 30, 2020 and 2019

	2020			
	Program Services	Management and General	Fundraising	Total
Gross allocations to agencies for programs	\$ 1,200,637	\$ -	\$ -	\$ 1,200,637
Less donor-designated contributions	(75,343)	-	-	(75,343)
<b>Net allocations awarded</b>	<b>1,125,294</b>	<b>-</b>	<b>-</b>	<b>1,125,294</b>
Initiatives distributions	2,950	-	-	2,950
Salaries	193,077	112,059	208,300	513,436
Payroll taxes	14,756	8,597	15,942	39,295
Employee benefits	49,183	15,138	36,180	100,501
<b>Total salaries and related expenses</b>	<b>257,016</b>	<b>135,794</b>	<b>260,422</b>	<b>653,232</b>
Conferences, conventions and meetings	1,414	1,285	2,918	5,617
Insurance	3,903	456	1,025	5,384
Membership dues	845	1,274	2,597	4,716
Other	2,325	496	5,200	8,021
Occupancy	15,766	7,515	16,881	40,162
Postage	150	562	1,436	2,148
Printing and marketing	884	127	4,260	5,271
Professional fees	1,520	27,580	2,420	31,520
Rental and maintenance of equipment	14,408	4,995	11,321	30,724
Supplies	1,374	456	2,084	3,914
Telephone and communications	3,477	1,705	5,084	10,266
Special events	1,921	174	38,728	40,823
Donated services	-	647	26,082	26,729
Community outreach	1,909	-	-	1,909
United Way Worldwide	7,565	3,383	7,598	18,546
Depreciation	2,324	3,815	8,569	14,708
<b>Total other program services</b>	<b>316,801</b>	<b>190,264</b>	<b>396,625</b>	<b>903,690</b>
<b>Total allocations and expenses</b>	<b>\$ 1,445,045</b>	<b>\$ 190,264</b>	<b>\$ 396,625</b>	<b>\$ 2,031,934</b>

See notes to financial statements.



2019

Program Services	Management and General	Fundraising	Total
\$ 1,260,068	\$ -	\$ -	\$ 1,260,068
(82,508)	-	-	(82,508)
1,177,560	-	-	1,177,560
2,000	-	-	2,000
320,366	114,007	208,040	642,413
22,971	8,024	14,750	45,745
87,494	14,896	38,464	140,854
430,831	136,927	261,254	829,012
14,849	2,988	7,978	25,815
4,583	343	886	5,812
1,119	946	2,447	4,512
2,420	343	6,417	9,180
17,898	5,978	15,461	39,337
781	545	3,411	4,737
2,230	706	5,079	8,015
742	29,851	506	31,099
16,317	2,810	7,450	26,577
1,440	232	2,138	3,810
5,009	1,359	4,756	11,124
6,392	-	6,631	13,023
450	1,048	1,680	3,178
-	-	-	-
10,990	2,712	7,015	20,717
3,418	3,091	8,000	14,509
519,469	189,879	341,109	1,050,457
\$ 1,699,029	\$ 189,879	\$ 341,109	\$ 2,230,017

## Head of the Lakes United Way

### Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 181,790	\$ 110,580
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,708	14,509
Changes in:		
Beneficial interest in:		
Assets held by others	13,189	(2,442)
Perpetual trust	(233,538)	(241,193)
Assets and liabilities:		
Contributions receivable	138,877	63,615
Other receivables	23,363	(15,550)
Prepaid expenses	(6,453)	(895)
Investments	2,793	(4,319)
Allocations payable and designated pledges	(40,834)	(55,163)
Deposits held for others	-	(5,445)
Accounts payable	3,541	(9,747)
Accrued expenses	2,183	448
Unearned revenue	(55,450)	55,450
<b>Net cash provided by (used in) operating activities</b>	<b>44,169</b>	<b>(90,152)</b>
Cash flows from investing activities:		
Purchase of property and equipment	(3,000)	(1,239)
<b>Net cash used in investing activities</b>	<b>(3,000)</b>	<b>(1,239)</b>
Cash flows from financing activities:		
Proceeds on long-term debt	145,310	-
<b>Net cash provided by financing activities</b>	<b>145,310</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>186,479</b>	<b>(91,391)</b>
Cash and cash equivalents:		
Beginning	1,236,170	1,327,561
Ending	<b>\$ 1,422,649</b>	<b>\$ 1,236,170</b>

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, 2020 and 2019, the Organization recognized \$26,729 and \$3,719, 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 2016.

**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 7, 2020, 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, 2020, available to meet cash needs for general expenditures within one year of June 30, 2020:

	<u>Amount</u>
Cash and cash equivalents	\$ 1,422,649
Investments	47,684
Contributions receivable	346,898
Other receivables	<u>60,177</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,877,408</u>

The Organization's goal is generally to maintain financial assets to meet the Board-designated net assets (\$781,131), Community Care allocations payable at the end of the year (\$847,486) and three months of other program services expenses (approximately \$225,000). 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

	2020	2019
Office equipment	\$ 228,616	\$ 227,097
Leasehold improvements	47,553	47,553
	<u>276,169</u>	<u>274,650</u>
Less accumulated depreciation	245,886	232,659
	<u>\$ 30,283</u>	<u>\$ 41,991</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.

	2020	2019
Beneficial interest, beginning of year	\$ 4,682,366	\$ 4,441,173
Increase in beneficial interest	458,868	464,677
Amount distributed	(225,330)	(223,484)
Beneficial interest, end of year	<u>\$ 4,915,904</u>	<u>\$ 4,682,366</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, 2020 and 2019, 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.

	2020	2019
Beneficial interest, beginning of year	\$ 624,815	\$ 622,373
Increase in beneficial interest	12,539	28,311
Amount distributed	(25,728)	(25,869)
Beneficial interest, end of year	<u>\$ 611,626</u>	<u>\$ 624,815</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, \$629,616 and \$643,110 at June 30, 2020 and 2019, respectively, has not been recorded as an asset on these financial statements.

#### Note 6. Allocations and Designations Payable

	2020	2019
Community Care allocations payable	\$ 847,486	\$ 882,012
Donor-designated contributions	20,283	26,591
	<u>\$ 867,769</u>	<u>\$ 908,603</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, 2020 and 2019, the Organization raised \$75,343 and \$82,508, respectively, of donor-designated contributions, of which amounts due to the designated beneficiaries are included in the above table.

#### Note 7. Long-Term Debt

A summary of long-term debt is as follows as of June 30, 2020 and 2019:

	2020	2019
Small Business Administration (SBA) Paycheck Protection Program (PPP) loan	\$ 145,310	\$ -
Less current maturities	63,906	-
	<u>\$ 81,404</u>	<u>\$ -</u>

The PPP loan has an interest rate of 1%, 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:

	2020	2019
2-1-1 Information and referral (purpose restriction)	\$ 14,000	\$ 15,000
Contributions for the subsequent fiscal year's campaign (time restriction)	20,449	27,385
Women's Leadership Council (purpose restriction)	4,446	4,446
Beneficial interest in perpetual trust (perpetual restriction)	4,915,904	4,682,366
	<u>\$ 4,954,799</u>	<u>\$ 4,729,197</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:

	2020			2019
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Indian Community Housing Organization	\$ 9,846	\$ 2,462	\$ 7,384	\$ 10,364
American Red Cross—Northern Minnesota Chapter	5,600	1,400	4,200	5,895
ARC Northland	8,898	2,225	6,673	9,367
Boys & Girls Clubs of the Northland	35,854	8,964	26,890	37,741
Center City Housing Corp.	23,322	5,831	17,491	24,550
Children's Dental Services	6,532	1,633	4,899	6,876
Churches United in Ministry	44,055	11,014	33,041	46,374
Community Action Duluth	34,316	8,579	25,737	36,122
Courage Center	7,065	1,766	5,299	7,437
Damiano Center	52,987	13,247	39,740	55,775
Duluth Area Family YMCA	16,993	4,248	12,745	17,887
Duluth Community School Collaborative	27,324	6,831	20,493	28,762
Girl Scouts—Northern Pine Council	15,367	3,842	11,525	16,176
Goodwill Industries Vocational Enterprises, Inc.	7,149	1,787	5,362	7,525
Human Development Center	38,006	9,502	28,504	40,006
Just Kids Dental	6,532	1,633	4,899	6,876
Lake Superior Community Health Center	48,571	12,143	36,428	51,127
Legal Aid Service of NE MN	48,679	12,170	36,509	51,241
Life House	85,600	21,400	64,200	90,105
Lutheran Social Service	34,297	8,574	25,723	36,102
Men as Peacemakers	25,596	6,399	19,197	26,942
Mentor North, Inc.	59,004	14,751	44,253	62,110
Positive Energy Outdoors	9,441	2,360	7,081	9,938
Safe Haven Shelter	30,028	7,507	22,521	31,608
Greater Duluth Area Salvation Army	48,459	12,115	36,344	51,010
Second Harvest Northern Lakes Food Bank	18,797	4,699	14,098	19,786
SOAR Career Solutions	36,937	9,234	27,703	38,881
The Hills Youth and Family Services, Inc.	46,365	11,591	34,774	48,806
Volunteer Attorney Program	-	-	-	7,368
Welch Center, Inc., DBA Valley Youth Center	61,364	15,341	46,023	64,594
YWCA of Duluth	43,663	10,916	32,747	45,961
Changes in 2019 Allocation Payable	(3,684)	-	-	-
Duluth Area Community Care allocations	932,963	234,164	702,483	993,312

(Continued)



## Head of the Lakes United Way

### Notes to Financial Statements

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

	2020			2019
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
Care Partners of Cook County	\$ 5,174	\$ 1,294	\$ 3,880	\$ 3,820
Community Partners	11,091	2,773	8,318	8,190
Just Kids Dental	1,479	370	1,109	1,092
Northshore Area Partners	7,395	1,849	5,546	5,461
Northshore Collaborative	-	-	-	1,092
North Shore Horizons	2,958	740	2,218	2,184
Two Harbors Area Food Shelf	7,395	1,849	5,546	5,461
North Shore Community Care allocations	<u>35,492</u>	<u>8,875</u>	<u>26,617</u>	<u>27,300</u>
American Red Cross—Northern Minnesota Chapter	5,821	1,455	4,366	5,673
Boys & Girls Clubs of the Northland	24,250	6,063	18,187	23,635
Catholic Community Services, Inc. (funded programs: Foster Grandparents and RSVP Bookworms Project)	-	-	-	1,535
Center Against Sexual & Domestic Abuse, Inc.	20,919	5,229	15,690	20,388
Challenge Center	-	-	-	2,014
Faith United Methodist Church (funded program: Homeless Stabilization Program)	18,016	4,503	13,513	21,117
Faith United Methodist Church (funded program: Children's Life Skills Enhancement)	3,651	912	2,739	-
Health Care Clinic	1,033	258	775	1,007
Just Kids Dental	5,165	1,290	3,875	5,034
Lake Superior Community Health Center	4,010	1,002	3,008	3,908
Lutheran Social Service of Wisconsin and Upper Michigan	2,066	516	1,550	2,014
Mentor North, Inc.	24,250	6,063	18,187	23,635
School District of Superior	19,400	4,851	14,549	18,908
Superior Douglas County Family YMCA	5,165	1,290	3,875	5,034
Superior Vocation Center, Inc.	13,206	3,303	9,903	12,871
Changes in 2019 Allocation Payable	(1,006)	-	-	-
Superior/Douglas County Community Care allocations	<u>145,946</u>	<u>36,735</u>	<u>110,217</u>	<u>146,773</u>
Northwoods Women, Inc. (dba, New Day Shelter)	7,681	1,920	5,761	3,000
The BRICK Ministries, Inc	3,212	804	2,408	7,175
Ashland/Bayfield Community Care allocations	<u>10,893</u>	<u>2,724</u>	<u>8,169</u>	<u>10,175</u>
Total Community Care allocations	<u>1,125,294</u>	<u>282,498</u>	<u>847,486</u>	<u>1,177,560</u>
ALICE report	950	950	-	-
Duluth Profile Project	2,000	2,000	-	2,000
Total initiatives distributions	<u>2,950</u>	<u>2,950</u>	<u>-</u>	<u>2,000</u>
Total agency allocations	<u>\$ 1,128,244</u>	<u>\$ 285,448</u>	<u>\$ 847,486</u>	<u>\$ 1,179,560</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 \$29,509 and \$34,624 for the years ended June 30, 2020 and 2019, 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 \$40,162 and \$39,337 for the years ended June 30, 2020 and 2019, 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:

	2020	2019
Strategic business practices	\$ 539,347	\$ 558,262
Wisconsin programs	241,784	241,784
	<u>\$ 781,131</u>	<u>\$ 800,046</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.

ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, issued May 2014, will be effective for the Organization beginning with its year ending June 30, 2021. The guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The Organization has not yet selected a transition method and is currently evaluating the impact the adoption of this standard will have on the financial statements.

## 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. 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 *FASB 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.

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, 2020 and 2019, and have issued our report thereon, dated December 7, 2020, 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 7, 2020

Head of the Lakes United Way

Other Program Services  
Years Ended June 30, 2020 and 2019

	2020			
	Community Impact	Fund Distribution	AFL-CIO Community Services	Volunteer Center
Salaries	\$ 69,810	\$ 2,319	\$ 32,201	\$ 6,714
Payroll taxes	5,366	179	2,512	514
Employee benefits	22,212	638	7,859	4,333
<b>Total salaries and related expenses</b>	<b>97,388</b>	<b>3,136</b>	<b>42,572</b>	<b>11,561</b>
Conferences, conventions and meetings	1,169	20	16	-
Insurance	1,013	7	-	-
Membership dues	756	20	-	69
Other	2,265	8	-	52
Occupancy	4,456	119	3,575	299
Postage	128	15	6	1
Printing and marketing	76	2	771	35
Professional fees	588	5	63	13
Rental and maintenance of equipment	11,090	79	136	3,053
Supplies	1,012	7	311	-
Telephone and communications	1,647	135	583	140
Special events	736	3	-	1,182
Donated services	-	-	-	-
Community outreach	1,909	-	-	-
United Way Worldwide	7,511	54	-	-
Depreciation	2,264	60	-	-
	<b>\$ 134,008</b>	<b>\$ 3,670</b>	<b>\$ 48,033</b>	<b>\$ 16,405</b>

<b>2020</b>			
<b>2-1-1</b>			
<b>Information and</b>			
<b>Referral</b>	<b>Total</b>		<b>2019</b>
<b>\$ 82,033</b>	<b>\$ 193,077</b>	<b>\$</b>	<b>320,366</b>
<b>6,185</b>	<b>14,756</b>		<b>22,971</b>
<b>14,141</b>	<b>49,183</b>		<b>87,494</b>
<b>102,359</b>	<b>257,016</b>		<b>430,831</b>
<b>209</b>	<b>1,414</b>		<b>14,849</b>
<b>2,883</b>	<b>3,903</b>		<b>4,583</b>
<b>-</b>	<b>845</b>		<b>1,119</b>
<b>-</b>	<b>2,325</b>		<b>2,420</b>
<b>7,317</b>	<b>15,766</b>		<b>17,898</b>
<b>-</b>	<b>150</b>		<b>781</b>
<b>-</b>	<b>884</b>		<b>2,230</b>
<b>851</b>	<b>1,520</b>		<b>742</b>
<b>50</b>	<b>14,408</b>		<b>16,317</b>
<b>44</b>	<b>1,374</b>		<b>1,440</b>
<b>972</b>	<b>3,477</b>		<b>5,009</b>
<b>-</b>	<b>1,921</b>		<b>6,392</b>
<b>-</b>	<b>-</b>		<b>450</b>
<b>-</b>	<b>1,909</b>		<b>-</b>
<b>-</b>	<b>7,565</b>		<b>10,990</b>
<b>-</b>	<b>2,324</b>		<b>3,418</b>
<b>\$ 114,685</b>	<b>\$ 316,801</b>	<b>\$</b>	<b>519,469</b>

Head of the Lakes United Way

Fundraising Expenses  
Years Ended June 30, 2020 and 2019

	2020			2019
	Resource Development	Marketing	Total	
Salaries	\$ 171,883	\$ 36,417	\$ 208,300	\$ 208,040
Payroll taxes	13,149	2,793	15,942	14,750
Employee benefits	27,354	8,826	36,180	38,464
<b>Total salaries and related expenses</b>	<b>212,386</b>	<b>48,036</b>	<b>260,422</b>	261,254
Conferences, conventions and meetings	2,428	490	2,918	7,978
Insurance	851	174	1,025	886
Membership dues	2,111	486	2,597	2,447
Other	5,011	189	5,200	6,417
Occupancy	14,016	2,865	16,881	15,461
Postage	1,414	22	1,436	3,411
Printing and marketing	4,211	49	4,260	5,079
Professional fees	2,251	169	2,420	506
Rental and maintenance of equipment	9,418	1,903	11,321	7,450
Supplies	1,910	174	2,084	2,138
Telephone and communications	4,239	845	5,084	4,756
Special events	38,662	66	38,728	6,631
Donated services	26,082	-	26,082	1,680
United Way Worldwide	6,309	1,289	7,598	7,015
Depreciation	7,115	1,454	8,569	8,000
	<b>\$ 338,414</b>	<b>\$ 58,211</b>	<b>\$ 396,625</b>	<b>\$ 341,109</b>

