

# **Head of the Lakes United Way**

Financial Report  
June 30, 2022

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Head of the Lakes United Way

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Head of the Lakes United Way (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditor's Responsibility**

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

In performing an audit in accordance with GAAS, we:

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

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

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for 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 GAAS. 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 1, 2022

## Head of the Lakes United Way

### Statements of Financial Position June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash	\$ 1,121,286	\$ 1,228,770
Investments	52,201	46,534
Contributions receivable, less allowance for uncollectibles of \$65,341 in 2022 and \$78,535 in 2021	229,175	287,537
Other receivables	39,105	193,129
Prepaid expenses	11,917	12,567
<b>Total current assets</b>	<b>1,453,684</b>	<b>1,768,537</b>
Noncurrent assets:		
Property and equipment, net (Note 3)	23,541	36,042
Beneficial interest in perpetual trust (Note 4)	5,898,447	6,484,316
Beneficial interest in assets held by others (Note 5)	624,676	761,890
<b>Total noncurrent assets</b>	<b>6,546,664</b>	<b>7,282,248</b>
<b>Total assets</b>	<b>\$ 8,000,348</b>	<b>\$ 9,050,785</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Allocations and designations payable (Note 6)	\$ 748,349	\$ 764,745
Accounts payable	6,039	5,705
Accrued expenses	49,080	34,503
<b>Total current liabilities</b>	<b>803,468</b>	<b>804,953</b>
Long-term debt, less current maturities (Note 7)	-	118,023
<b>Total liabilities</b>	<b>803,468</b>	<b>922,976</b>
Net assets:		
Without donor restrictions		
Non-designated	-	83,412
Board-designated (Note 12)	638,217	731,181
Property and equipment	23,541	36,042
United Way Endowment Fund (Note 5)	624,676	761,890
<b>Total net assets without donor restrictions</b>	<b>1,286,434</b>	<b>1,612,525</b>
With donor restrictions (Note 8)	5,910,446	6,515,284
<b>Total net assets</b>	<b>7,196,880</b>	<b>8,127,809</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,000,348</b>	<b>\$ 9,050,785</b>

See notes to financial statements.

## Head of the Lakes United Way

### Statements of Activities Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Gross campaign results	\$ 1,293,893	\$ 7,553	\$ 1,301,446
Gross campaign results in prior year, released from restrictions	26,522	(26,522)	-
<b>Total campaign results</b>	<b>1,320,415</b>	<b>(18,969)</b>	<b>1,301,446</b>
Less donor-designated contributions (Note 6)	(50,991)	-	(50,991)
Less provision for uncollectible accounts	(29,531)	-	(29,531)
<b>Net campaign revenue</b>	<b>1,239,893</b>	<b>(18,969)</b>	<b>1,220,924</b>
Perpetual trust contribution	103,061	-	103,061
Duluth-Superior Area Community Foundation contribution	30,073	-	30,073
Other contributions	-	-	-
Grant income	-	-	-
Sponsorships	-	-	-
Bequests and memorials	72,031	-	72,031
Special events	23,008	-	23,008
Services revenue	5,933	-	5,933
Net assets released from restrictions	-	-	-
<b>Total public support</b>	<b>1,473,999</b>	<b>(18,969)</b>	<b>1,455,030</b>
Investment income	1,447	-	1,447
Change in beneficial interest in assets held by others	(108,002)	-	(108,002)
Change in beneficial interest in perpetual trust	-	(585,869)	(585,869)
Donated goods and services	21,967	-	21,967
Miscellaneous	2,109	-	2,109
Loss on disposal of equipment	-	-	-
Gain on extinguishment of debt	118,669	-	118,669
<b>Total revenue</b>	<b>1,510,189</b>	<b>(604,838)</b>	<b>905,351</b>
Allocations and expenses:			
Allocations and program services:			
Gross allocations to agencies for programs	977,362	-	977,362
Less donor-designated contributions (Note 6)	(50,991)	-	(50,991)
<b>Net allocations awarded (Note 9)</b>	<b>926,371</b>	<b>-</b>	<b>926,371</b>
Initiatives distributions (Note 9)	-	-	-
Other program services	319,636	-	319,636
<b>Total program expenses</b>	<b>1,246,007</b>	<b>-</b>	<b>1,246,007</b>
Supporting services:			
Management and general	203,227	-	203,227
Fundraising	387,046	-	387,046
<b>Total allocations and expenses</b>	<b>1,836,280</b>	<b>-</b>	<b>1,836,280</b>
<b>(Decrease) increase in net assets</b>	<b>(326,091)</b>	<b>(604,838)</b>	<b>(930,929)</b>
Net assets:			
Beginning of year	1,612,525	6,515,284	8,127,809
End of year	\$ 1,286,434	\$ 5,910,446	\$ 7,196,880

See notes to financial statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,352,665	\$ 26,522	\$ 1,379,187
20,449	(20,449)	-
1,373,114	6,073	1,379,187
(46,814)	-	(46,814)
(33,707)	-	(33,707)
1,292,593	6,073	1,298,666
253,120	-	253,120
27,024	-	27,024
1,513	-	1,513
4,900	-	4,900
6,000	-	6,000
-	-	-
600	-	600
18,400	-	18,400
14,000	(14,000)	-
1,618,150	(7,927)	1,610,223
336	-	336
176,534	-	176,534
-	1,568,412	1,568,412
2,173	-	2,173
2,693	-	2,693
(897)	-	(897)
145,310	-	145,310
1,944,299	1,560,485	3,504,784
1,051,319	-	1,051,319
(46,814)	-	(46,814)
1,004,505	-	1,004,505
2,000	-	2,000
214,673	-	214,673
1,221,178	-	1,221,178
221,435	-	221,435
312,201	-	312,201
1,754,814	-	1,754,814
189,485	1,560,485	1,749,970
1,423,040	4,954,799	6,377,839
\$ 1,612,525	\$ 6,515,284	\$ 8,127,809

## Head of the Lakes United Way

### Statements of Functional Expenses Years Ended June 30, 2022 and 2021

	2022			
	Program Services	Management and General	Fundraising	Total
Gross allocations to agencies for programs	\$ 977,362	\$ -	\$ -	\$ 977,362
Less donor-designated contributions	(50,991)	-	-	(50,991)
<b>Net allocations awarded</b>	<b>926,371</b>	<b>-</b>	<b>-</b>	<b>926,371</b>
Initiatives distributions	-	-	-	-
Salaries	180,387	113,291	224,822	518,500
Payroll taxes	13,927	8,649	17,543	40,119
Employee benefits	41,722	28,759	48,316	118,797
<b>Total salaries and related expenses</b>	<b>236,036</b>	<b>150,699</b>	<b>290,681</b>	<b>677,416</b>
Conferences, conventions and meetings	351	133	1,285	1,769
Insurance	3,922	634	1,938	6,494
Membership dues	1,329	1,291	4,108	6,728
Other	1,415	694	8,303	10,412
Occupancy	14,185	6,866	20,995	42,046
Postage	187	81	2,354	2,622
Printing and marketing	1,208	903	2,374	4,485
Professional fees	13,013	30,715	18,689	62,417
Rental and maintenance of equipment	11,105	4,403	11,446	26,954
Supplies	306	118	2,189	2,613
Telephone and communications	2,472	1,169	5,310	8,951
Special events	500	-	492	992
Donated services	21,967	-	-	21,967
Community outreach	-	-	-	-
United Way Worldwide	6,707	3,138	9,597	19,442
Depreciation	4,933	2,383	7,285	14,601
<b>Total other program services</b>	<b>319,636</b>	<b>203,227</b>	<b>387,046</b>	<b>909,909</b>
<b>Total allocations and expenses</b>	<b>\$ 1,246,007</b>	<b>\$ 203,227</b>	<b>\$ 387,046</b>	<b>\$ 1,836,280</b>

See notes to financial statements.



2021

Program Services	Management and General	Fundraising	Total
\$ 1,051,319	\$ -	\$ -	\$ 1,051,319
(46,814)	-	-	(46,814)
1,004,505	-	-	1,004,505
2,000	-	-	2,000
125,005	124,877	185,277	435,159
10,326	10,231	15,380	35,937
30,102	23,767	31,089	84,958
165,433	158,875	231,746	556,054
1,605	721	1,604	3,930
4,563	856	1,616	7,035
740	1,723	3,256	5,719
1,642	1,203	8,678	11,523
14,824	8,898	16,818	40,540
149	230	1,027	1,406
984	2,285	6,543	9,812
838	27,963	2,847	31,648
11,662	6,847	12,747	31,256
763	396	1,250	2,409
2,288	1,731	4,981	9,000
-	-	-	-
-	493	1,680	2,173
1,315	-	-	1,315
5,863	4,801	9,070	19,734
2,004	4,413	8,338	14,755
214,673	221,435	312,201	748,309
\$ 1,221,178	\$ 221,435	\$ 312,201	\$ 1,754,814

## Head of the Lakes United Way

### Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (930,929)	\$ 1,749,970
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	14,601	14,755
Gain on extinguishment of debt	(118,023)	(145,310)
Loss on disposal of equipment	-	897
Changes in:		
Beneficial interest in:		
Assets held by others	137,214	(150,264)
Perpetual trust	585,869	(1,568,412)
Assets and liabilities:		
Contributions receivable	58,362	59,361
Other receivables	154,024	(132,952)
Prepaid expenses	650	3,225
Investments	(5,667)	1,150
Allocations payable and designated pledges	(16,396)	(103,024)
Accounts payable	334	(1,165)
Accrued expenses	14,577	(18,722)
<b>Net cash used in operating activities</b>	<b>(105,384)</b>	<b>(290,491)</b>
Cash flows from investing activities:		
Purchase of property and equipment	(2,100)	(21,411)
<b>Net cash used in investing activities</b>	<b>(2,100)</b>	<b>(21,411)</b>
Cash flows from financing activities:		
Proceeds on long-term debt	-	118,023
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>118,023</b>
<b>Net decrease in cash</b>	<b>(107,484)</b>	<b>(193,879)</b>
Cash:		
Beginning	1,228,770	1,422,649
Ending	<b>\$ 1,121,286</b>	<b>\$ 1,228,770</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, 2022 and 2021, the Organization recognized \$21,967 and \$2,173, 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.

**Investments:** Investments in common stock 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.

**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)
- 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 (common stock) 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 2018.

**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 1, 2022, 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, 2022, available to meet cash needs for general expenditures within one year of June 30, 2022:

Cash	\$ 1,121,286
Investments	52,201
Contributions receivable	229,175
Other receivables	39,105
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,441,767</u>

The Organization's goal is generally to maintain financial assets to meet the Board-designated net assets (\$638,217), Community Care allocations payable at the end of the year (\$748,349) and three months of other program services and supporting services expenses (approximately \$227,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### Note 3. Property and Equipment

	2022	2021
Office equipment	\$ 201,495	\$ 199,395
Leasehold improvements	47,553	47,553
	<u>249,048</u>	<u>246,948</u>
Less accumulated depreciation	225,507	210,906
	<u>\$ 23,541</u>	<u>\$ 36,042</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.

	2022	2021
Beneficial interest, beginning of year	\$ 6,484,316	\$ 4,915,904
(Decrease) increase in beneficial interest	(482,808)	1,821,562
Amount distributed	(103,061)	(253,150)
Beneficial interest, end of year	<u>\$ 5,898,447</u>	<u>\$ 6,484,316</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, 2022 and 2021, 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.

	2022	2021
Beneficial interest, beginning of year	\$ 761,890	\$ 611,626
(Decrease) increase in beneficial interest	(108,002)	176,534
Amount distributed	(29,212)	(26,270)
Beneficial interest, end of year	<u>\$ 624,676</u>	<u>\$ 761,890</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, \$643,954 and \$784,854 at June 30, 2022 and 2021, respectively, has not been recorded as an asset on these financial statements.

#### Note 6. Allocations and Designations Payable

	2022	2021
Community Care allocations payable	\$ 730,712	\$ 753,381
Donor-designated contributions	17,637	11,364
	<u>\$ 748,349</u>	<u>\$ 764,745</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, 2022 and 2021, the Organization raised \$50,991 and \$46,814, 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 2021, the Organization obtained a \$118,023 Small Business Administration Paycheck Protection Program loan with an interest rate of 1%. The entire principal and interest amounts were formally forgiven during 2022 based on actual payroll costs incurred plus certain eligible expenses, as defined in the agreement. The forgiveness is reported in the statement of activities as "gain on extinguishment of debt."

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

Net assets with donor restrictions consisted of the following:

	2022	2021
Contributions for the subsequent fiscal year's campaign (time restriction)	\$ 7,553	\$ 26,522
Women's Leadership Council (purpose restriction)	4,445	4,446
Beneficial interest in perpetual trust (perpetual restriction)	5,898,448	6,484,316
	<u>\$ 5,910,446</u>	<u>\$ 6,515,284</u>

Investment income received from the perpetual trust is unrestricted.

## Head of the Lakes United Way

### Notes to Financial Statements

#### Note 9. Allocations to Agencies

Allocations were as follows:

	2022			2021
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
American Indian Community Housing Organization	\$ 8,092	\$ 2,023	\$ 6,069	\$ 8,430
American Red Cross - Northern Minnesota Chapter	4,603	1,151	3,452	4,795
ARC Northland	7,313	-	7,313	7,618
Boys & Girls Clubs of the Northland	29,469	7,368	22,101	30,698
Center City Housing Corp.	19,168	-	19,168	19,968
Children's Dental Services	5,369	1,342	4,027	5,593
Churches United in Ministry	36,209	9,052	27,157	37,720
Community Action Duluth	28,204	-	28,204	29,381
Courage Kenny Foundation	5,807	1,452	4,355	6,049
Damiano of Duluth, Inc.	43,559	10,890	32,669	45,367
Duluth Area Family YMCA	13,967	3,492	10,475	14,549
Duluth Community School Collaborative	22,458	5,615	16,843	23,395
Girl Scouts of Minnesota and Wisconsin Lakes and Pines	12,630	3,158	9,472	13,157
Goodwill Industries Vocational Enterprises, Inc.	5,876	-	5,876	6,121
Greater Duluth Area Salvation Army	39,828	-	39,828	32,541
Human Development Center	31,237	7,809	23,428	5,593
Just Kids Dental	5,369	1,342	4,027	41,586
Lake Superior Community Health Center	39,921	9,980	29,941	41,679
Legal Aid Service of Northeastern Minnesota	40,010	-	40,010	73,290
Life House	70,355	17,589	52,766	29,365
Lutheran Social Service	28,189	7,047	21,142	21,915
Men as Peacemakers	21,038	5,260	15,778	50,519
Mentor North	48,496	12,124	36,372	8,083
Positive Energy Outdoors	7,760	1,940	5,820	25,710
Safe Haven Shelter and Resource Center	24,680	6,170	18,510	41,490
Second Harvest Northern Lakes Food Bank	15,449	3,862	11,587	16,094
SOAR Career Solutions	30,359	7,590	22,769	31,625
The Hills Youth and Family Services	-	-	-	39,697
Welch Center Inc	50,435	12,609	37,826	52,540
YWCA of Duluth	35,887	8,972	26,915	37,384
Duluth Area Community Care allocations	731,737	147,837	583,900	801,952

(Continued)



## Head of the Lakes United Way

### Notes to Financial Statements

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

	2022			2021
	Total Allocations	Amount Paid	Amount Payable	Total Allocations
Care Partners of Cook County	5,860	1,465	\$ 4,395	\$ 4,319
Community Partners	12,561	3,140	9,421	9,258
Just Kids Dental	1,675	419	1,256	1,235
North Shore Area Partners	8,375	2,094	6,281	6,173
North Shore Horizons	3,350	-	3,350	2,469
Two Harbors Area Food Shelf	8,375	2,094	6,281	6,173
North Shore Community Care allocations	40,196	9,212	30,984	29,627
American Red Cross—Northern Minnesota Chapter	5,184	1,296	3,888	6,241
Boys & Girls Clubs of the Northland	21,596	5,399	16,197	26,000
Center Against Sexual & Domestic Abuse, Inc.	18,630	4,658	13,972	22,429
Faith United Methodist Church (funded program: Homeless Stabilization Program)	19,295	4,824	14,471	19,316
Faith United Methodist Church (funded program: Children's Life Skills Enhancement)	-	-	-	3,915
Health Care Clinic	920	230	690	1,108
Just Kids Dental	4,600	1,150	3,450	5,538
Lake Superior Community Health Center	3,571	893	2,678	4,299
Lutheran Social Service of Wisconsin and Upper Michigan	-	-	-	2,215
Mentor North, Inc.	21,596	5,399	16,197	26,000
School District of Superior	17,277	4,319	12,958	20,800
Superior Douglas County Family YMCA	4,600	1,150	3,450	5,538
Superior Vocation Center, Inc.	11,761	2,940	8,821	14,159
Changes in 2020 Allocation Payable	-	-	-	-
Superior/Douglas County Community Care allocations	129,030	32,258	96,772	157,558
Northwoods Women, Inc. (dba, New Day Shelter)	7,492	1,873	5,619	4,532
The BRICK Ministries, Inc	17,916	4,479	13,437	10,836
Ashland/Bayfield Community Care allocations	25,408	6,352	19,056	15,368
Total Community Care allocations	926,371	195,659	730,712	1,004,505
Duluth Profile Project	-	-	-	2,000
Total initiatives distributions	-	-	-	2,000
Total agency allocations	\$ 926,371	\$ 195,659	\$ 730,712	\$ 1,006,505

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 \$23,254 and \$23,460 for the years ended June 30, 2022 and 2021, respectively.

#### 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 \$42,046 and \$40,540 for the years ended June 30, 2022 and 2021, respectively.

## Head of the Lakes United Way

### Notes to Financial Statements

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#### 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:

	2022	2021
Strategic business practices	\$ 430,433	\$ 501,397
Wisconsin programs	207,784	229,784
	<u>\$ 638,217</u>	<u>\$ 731,181</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.

The guidance in ASU No. 2021-09, *Leases (Topic 842) Discount Rate for Lessees That are not Public Business Entities*, issued November 2021, will be effective for the Organization beginning with its year ending June 30, 2023. The guidance allows lessees that elect a risk-free rate as the discount rate for all leases as practical expedient to make the risk-free rate election by class of underlying asset rather than at the entity-wide level.

Head of the Lakes United Way

Other Program Services  
Years Ended June 30, 2022 and 2021

	2022			
	Community Impact	Fund Distribution	AFL-CIO Community Services	Volunteer Center
Salaries	\$ 98,586	\$ 5,847	\$ 47,442	\$ 21,952
Payroll taxes	7,546	460	3,702	1,726
Employee benefits	26,527	562	8,856	1,436
<b>Total salaries and related expenses</b>	<b>132,659</b>	<b>6,869</b>	<b>60,000</b>	<b>25,114</b>
Conferences, conventions and meetings	294	29	25	3
Insurance	3,304	56	-	-
Membership dues	1,125	114	-	90
Other	1,356	59	-	-
Occupancy	5,984	606	3,363	1,641
Postage	118	55	12	-
Printing and marketing	521	28	659	-
Professional fees	12,283	540	95	77
Rental and maintenance of equipment	7,418	321	345	3,021
Supplies	198	9	12	-
Telephone and communications	1,060	64	732	468
Special events	500	-	-	-
Donated services	21,967	-	-	-
Community outreach	-	-	-	-
United Way Worldwide	6,429	278	-	-
Depreciation	3,426	210	649	324
	<b>\$ 198,642</b>	<b>\$ 9,238</b>	<b>\$ 65,892</b>	<b>\$ 30,738</b>

<b>2022</b>			
<b>2-1-1</b>			
<b>Information and</b>			
<b>Referral</b>	<b>Total</b>		<b>2021</b>
<b>\$ 6,560</b>	<b>\$ 180,387</b>	<b>\$</b>	125,005
<b>493</b>	<b>13,927</b>		10,326
<b>4,341</b>	<b>41,722</b>		30,102
<b>11,394</b>	<b>236,036</b>		165,433
<b>-</b>	<b>351</b>		1,605
<b>562</b>	<b>3,922</b>		4,563
<b>-</b>	<b>1,329</b>		740
<b>-</b>	<b>1,415</b>		1,642
<b>2,591</b>	<b>14,185</b>		14,824
<b>2</b>	<b>187</b>		149
<b>-</b>	<b>1,208</b>		984
<b>18</b>	<b>13,013</b>		838
<b>-</b>	<b>11,105</b>		11,662
<b>87</b>	<b>306</b>		763
<b>148</b>	<b>2,472</b>		2,288
<b>-</b>	<b>500</b>		-
<b>-</b>	<b>21,967</b>		-
<b>-</b>	<b>-</b>		1,315
<b>-</b>	<b>6,707</b>		5,863
<b>324</b>	<b>4,933</b>		2,004
<b>\$ 15,126</b>	<b>\$ 319,636</b>	<b>\$</b>	214,673

Head of the Lakes United Way

Fundraising Expenses  
Years Ended June 30, 2022 and 2021

	2022			2021
	Resource Development	Marketing	Total	
Salaries	\$ 187,706	\$ 37,116	\$ 224,822	\$ 185,277
Payroll taxes	14,644	2,899	17,543	15,380
Employee benefits	38,955	9,361	48,316	31,089
<b>Total salaries and related expenses</b>	<b>241,305</b>	<b>49,376</b>	<b>290,681</b>	231,746
Conferences, conventions and meetings	1,215	70	1,285	1,604
Insurance	1,606	332	1,938	1,616
Membership dues	3,432	676	4,108	3,256
Other	7,956	347	8,303	8,678
Occupancy	17,398	3,597	20,995	16,818
Postage	2,327	27	2,354	1,027
Printing and marketing	2,206	168	2,374	6,543
Professional fees	15,468	3,221	18,689	2,847
Rental and maintenance of equipment	9,548	1,898	11,446	12,747
Supplies	2,138	51	2,189	1,250
Telephone and communications	4,533	777	5,310	4,981
Special events	492	-	492	-
Donated services	-	-	-	1,680
United Way Worldwide	7,952	1,645	9,597	9,070
Depreciation	6,037	1,248	7,285	8,338
	<b>\$ 323,613</b>	<b>\$ 63,433</b>	<b>\$ 387,046</b>	<b>\$ 312,201</b>