

# **FINANCIAL STATEMENTS**

HEAD OF THE LAKES UNITED WAY  
DULUTH, MINNESOTA

FOR THE YEARS ENDED  
JUNE 30, 2023 AND 2022

Head of the Lakes United Way  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Head of the Lakes United Way  
Duluth, Minnesota

### Opinion

We have audited the accompanying financial statements of Head of the Lakes United Way (the Organization), a Minnesota nonprofit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

#### **Prior Period Financial Statements**

The financial statements of the Organization as of June 30, 2022 were audited by other auditors whose report dated December 1, 2022 expressed an unmodified opinion on those statements.



**Abdo**  
Minneapolis, Minnesota  
May 13, 2024

## FINANCIAL STATEMENTS

Head of the Lakes United Way  
Statements of Financial Position  
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 628,984	\$ 1,121,286
Investments	356,785	52,201
Contributions receivable, less allowance for uncollectibles of \$62,878 and \$65,341, respectively.	257,055	229,175
Other receivables	94,087	39,105
Prepaid expenses	8,455	11,917
Total Current Assets	1,345,366	1,453,684
Property and Equipment		
Furniture and equipment	206,588	201,496
Leasehold improvements	47,553	47,553
Total Property and Equipment, Cost	254,141	249,049
Less Accumulated Depreciation	(235,614)	(225,508)
Total Property and Equipment, Net	18,527	23,541
Other Assets		
Beneficial interest in perpetual trust	6,157,468	5,898,447
Beneficial interest in assets held by others	639,297	624,676
Unemployment service trust	21,723	-
Total Other Assets	6,818,488	6,523,123
Total Assets	\$ 8,182,381	\$ 8,000,348

See Independent Auditor's Report and Notes to the Financial Statements.

Head of the Lakes United Way  
 Statements of Financial Position (Continued)  
 June 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Allocations and designations payable	\$ 638,266	\$ 748,349
Accounts payable	19,181	6,039
Accrued expenses	60,256	49,080
Total Liabilities	717,703	803,468
Net Assets		
Without donor restrictions		
Non-designated	115,711	-
Board designated	1,174,288	1,286,434
Total without donor restrictions	1,289,999	1,286,434
With donor restrictions	6,174,679	5,910,446
Total Net Assets	7,464,678	7,196,880
Total Liabilities and Net Assets	\$ 8,182,381	\$ 8,000,348

See Independent Auditor's Report and Notes to the Financial Statements.

Head of the Lakes United Way  
Statement of Activities  
For the Years Ended June 30, 2023 and 2022

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Support and Revenue			
Support			
Annual campaign results	\$ 1,125,843	\$ 12,766	\$ 1,138,609
Annual campaign results in prior year, releases from restriction	7,553	(7,553)	-
Total campaign results	<u>1,133,396</u>	<u>5,213</u>	<u>1,138,609</u>
Less donor-designated contributions	(60,738)	-	(60,738)
Net campaign revenue	<u>1,072,658</u>	<u>5,213</u>	<u>1,077,871</u>
Perpetual trust contribution	525,533	-	525,533
Duluth-Superior Area Community Foundation contribution	44,478	-	44,478
Other contributions	78,765	-	78,765
Special events, net of expenses of \$7,613	12,013	-	12,013
Donated goods and services	20,108	-	20,108
Total Support	<u>1,753,555</u>	<u>5,213</u>	<u>1,758,768</u>
Revenue			
Investment income (loss)	(167,969)	-	(167,969)
Change in beneficial interest in assets held by others	14,622	-	14,622
Change in beneficial interest in perpetual trust	-	259,020	259,020
Interest and dividends	138,771	-	138,771
Miscellaneous	22,892	-	22,892
Total Revenue	<u>8,316</u>	<u>259,020</u>	<u>267,336</u>
Total Support and Revenue	<u>1,761,871</u>	<u>264,233</u>	<u>2,026,104</u>
Expenses			
Program services	1,143,000	-	1,143,000
Supporting services			
Management and general	270,711	-	270,711
Fundraising	344,595	-	344,595
Total Supporting Services	<u>615,306</u>	<u>-</u>	<u>615,306</u>
Total Expenses	<u>1,758,306</u>	<u>-</u>	<u>1,758,306</u>
Change in Net Assets	3,565	264,233	267,798
Net Assets, Beginning of Year	<u>1,286,434</u>	<u>5,910,446</u>	<u>7,196,880</u>
Net Assets, End of Year	<u>\$ 1,289,999</u>	<u>\$ 6,174,679</u>	<u>\$ 7,464,678</u>

See Independent Auditor's Report and Notes to the Financial Statements.



Head of the Lakes United Way  
Statement of Activities (Continued)  
For the Years Ended June 30, 2023 and 2022

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Support and Revenue			
Support			
Gross campaign results	\$ 1,293,893	\$ 7,553	\$ 1,301,446
Gross campaign results in prior year, releases from restriction	26,522	(26,522)	-
Total campaign results	<u>1,320,415</u>	<u>(18,969)</u>	<u>1,301,446</u>
Less donor designated contributions	(50,991)	-	(50,991)
Less provision for uncollectible accounts	<u>(29,531)</u>	<u>-</u>	<u>(29,531)</u>
Net campaign revenue	1,239,893	(18,969)	1,220,924
Perpetual trust contribution	103,061	-	103,061
Duluth-Superior Area Community Foundation contribution	30,073	-	30,073
Bequests and memorials	72,031	-	72,031
Special events, net of expenses of \$992	22,016	-	22,016
Services revenue	5,933	-	5,933
Donated goods and services	21,967	-	21,967
Gain on extinguishment of debt	118,669	-	118,669
Total Support	<u>1,613,643</u>	<u>(18,969)</u>	<u>1,594,674</u>
Revenue			
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)
Miscellaneous	2,109	-	2,109
Total Revenue	<u>(104,446)</u>	<u>(585,869)</u>	<u>(690,315)</u>
Total Support and Revenue	<u>1,509,197</u>	<u>(604,838)</u>	<u>904,359</u>
Expenses			
Program services	1,245,507	-	1,245,507
Supporting services			
Management and general	203,227	-	203,227
Fundraising	386,554	-	386,554
Total Supporting Services	<u>589,781</u>	<u>-</u>	<u>589,781</u>
Total Expenses	<u>1,835,288</u>	<u>-</u>	<u>1,835,288</u>
Change in Net Assets	(326,091)	(604,838)	(930,929)
Net Assets, Beginning of Year	<u>1,612,525</u>	<u>6,515,284</u>	<u>8,127,809</u>
Net Assets, End of Year	<u>\$ 1,286,434</u>	<u>\$ 5,910,446</u>	<u>\$ 7,196,880</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Head of the Lakes United Way  
Statements of Functional Expenses  
For the Years Ended June 30, 2023 and 2022

	2023			Total Expenses
	Program Services	Supporting Services Management and General	Fundraising	
Allocations and Expenses				
Allocations				
Gross allocations to agencies for programs	\$ 890,626	\$ -	\$ -	\$ 890,626
Less: donor-designated contributions	(60,738)	-	-	(60,738)
Net Allocations Awarded	<u>829,888</u>	<u>-</u>	<u>-</u>	<u>829,888</u>
Salaries and Related Expenses				
Salaries	202,826	126,968	214,856	544,650
Payroll taxes	14,658	9,768	14,892	39,318
Employee benefits	42,544	28,508	51,257	122,309
Total Salaries and Related Expenses	<u>260,028</u>	<u>165,244</u>	<u>281,005</u>	<u>706,277</u>
Other Expenses				
Conferences, conventions and meetings	4,707	1,517	1,735	7,959
Insurance	-	4,351	-	4,351
UWA dues	-	26,994	-	26,994
Membership dues	621	1,056	3,226	4,903
Other	1,679	583	-	2,262
Occupancy	15,184	17,491	10,900	43,575
Postage	32	23	1,194	1,249
Printing and marketing	1,069	1,829	3,600	6,498
Professional fees	163	40,891	562	41,616
Rental and maintenance of equipment	2,876	879	4,222	7,977
Supplies	770	855	775	2,400
Telephone and communications	3,130	574	4,498	8,202
Donated goods and services	1,414	54	6,712	8,180
Information technology	16,926	4,919	15,623	37,468
Travel	685	174	2,071	2,930
Banking fees	-	1,474	3,997	5,471
Depreciation	3,828	1,803	4,475	10,106
Total Other Expenses	<u>313,112</u>	<u>270,711</u>	<u>344,595</u>	<u>928,418</u>
Total Allocations and Expenses	<u>\$ 1,143,000</u>	<u>\$ 270,711</u>	<u>\$ 344,595</u>	<u>\$ 1,758,306</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Head of the Lakes United Way  
Statements of Functional Expenses (Continued)  
For the Years Ended June 30, 2023 and 2022

	2022			Total Expenses
	Program Services	Supporting Services Management and General	Fundraising	
<b>Allocations and Expenses</b>				
<b>Allocations</b>				
Gross allocations to agencies for programs	\$ 977,362	\$ -	\$ -	\$ 977,362
Less: donor-designated contributions	(50,991)	-	-	(50,991)
Net Allocations Awarded	<u>926,371</u>	<u>-</u>	<u>-</u>	<u>926,371</u>
<b>Salaries and Related Expenses</b>				
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
Total Salaries and Related Expenses	<u>236,036</u>	<u>150,699</u>	<u>290,681</u>	<u>677,416</u>
<b>Other Expenses</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
Donated services	21,967	-	-	21,967
United Way Worldwide	6,707	3,138	9,597	19,442
Depreciation	4,933	2,383	7,285	14,601
Total Other Expenses	<u>319,136</u>	<u>203,227</u>	<u>386,554</u>	<u>908,917</u>
Total Allocations and Expenses	<u>\$ 1,245,507</u>	<u>\$ 203,227</u>	<u>\$ 386,554</u>	<u>\$ 1,835,288</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Head of the Lakes United Way  
Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 267,798	\$ (930,929)
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation	10,106	14,601
Change in allowance for uncollectible contributions	(2,463)	(13,194)
Unrealized/realized (gain) loss on investments	(771,603)	590,810
Gain on extinguishment of debt	-	(118,023)
Change in assets and liabilities:		
Contribution receivable	(25,417)	71,556
Other receivables	(54,982)	154,024
Prepaid expenses	3,462	650
Unemployment service trust	(21,723)	-
Allocations payable and designated pledges	(110,083)	(16,396)
Accounts payable	13,142	334
Accrued expenses	11,176	14,577
Net Cash Used by Operating Activities	(680,587)	(231,990)
Cash Flows from Investing Activities		
Proceeds from sale of investments	531,127	103,061
Purchase of investments	(88,823)	(5,667)
Purchase of certificates of deposit	(300,000)	-
Grants paid from trust	51,193	29,212
Reinvested interest on certificates of deposit	(120)	-
Purchase of property and equipment	(5,092)	(2,100)
Net Cash Provided by Investing Activities	188,285	124,506
Change in Cash and Cash Equivalents	(492,302)	(107,484)
Beginning Cash and Cash Equivalents	1,121,286	1,228,770
Ending Cash and Cash Equivalents	\$ 628,984	\$ 1,121,286

See Independent Auditor's Report and Notes to the Financial Statements.

Head of the Lakes United Way  
Notes to the Financial Statements  
June 30, 2023 and 2022

## Note 1: Summary of Significant Accounting Policies

### A. 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.

### B. Basis of Presentations

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in support without donor restrictions or with donor restrictions, depending on the existence and nature of donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions - Resources over which the Organization has discretionary control. Designated amounts represent revenue, which the Board of Directors has set aside for a particular purpose.

With Donor Restrictions - Resources subject to donor-imposed restrictions, which will be satisfied by actions of the Organization or passage of time. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to support with donor restrictions at the time of receipt and as net assets released from restrictions.

### C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

### D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Organization's cash balances held in bank depositories may exceed federally insured limits at times.

### E. Support

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.

### F. In-kind Goods and Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their values in the period received.

Several individuals volunteer their time and perform a variety of tasks that assist the Organization, but do not meet the criteria for recognition as contributed services and have not been reported in these financial statements.

Head of the Lakes United Way  
Notes to the Financial Statements  
June 30, 2023 and 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

**G. 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.

**H. 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. Balances of uncollectible allowances as of June 30, 2023 and 2022 were \$62,878 and \$65,340, respectively.

**I. 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.

**J. Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line basis over the estimated useful life of the assets as follows:

	<u>Useful Life</u>
Leasehold Improvements	5 - 15 years
Furniture and Equipment	3 - 10 years

When equipment and improvements are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. Any resulting gain or loss on disposal is recognized as income or expense at the time of retirement or disposal. Maintenance and repair expenditures are expensed as incurred. The Organization's policy is to capitalize assets with a cost greater than \$500. Depreciation expense was \$10,106 and \$14,602 for the years ended June 30, 2023 and 2022.

**K. 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.

**L. Income Taxes**

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05.

Head of the Lakes United Way  
Notes to the Financial Statements  
June 30, 2023 and 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

**M. Advertising**

Advertising costs are generally charged in the year incurred and are included in marketing expense. Advertising costs for 2023 and 2022 were \$6,498 and \$4,485, respectively.

**N. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 13, 2024, the date the financial statements were available to be issued.

**O. New Accounting Pronouncements**

In March 2016, the FASB issued ASU No. 2016-02, Leases, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2021 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption was permitted. The amendments in this ASU were applied on a retrospective basis and went into effective for the Organization for the year ended June 30, 2023.

**P. Upcoming Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU amends the guidance on the impairment of financial instruments and adds an impairment model, known as the current expected credit losses model, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses over the contractual life of a financial asset. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326)*, which defers the effective date to annual reporting periods beginning after December 15, 2022, with early adoption permitted. The provisions of this ASU are to be applied using the modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

**Q. Reclassifications**

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform with presentation of the current-year financial statements. None of these changes affect total net assets.

**Note 2: 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. The changes are as follows for the years ended June 30:

	2023	2022
Beneficial interest, beginning of year	\$ 5,898,447	\$ 6,484,316
(Decrease) increase in beneficial interest	784,554	(482,808)
Amount distributed	(525,533)	(103,061)
Beneficial interest, end of year	\$ 6,157,468	\$ 5,898,447

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

Head of the Lakes United Way  
Notes to the Financial Statements  
June 30, 2023 and 2022

**Note 3: 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, 2023 and 2022 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.

	2023	2022
Beneficial interest, beginning of year	\$ 624,676	\$ 761,890
(Decrease) increase in beneficial interest	65,813	(108,002)
Amount distributed	(51,192)	(29,212)
Beneficial interest, end of year	\$ 639,297	\$ 624,676

The portion of the Fund contributed by unrelated third-party donors is considered a contribution to the Foundation. This portion of the Fund, \$659,656 and \$643,954 at June 30, 2023 and 2022, respectively, has not been recorded as an asset on these financial statements.

**Note 4: Certificates of Deposit**

The organization has invested in one certificate of deposit during the year ended June 30, 2023 and one in the year ended 2022. The certificates of deposit vary in maturity lengths of five months to a year and vary in interest rates from 2.95% to 4.98%. The value of the certificates of deposit at June 30, 2023 and 2022 are \$346,727 and \$46,727, respectively.

**Note 5: Fair Value Measurements**

The Organization has adopted ASC Topic 820, *Fair Value Measurements and Disclosures*. ASC Topic 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. It emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that the market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value, as follows:

**Level 1** - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

**Level 2** - Inputs that included quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

**Level 3** - Inputs that are unobservable inputs for the assets or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls into is based on the lowest level input that is significant to the fair value measurement in its entity.



Head of the Lakes United Way  
Notes to the Financial Statements  
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**Note 5: Fair Value Measurements (Continued)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

*Money Market Funds:* Valued at cash value

*Certificates of Deposit:* Valued at cash value

*Mutual Funds:* Valued at the daily closing price as reported by the fund

*Beneficial Interest in Perpetual Trust:* Valued at the daily closing price as reported by the trustee

*Beneficial Interest in Assets Held by Others:* Valued at the daily closing price as reported by the community foundation

The following table summarizes the investments at their respective value measurements.

June 30, 2023

	Level 1	Level 2	Level 3	Total
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 6,157,468	\$ 6,157,468
Beneficial interest in assets held by others	-	-	639,297	639,297
Certificates of deposit	346,727	-	-	346,727
Money market funds	10,058	-	-	10,058
<b>Total</b>	<b>\$ 356,785</b>	<b>\$ -</b>	<b>\$ 6,796,765</b>	<b>\$ 7,153,550</b>

June 30, 2022

	Level 1	Level 2	Level 3	Total
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 5,898,447	\$ 5,898,447
Beneficial interest in assets held by others	-	-	624,676	624,676
Certificates of deposit	46,607	-	-	46,607
Mutual funds	5,594	-	-	5,594
<b>Total</b>	<b>\$ 52,201</b>	<b>\$ -</b>	<b>\$ 6,523,123</b>	<b>\$ 6,575,324</b>

**Note 6: Allocations and Designated Payable**

Allocations and designated payable consisted of the following at June 30:

	2023	2022
Community care allocations payable	\$ 577,548	\$ 730,712
Donor-designated contributions	60,718	17,637
<b>Total Allocations</b>	<b>\$ 638,266</b>	<b>\$ 748,349</b>

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, 2023 and 2022, the Organization raised \$0 and \$50,991, respectively, of donor-designated contributions, of which amounts due to the designated beneficiaries are included in the above table.

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**Note 7: Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following at June 30:

	2023	2022
Beneficial interest in perpetual trust (perpetual restriction)	\$ 6,157,468	\$ 5,898,448
Contributions for the subsequent fiscal year's campaign (time restriction)	12,766	7,553
Women's Leadership Council (purpose restriction)	4,445	4,445
Total With Donor Restriction	\$ 6,174,679	\$ 5,910,446

Investment income received from the perpetual trust is unrestricted.

**Note 8: 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.

Board-designated net assets were as follows for the years ending June 30:

	2023	2022
DSCAF United Way endowment	\$ 639,297	\$ 624,676
Wisconsin programs	207,784	207,784
Strategic business practices	315,298	430,433
Property and equipment	11,909	23,541
Total Board Designated Net Assets	\$ 1,174,288	\$ 1,286,434

**Note 9: Allocations to Agencies**

Allocations were as follows:

Agency Name	Allocation Amount	Q1 pmt 5.15.23	Balance Payable
American Red Cross	\$ 2,800	\$ 700	\$ 2,100
Arc Northland	2,713	678	2,035
Arc Northland	10,000	2,500	7,500
Boys & Girls Clubs of the Northland	5,250	1,313	3,938
Boys & Girls Clubs of the Northland	9,000	2,250	6,750
Center City Housing	6,600	1,650	4,950
Center City Housing	10,000	2,500	7,500
Children's Dental Services	5,000	1,250	3,750
CHUM	22,500	5,625	16,875
Community Action Duluth	8,750	2,188	6,563

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**Note 9: Allocations to Agencies (Continued)**

	Allocation Amount	Q1 pmt 5.15.23	Balance Payable
Community Action Duluth	\$ 10,000	\$ 2,500	\$ 7,500
Damiano of Duluth	2,000	500	1,500
Damiano of Duluth	3,500	875	2,625
Damiano of Duluth	16,300	4,075	12,225
Duluth Area Family YMCA	11,000	2,750	8,250
Duluth Community Schools Collaborative	12,500	3,125	9,375
Duluth Community Schools Collaborative	25,000	6,250	18,750
Duluth Superior Area Educational Television Corporation (WDSE)	18,000	4,500	13,500
Family Freedom Center	15,000	3,750	11,250
Family Freedom Center	17,500	4,375	13,125
Family Freedom Center	21,039	5,260	15,779
Family Rise Together	50,000	12,500	37,500
First Witness Child Advocacy Center	10,747	2,687	8,060
First Witness Child Advocacy Center	12,500	3,125	9,375
Girls Scouts of MN & WI Lakes and Pines	2,500	625	1,875
Human Development Center	40,000	10,000	30,000
Just Kids Dental	4,693	1,173	3,520
Lake Superior Community Health Center	20,000	5,000	15,000
Legal Aid Service of Northeast Minnesota	40,000	10,000	30,000
Life House	13,750	3,438	10,313
Life House	15,000	3,750	11,250
Life House	20,000	5,000	15,000
Lincoln Park Children & Families Collaborative	20,000	5,000	15,000
Lutheran Social Service of Minnesota	9,000	2,250	6,750
Lutheran Social Service of Minnesota	13,000	3,250	9,750
Men as Peacemakers	16,713	4,178	12,535
Mentor North	27,500	6,875	20,625
Positive Energy Outdoors	2,000	500	1,500
Safe Haven Shelter	16,500	4,125	12,375
Second Harvest Northern Lakes Food Bank	10,000	2,500	7,500
SOAR Career Solutions	13,750	3,438	10,313
SOAR Career Solutions	13,750	3,438	10,313
The Salvation Army	4,286	1,072	3,215
The Salvation Army	6,000	1,500	4,500
The Salvation Army	8,750	2,188	6,563
The Salvation Army	8,750	2,188	6,563
Welch Center Inc dba Valley Youth Center	26,315	6,579	19,736
Western Lake Superior Habitat for Humanity	5,250	1,313	3,937
YWCA Duluth	7,500	1,875	5,625
YWCA Duluth	10,500	2,625	7,875
Duluth Area Community Care allocations	<u>\$ 683,206</u>	<u>\$ 170,802</u>	<u>\$ 512,404</u>

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**Note 9: Allocations to Agencies (Continued)**

	Allocation Amount	Q1 pmt 5.15.23	Balance Payable
Care Partners of Cook County	\$ 2,727	\$ 682	\$ 2,045
Community Partners	4,431	1,108	3,323
Just Kids Dental	2,040	510	1,530
North Shore Area Partners	4,727	1,182	3,545
Second Harvest Northern Lakes Food Bank	886	222	665
Two Harbors Area Food Shelf	2,000	-	2,000
Western Lake Superior Habitat for Humanity	-	-	-
North Shore Community Care allocations	<u>16,811</u>	<u>3,703</u>	<u>13,108</u>
Northwoods Women Inc dba New Day Advocacy Center	13,948	3,487	10,461
Second Harvest Northern Lakes Food Bank	2,790	-	2,790
The BRICK Ministries	16,738	4,882	11,856
Ashland/Bayfield Community Care allocations	<u>33,476</u>	<u>8,369</u>	<u>25,107</u>
American Red Cross	3,000	750	2,250
Boys & Girls Clubs of the Northland	5,000	1,250	3,750
Boys & Girls Clubs of the Northland	5,000	1,250	3,750
Center Against Sexual & Domestic Abuse (CASDA)	18,240	4,560	13,680
Faith United Methodist Church dba Harbor House Crisis Center	16,000	-	16,000
Human Development Center	20,000	5,000	15,000
Just Kids Dental	5,980	1,495	4,485
Mentor North	15,000	3,750	11,250
Second Harvest Northern Lakes Food Bank	6,000	-	6,000
Superior Vocations Center dba Embark Supported Employment	2,162	541	1,622
Superior/Douglas Community Care allocations	<u>96,382</u>	<u>18,596</u>	<u>77,787</u>
2021 Desig payable			1,691
2022 Desig payable			<u>8,170</u>
Total Community Care allocations			<u><u>\$ 638,266</u></u>

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**Note 10: In-kind Goods and Services**

In-kind goods and services consist of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>Usage in Programs/Activities</u>	<u>Fair Value Techniques</u>	<u>Restriction</u>
Stock gifts	\$ 9,873	\$ -	Program	Estimated FMV at date of receipt	Unrestricted
Silent auction items	6,712	-	Fundraising	Estimated FMV at date of receipt	Unrestricted
Miscellaneous	3,523	-	Program	Estimated FMV at date of receipt	Unrestricted
Advertising and website development	-	21,967	Program	Estimated FMV at date of receipt	Unrestricted
Total In-kind Contributions	<u>\$ 20,108</u>	<u>\$ 21,967</u>			

**Note 11: Operating Lease**

The Organization leases office space from the Ordean Foundation based upon an agreement renewed annually. Monthly lease payments consist of \$14.19 per square foot including the organization's portion of real estate taxes. Total office space rent expense was \$43,575 and \$42,046 for the years ended June 30, 2023 and 2022, respectively.

**Note 12: Paycheck Protection Program**

During 2021, the Organization obtained a \$118,669 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 13: 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 \$31,632 and \$23,254 for the years ended June 30, 2023 and 2022, respectively.

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**Note 14: Availability and Liquidity of Financial Assets**

The following reflects the Organization's financial assets as of June 30:

	2023	2022
Cash and cash equivalents	\$ 628,984	\$ 1,121,286
Investments	356,785	52,201
Beneficial interest in perpetual trust	6,157,468	5,898,447
Beneficial interest in assets held by others	639,297	624,676
Contributions receivable	257,055	229,175
Other receivables	94,087	39,105
Total financial assets	8,133,676	7,964,890
Less assets unavailable for use in the next year:		
Net assets with donor restrictions, net of those available within one year for ongoing and central programs	(6,174,679)	(5,910,446)
Board designated net assets	(1,174,288)	(1,286,434)
Total assets unavailable for use in the next year	(7,348,967)	(7,196,880)
Financial assets available to meet cash needs for general expenditures within one year	\$ 784,709	\$ 768,010

The Organization's goal is generally to maintain financial assets to meet the Board-designated net assets (\$1,174,288), Community Care allocations payable at the end of the year (\$638,266) and three months of other program services and supporting services expenses (approximately \$415,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.