

FINANCIAL REPORT

UNITED WAY OF ST. JOSEPH COUNTY, INC.

June 30, 2020 and 2019

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4-5
Statements of cash flows	6
Notes to financial statements.....	7-19



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of St. Joseph County, Inc.
South Bend, Indiana

We have audited the accompanying financial statements of United Way of St. Joseph County, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 United Way of St. Joseph County, Inc. 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.

A handwritten signature in cursive script that reads 'Cullar & Associates, P.C.'.

South Bend, Indiana
November 19, 2020

UNITED WAY OF ST. JOSEPH COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Assets:						
Cash and cash equivalents	\$ 3,146,572	\$ 855,919	\$ 4,002,491	\$ 1,166,900	\$ 390,131	\$ 1,557,031
Certificates of deposit	400,068	-	400,068	600,085	-	600,085
Investments	43,764	-	43,764	-	-	-
Promises to give	199,660	526,806	726,466	32,247	606,787	639,034
Other receivables	222	-	222	24,102	-	24,102
Prepaid expenses	17,637	-	17,637	15,021	-	15,021
Beneficial interests in assets held by Community Foundation	509,054	-	509,054	498,461	-	498,461
Cash restricted for construction of neighborhood center	-	241,500	241,500	-	-	-
Property and equipment	50,929	-	50,929	60,411	-	60,411
<i>Total assets</i>	<u>\$ 4,367,906</u>	<u>\$ 1,624,225</u>	<u>\$ 5,992,131</u>	<u>\$ 2,397,227</u>	<u>\$ 996,918</u>	<u>\$ 3,394,145</u>
Liabilities and Net Assets:						
Accounts payable	\$ 72,743	\$ -	\$ 72,743	\$ 23,064	\$ -	\$ 23,064
Accrued liabilities	35,264	-	35,264	30,175	-	30,175
Refundable grant advances	1,781,254	-	1,781,254	-	-	-
Allocations payable	640,375	-	640,375	670,000	-	670,000
Designations payable	108,407	-	108,407	125,077	-	125,077
Funds held for others	44,617	-	44,617	38,122	-	38,122
Note payable, bank	136,201	-	136,201	-	-	-
Capital lease obligation	5,733	-	5,733	8,256	-	8,256
<i>Total liabilities</i>	<u>2,824,594</u>	<u>-</u>	<u>2,824,594</u>	<u>894,694</u>	<u>-</u>	<u>894,694</u>
Net Assets:						
Without donor restrictions:						
Undesignated	360,504	-	360,504	337,165	-	337,165
Invested in property and equipment	50,929	-	50,929	60,411	-	60,411
Board designated:						
For operating purposes	361,036	-	361,036	361,036	-	361,036
For capital purposes	261,789	-	261,789	245,460	-	245,460
For endowment	509,054	-	509,054	498,461	-	498,461
	<u>1,543,312</u>	<u>-</u>	<u>1,543,312</u>	<u>1,502,533</u>	<u>-</u>	<u>1,502,533</u>
With donor restrictions:						
Time-restricted for future periods	-	526,806	526,806	-	606,787	606,787
Purpose restricted	-	1,097,419	1,097,419	-	390,131	390,131
	<u>-</u>	<u>1,624,225</u>	<u>1,624,225</u>	<u>-</u>	<u>996,918</u>	<u>996,918</u>
<i>Total net assets</i>	<u>1,543,312</u>	<u>1,624,225</u>	<u>3,167,537</u>	<u>1,502,533</u>	<u>996,918</u>	<u>2,499,451</u>
<i>Total liabilities and net assets</i>	<u>\$ 4,367,906</u>	<u>\$ 1,624,225</u>	<u>\$ 5,992,131</u>	<u>\$ 2,397,227</u>	<u>\$ 996,918</u>	<u>\$ 3,394,145</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Support, Revenue, and Gains:						
Annual campaign contributions:						
Total donor promises	\$ -	\$ 1,426,448	\$ 1,426,448	\$ -	\$ 1,619,494	\$ 1,619,494
Less donor designations	-	(159,458)	(159,458)	-	(237,593)	(237,593)
Less provision for uncollectables	-	(82,652)	(82,652)	-	(53,254)	(53,254)
<i>Net annual campaign contributions</i>	-	1,184,338	1,184,338	-	1,328,647	1,328,647
Grants	35,817	939,173	974,990	55,982	626,905	682,887
Other contributions	19,223	1,379,635	1,398,858	120,236	22,959	143,195
Donated goods and services	64,331	-	64,331	128,965	-	128,965
Sponsorships	18,163	-	18,163	44,735	-	44,735
Revenues from contracts with customers	10,920	-	10,920	79,893	-	79,893
Investment income	34,072	-	34,072	33,142	-	33,142
Change in value of beneficial interests in assets						
held by Community Foundation	10,593	-	10,593	(553)	-	(553)
Other	3,501	-	3,501	359	-	359
Net assets released from restrictions	2,875,839	(2,875,839)	-	1,995,820	(1,995,820)	-
<i>Total support, revenue, and gains</i>	<u>3,072,459</u>	<u>627,307</u>	<u>3,699,766</u>	<u>2,458,579</u>	<u>(17,309)</u>	<u>2,441,270</u>
Expenses:						
Program services expenses:						
Community Impact	2,258,081	-	2,258,081	1,632,290	-	1,632,290
Communications Impact	84,950	-	84,950	83,532	-	83,532
Indiana 211	75,000	-	75,000	129,649	-	129,649
<i>Total program service expenses</i>	<u>2,418,031</u>	<u>-</u>	<u>2,418,031</u>	<u>1,845,471</u>	<u>-</u>	<u>1,845,471</u>
Supporting services expenses:						
Management and general	209,805	-	209,805	177,606	-	177,606
Fundraising	403,844	-	403,844	334,392	-	334,392
<i>Total supporting services expenses</i>	<u>613,649</u>	<u>-</u>	<u>613,649</u>	<u>511,998</u>	<u>-</u>	<u>511,998</u>
<i>Total expenses</i>	<u>3,031,680</u>	<u>-</u>	<u>3,031,680</u>	<u>2,357,469</u>	<u>-</u>	<u>2,357,469</u>
Change in net assets	40,779	627,307	668,086	101,110	(17,309)	83,801
Net assets, beginning of year	<u>1,502,533</u>	<u>996,918</u>	<u>2,499,451</u>	<u>1,401,423</u>	<u>1,014,227</u>	<u>2,415,650</u>
<i>Net assets, end of year</i>	<u>\$ 1,543,312</u>	<u>\$ 1,624,225</u>	<u>\$ 3,167,537</u>	<u>\$ 1,502,533</u>	<u>\$ 996,918</u>	<u>\$ 2,499,451</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Community <u>Impact</u>	Communications <u>Impact</u>	<u>Indiana 211</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel:						
Salaries and wages	\$ 310,447	\$ 43,383	\$ -	\$ 112,235	\$ 262,288	\$ 728,353
Retirement expense	6,571	1,286	-	6,884	8,968	23,709
Other benefits	14,522	1,548	-	15,495	45,316	76,881
Payroll taxes	20,559	3,458	-	10,688	19,188	53,893
<i>Total personnel</i>	<u>352,099</u>	<u>49,675</u>	-	145,302	335,760	882,836
Funds allocated to						
member agencies	434,700	-	-	-	-	434,700
Project expenses	1,274,184	-	-	-	-	1,274,184
Data processing	-	-	-	2,965	-	2,965
Outside services	42,745	410	75,000	12,564	904	131,623
Printing and office supplies	15,593	4,303	-	2,840	24,141	46,877
Telephone	1,699	1,340	-	1,340	1,340	5,719
Postage and shipping	2,436	789	-	1,095	3,192	7,512
Conferences and travel	44,318	63	-	469	(661)	44,189
Local transportation	1,679	-	-	1,077	767	3,523
Equipment expenses	10,018	4,255	-	8,540	9,481	32,294
Occupancy	10,743	10,742	-	12,937	10,744	45,166
Dues to affiliated organizations	7,727	7,727	-	7,727	7,726	30,907
Other dues, permits, and fees	45	2,265	-	545	424	3,279
Use of donated goods and services	56,037	-	-	3,619	4,675	64,331
Other	677	-	-	5,404	1,971	8,052
Depreciation	3,381	3,381	-	3,381	3,380	13,523
<i>Totals</i>	<u>\$ 2,258,081</u>	<u>\$ 84,950</u>	<u>\$ 75,000</u>	<u>\$ 209,805</u>	<u>\$ 403,844</u>	<u>\$ 3,031,680</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Community <u>Impact</u>	Communications <u>Impact</u>	<u>Indiana 211</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel:						
Salaries and wages	\$ 415,992	\$ 36,039	\$ -	\$ 83,056	\$ 213,925	\$ 749,012
Retirement expense	8,231	66	-	6,831	6,498	21,626
Other benefits	24,198	142	-	10,011	19,181	53,532
Payroll taxes	<u>27,053</u>	<u>2,985</u>	<u>-</u>	<u>11,057</u>	<u>16,345</u>	<u>57,440</u>
<i>Total personnel</i>	475,474	39,232	-	110,955	255,949	881,610
Funds allocated to						
member agencies	650,000	-	-	-	-	650,000
Project expenses	256,720	-	-	-	-	256,720
Data processing	-	-	-	3,099	-	3,099
Outside services	29,942	11,873	129,649	11,276	457	183,197
Printing and office supplies	20,601	3,155	-	3,304	20,615	47,675
Telephone	3,804	1,688	-	1,688	1,687	8,867
Postage and shipping	899	356	-	1,175	2,878	5,308
Conferences and travel	19,887	705	-	1,226	6,607	28,425
Local transportation	1,348	30	-	718	843	2,939
Equipment expenses	17,525	3,389	-	7,935	9,844	38,693
Occupancy	17,287	8,756	-	13,935	8,756	48,734
Dues to affiliated organizations	13,901	6,951	-	6,951	6,950	34,753
Other dues, permits, and fees	908	1,480	-	500	775	3,663
Recruiting	(678)	-	-	-	52	(626)
Use of donated goods and services	113,459	1,000	-	4,182	10,324	128,965
Other	1,379	-	-	5,746	3,738	10,863
Depreciation	<u>9,834</u>	<u>4,917</u>	<u>-</u>	<u>4,916</u>	<u>4,917</u>	<u>24,584</u>
<i>Totals</i>	<u>\$ 1,632,290</u>	<u>\$ 83,532</u>	<u>\$ 129,649</u>	<u>\$ 177,606</u>	<u>\$ 334,392</u>	<u>\$ 2,357,469</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ST. JOSEPH COUNTY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from annual campaign contributions	\$ 1,282,319	\$ 1,430,288
Cash received from other contributions, grants, and sponsorships	4,031,732	903,522
Cash received from others	14,421	80,252
Investment income received	33,659	33,669
Cash paid for personnel	(877,813)	(875,799)
Cash paid to member agencies	(494,500)	(736,103)
Cash paid to vendors and others	(1,588,653)	(655,842)
Interest paid	<u>(547)</u>	<u>(868)</u>
<i>Net cash provided by operating activities</i>	<u>2,400,618</u>	<u>179,119</u>
Cash Flows from Investing Activities:		
Net proceeds from (purchases of) certificates of deposit	200,000	(90,000)
Purchase of investments	(43,295)	-
Purchase of property and equipment	<u>(4,041)</u>	<u>-</u>
<i>Net cash provided by (used in) investing activities</i>	<u>152,664</u>	<u>(90,000)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable, bank	136,201	-
Payment of capital lease obligation	<u>(2,523)</u>	<u>(2,318)</u>
<i>Net cash provided by (used in) financing activities</i>	<u>133,678</u>	<u>(2,318)</u>
Net change in cash, cash equivalents, and restricted cash	2,686,960	86,801
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,557,031</u>	<u>1,470,230</u>
<i>Cash, cash equivalents, and restricted cash, end of year</i>	<u>\$ 4,243,991</u>	<u>\$ 1,557,031</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 668,086	\$ 83,801
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,523	24,584
Investment (gains)	(469)	-
Changes in assets and liabilities:		
Promises to give	(87,432)	123,870
Other receivables	23,880	(9,524)
Accrued interest receivable	17	527
Prepaid expenses	(2,616)	(5,488)
Beneficial interests in assets held by		
Community Foundation	(10,593)	553
Accounts payable	49,679	21,418
Accrued liabilities	5,089	5,481
Refundable grant advances	1,781,254	-
Allocations payable	(29,625)	(30,000)
Designations payable	(16,670)	(22,678)
Funds held for others	<u>6,495</u>	<u>(13,425)</u>
<i>Net cash provided by operating activities</i>	<u>\$ 2,400,618</u>	<u>\$ 179,119</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization:

United Way of St. Joseph County, Inc. (the Organization, we, us, our) is an Indiana nonprofit corporation that, with the help of thousands of volunteers, strives to identify, address, and, where possible, resolve human service needs in St. Joseph County, Indiana. Our operations are supported primarily by individual and corporate donations and grants. We fulfill our mission by focusing our efforts in the following areas:

- *Community Impact* – We assess the needs of St. Joseph County in relation to poverty and issues impacting ALICE (Assets Limited, Income Constrained, Employed) families and manage initiatives focused on early learning, youth success, and stable families, as well as emergency and crisis services. We then guide the investment award process for initiatives addressing those needs. We also manage, train, develop, and equip organizations that target low to moderate-income level families and individuals in the areas of financial stability, asset building, financial literacy, school readiness, volunteer recruitment, home improvement/rehabilitation, and capacity building.
- *Communications Impact* – We develop and maintain events and communication platforms to keep the general public aware of the needs and resources in our community.
- *Indiana 211* – A 24/7/365 toll-free service where specialists field non-emergency calls to provide current information and assistance to people in need of financial, food, housing, and medical resources.

Significant Accounting Policies:

Use of Estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates used in the accompanying financial statements include-

- The allowance for uncollectable promises to give, which is based on historical loss experience, known information about individual donors, and general economic conditions. It is reasonably possible that uncollectable promises will exceed the allowance.
- The valuation of the beneficial interests in assets held by the Community Foundation, which is based on the value of the underlying assets, as provided by the Community Foundation that holds the assets and which approximates the present value of expected future distributions.
- The allocations of certain costs among functions, which are based on time and facility usage studies and other cost allocation methods.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

Net Asset Classes:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating purposes, capital purposes, and an endowment.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity; however, to date, we have not received any such net assets. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents:

We consider time deposits, certificates of deposit, and other highly liquid debt instruments with an original maturity of three months or less and that are neither held for nor restricted by donors for long-term purposes to be cash equivalents. However, cash and equivalents that are temporarily held in investment accounts are included with investments.

Certificates of Deposit:

Certificates of deposit are stated at maturity value, which approximates fair value.

Investments:

Investment purchases are recorded at cost, or if donated, at fair value on the date donated. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external and direct internal investment expenses.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value, using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written-off when deemed uncollectable.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

Beneficial Interests in Assets Held by Community Foundation:

We have established two endowment funds that are perpetual in nature (the funds) with Community Foundation of St. Joseph County, Inc. (Community Foundation) to which both we and others have contributed and named ourselves as beneficiary. We and other donors granted variance power to Community Foundation, which allows Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The funds are held and invested by Community Foundation for our benefit. The portions of the funds that are attributable to our contributions are reported at fair value in the statements of financial position based on the value of the underlying assets, as provided by Community Foundation and which approximates the present value of expected future distributions. Distributions and changes in the value of those portions of the funds are recognized in the statements of activities. The portions of the funds attributable to contributions from others are not reported as an asset in the statements of financial positions, and distributions from those portions are included in contributions revenue in the statements of activities.

Property and Equipment:

Property and equipment is stated at cost if purchased, or at fair market value at the date of receipt if donated, less accumulated depreciation and less any impairment. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Building and improvements	10-25 years
Furniture and equipment	5-10 years

Allocations to Member Agencies:

We provide annual allocations to our member agencies from the annual fundraising campaign, generally by June 30, payable over the next twelve months, provided that the member agencies comply with the agency agreement. Such allocations are recorded when unconditionally promised, and the balance of amounts payable is reported as allocations payable in the accompanying statements of financial position. Allocations payable at June 30, 2020 pertain to the campaign year ended June 30, 2020, and allocations payable at June 30, 2019 pertain to the campaign year ended June 30, 2019. All allocations are payable in the next year, and there is no unamortized discount on the allocations.

Funds Held for Others:

We participate in Project Lead the Way, a regional education initiative with the objective of providing access to STEM-focused curriculum to all schools in St. Joseph County. As part of its participation, we act as fiscal agent for the Project. We also occasionally act as a fiscal agent for other entities. The amount of cash and promises collected under these agreements is reported in the accompanying statements of financial position as both an asset and a liability. No revenues or expenses are reported in the accompanying statements of activities and functional expenses for promises collected or disbursed under these agreements.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

Paycheck Protection Program Loan:

As discussed in Note 8, we borrowed \$136,201 under the Paycheck Protection Program of the Small Business Administration (SBA). Although we expect to apply for forgiveness of this loan within the next year and believe that it will be forgiven, we have elected to treat the loan as a financial liability and not as a grant that is expected to be forgiven. Consequently, we will not recognize any income from the forgiveness of this loan unless and until it is forgiven by the SBA.

Income Taxes:

We are exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on unrelated business income. Consequently, the accompanying financial statements do not include any provision for income taxes except for tax on unrelated business income. The Internal Revenue Service classifies us as other than a private foundation under Internal Revenue Code Section 509(a)(1).

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include our tax-exempt status and positions related to potential sources of unrelated business taxable income. We have not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either June 30, 2020 or 2019, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years ending prior to June 30, 2017.

Revenue and Revenue Recognition:

As discussed later in this note, effective July 1, 2019, we adopted new revenue recognition guidance for contracts with customers using the modified retrospective transition method, applying the guidance to contracts with customers that were not substantially complete at that date.

Contributions and grants:

Contributions and grants are recognized as revenue when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions are not recognized as revenue until the conditions on which they depend have been substantially met. Amounts received from conditional contributions are reported as refundable grant advances in the statement of financial position until the conditions are satisfied.

Revenue from cost-reimbursable and fee-for-service awards are recognized as revenue when allowable expenditures are incurred or allowable services are performed. Amounts received

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

in advance of incurring allowable costs or performing allowable services are reported as refundable grant advances in the statement of financial position.

Contributions and grants expected to be collected within one year are recorded at net realizable value. Contributions and grants expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the periods in which the promises are received. Amortization of the discounts is included in contributions revenues.

We consider all contributions to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

A portion of promises received from our annual campaign are designated by the donors for specific member agencies (Donors' Choice). Because we act as an agent with respect to such promises, no income or expense is recognized for Donors' Choice promises. Donors' Choice promises are included in promises to give, with a related liability recorded for the same amount, which is reported as designations payable in the accompanying statements of financial position. We deduct a portion of such promises, which we recognize as income when the related promises are received and include in annual campaign contributions in the accompanying statements of activities. The costs to generate and distribute designated promises are reported as fundraising expenses.

Donated marketable securities and other non-cash donations are recorded as contributions at their fair values at the date of donation. Contributions of 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 donated, are recorded at their fair value in the period received. No amounts for contributed services were recognized in the accompanying financial statements; however, a substantial number of unpaid volunteers make significant contributions of their time to us that do not meet the requirements to be recognized in the financial statements. Contributed services of \$63,281 and \$117,940 for the years ended June 30, 2020 and 2019, respectively, were recognized as support and revenue in the accompanying statements of activities.

Contracts with customers:

We earn revenue from customers by providing administrative and other services. Fees for such services are recognized as revenue at the point in time when the services are substantially performed and billed.

A performance obligation is a promise in a contract with a customer to transfer a distinct good or service. All of our contracts with customers are considered to have a single performance obligation, whereby we provide a service to our customers.

Functional Expense Allocations:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and others, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

Advertising:

Advertising costs are expensed when incurred. Advertising expense was \$8,275 and \$10,085 for the years ended June 30, 2020 and 2019, respectively.

Financial Instruments and Credit Risk:

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Promises to give, which are generally due from individuals and entities located in the St. Joseph County, Indiana area, represent a geographic concentration credit risk.

Recent Accounting Pronouncements and Accounting Changes:

Effective July 1, 2019, we adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded most revenue recognition guidance as well as certain cost recognition guidance. That update, together with other clarifying updates, requires that the recognition of revenue for the transfer of goods or services to customers reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The update also requires additional qualitative and quantitative disclosures about the nature, amount, timing, and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments and information about contract balances and performance obligations.

We adopted the new revenue recognition guidance using the modified retrospective method for contracts not substantially complete at July 1, 2019. However, we determined that there was no material difference between revenue previously reported from such contracts and revenue determined under the new guidance, and so no cumulative adjustment has been made to net assets at July 1, 2019. The effect on the 2019 financial statements of adopting the new guidance was not material.

Effective July 1, 2019, we also adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance for distinguishing between contributions and exchange transactions and between conditional and unconditional contributions. Under that standard, any changes are applied only to that portion of revenue not yet recognized at July 1, 2019 and no prior period results are restated and no cumulative-effect adjustment is made to net assets at July 1, 2019. We determined that there was no material difference between revenue previously reported from contributions and revenue determined under the new guidance.

In addition, effective July 1, 2019, we adopted the provisions of Accounting Standards Update 2016-18, *Statement of Cash Flows*, which requires that the statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash. The

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

new standard had no effect on the 2019 statement of cash flows as we had no restricted cash at June 30, 2019.

Subsequent Events:

The date through which events occurring subsequent to June 30, 2020 have been evaluated for possible adjustment to the financial statements or disclosure is November 19, 2020, the date on which the financial statements were available to be issued.

Subsequent to June 30, 2020, we executed a \$284,500 contract for architectural design work on a planned \$3,500,000 Southeast Neighborhood Center project, an early childhood educational and social services hub. We hope to break ground on the project in the spring of 2021 upon achieving fundraising goals.

See Note 12 for information about the expected effects of the COVID-19 pandemic on our operations after June 30, 2020.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of June 30, 2020 and 2019, respectively, are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,146,572	\$ 1,166,900
Certificates of deposit	400,068	600,085
Investments	43,764	-
Promises to give	711,466	639,034
Other receivables	222	24,102
Distributions from beneficial interests in assets held by Community Foundation	<u>20,362</u>	<u>19,766</u>
<i>Total financial assets available for general expenditure</i>	<u>\$ 4,322,454</u>	<u>\$ 2,449,887</u>

Distributions from the beneficial interests in assets held by Community Foundation reflect expected distributions based on Community Foundation's historic 4-5% distribution rate.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to our operating reserve, which was \$361,036 at both June 30, 2020 and 2019.

NOTE 3. INVESTMENTS AND INVESTMENT INCOME

Investments consist of the follows at June 30, 2020 and 2019, respectively:

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 1,471	\$ -
Corporate bonds	<u>42,293</u>	<u>-</u>
<i>Total investments</i>	<u>\$ 43,764</u>	<u>\$ -</u>

Investment income was as follows for the years ended June 30, 2020 and 2019, respectively:

Interest on bank accounts	\$ 8,250	\$ 9,036
Interest and dividends from investments	511	-
Distributions from beneficial interest in Community Foundation	24,881	24,106
Unrealized investment gains	469	-
Investment expenses	<u>(39)</u>	<u>-</u>
<i>Net investment income</i>	<u>\$ 34,072</u>	<u>\$ 33,142</u>

NOTE 4. PROMISES TO GIVE

Promises to give consist of unconditional promises to give to our annual campaign and other grants and contributions, and are reported net of an allowance for uncollectables of \$78,635 and \$74,066 at June 30, 2020 and 2019, respectively. All amounts are expected to be collected in the next year; consequently, there is no discount for imputed interest on promises to give at either June 30, 2020 or 2019.

In addition, at June 30, 2020 we had one conditional promise to give for \$500,000 for our new neighborhood center, which is conditional upon starting construction, and several conditional promises to give for COVID-19 relief for approximately \$1,781,000, under cost-reimbursable awards that will be recognized as revenue if and when allowable costs are incurred.

NOTE 5. BENEFICIAL INTERESTS IN ASSETS HELD BY COMMUNITY FOUNDATION

We are the beneficiary of two endowment funds held by Community Foundation of St. Joseph County, Inc. (Community Foundation), to which both we and others have donated. We and other donors granted variance power to Community Foundation, which allows Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Distributions to us are under the control of Community Foundation's Board of Directors. The value of that portion of the funds attributable to contributions by us is \$509,054 and \$498,461 at June 30, 2020 and 2019, respectively. Distributions of \$24,881 and \$24,106 were made from that portion of the funds in the years ended June 30, 2020 and 2019, respectively, which are included in investment income. The change in value of that portion of the funds, net of distributions, was \$10,593 and (\$553) for the years ended June 30, 2020 and 2019, respectively, which is included in revenues in the accompanying statements of activities.

The value of the portions of the funds attributable to contributions by others is not recorded as an asset because those portions were funded by other donors who granted Community Foundation variance power. The value of that portion of the funds was \$121,594 and \$113,177, at June 30,

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

2020 and 2019, respectively. Distributions of \$5,648 and \$5,168 were made from that portion of the funds in the years ended June 30, 2020 and 2019, respectively, which are included in other contributions revenue in the accompanying statements of activities.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 717,300	\$ 717,300
Furniture and equipment	<u>162,036</u>	<u>157,995</u>
	879,336	875,295
Less accumulated depreciation	<u>(828,407)</u>	<u>(814,884)</u>
<i>Net property and equipment</i>	<u>\$ 50,929</u>	<u>\$ 60,411</u>

NOTE 7. FAIR VALUE MEASUREMENTS

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- *Level 1:* Quoted prices (unadjusted) for identical assets in active markets that the entity has the ability to access as of the measurement date.
- *Level 2:* Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3:* Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset.

The fair value of assets measured on a recurring basis at June 30, 2020 and 2019, respectively, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>For 2020:</i>				
Investments	\$ 43,764	\$ 1,471	\$ 42,293	\$ -
Beneficial interests in assets held by Community Foundation	<u>509,054</u>	<u>-</u>	<u>-</u>	<u>\$ 509,054</u>
<i>Totals</i>	<u>\$ 552,818</u>	<u>\$ 1,471</u>	<u>\$ 42,293</u>	<u>\$ 509,054</u>

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>For 2019:</i>				
Beneficial interests in assets held by Community Foundation	\$ 498,461	\$ -	\$ -	\$ 498,461

Fair values for investments in Level 1 assets are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for investments in Level 2 assets are priced by independent pricing services using observable market inputs. Fair value for the beneficial interests in assets held by Community Foundation is based on the fair value of the underlying assets, as provided by Community Foundation and which approximates the present value of expected future distributions. We revalue the fair value of our beneficial interests annually and adjust the measurement inputs based on statements received from Community Foundation, market conditions, and other relevant data.

The following is a reconciliation of beginning and ending balances of the fair value of assets measured by Level 3 inputs for the years ended June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Fair value, beginning of year	\$ 498,461	\$ 499,014
Distributions	(24,881)	(24,106)
Change in value	<u>35,474</u>	<u>23,553</u>
<i>Fair value, end of year</i>	<u>\$ 509,054</u>	<u>\$ 498,461</u>

The change in value of the beneficial interests in assets held by Community Foundation is reported as such in revenues in the accompanying statements of activities. All the above Level 3 changes in value are attributable to changes in the value of assets held by Community Foundation at June 30, 2020 and 2019, respectively.

NOTE 8. NOTE PAYABLE, BANK, AND CAPITAL LEASE OBLIGATION

In April 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act, which includes the Paycheck Protection Program (PPP), was enacted into law. PPP is a loan program through U.S. Small Business Administration (SBA) and its participating banks in which loans can be forgiven for expenditures of loan proceeds incurred in the eight or twenty-four weeks following the origination date of the loan for certain payroll costs, rents, mortgage interest, and utilities. The amount forgiven is reduced proportionally by any reduction in employees retained or in payroll reduced. In April 2020 we received a PPP loan in the amount of \$136,201. The loan has no collateral or guarantees and is subject to an interest rate of 1%, with payments of principal and interest beginning in November 2020. The loan is due in full in April 2022. Although we expect to apply for forgiveness of this loan within the next year and believe that it will be forgiven, we have elected to treat the loan as a financial liability and not as a grant that is expected to be forgiven. Consequently, we will not recognize any income from the forgiveness of this loan unless and until it is forgiven by the SBA.

Maturities of the loan for each of the next two years at June 30, 2020 are as follows:

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

2021		\$ 59,901
2022		<u>76,300</u>
		<u>\$ 136,201</u>

We lease office equipment under a noncancelable capital lease requiring monthly payments of \$261 through June 2022. The asset and liability for this lease were originally recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The cost of the capital-leased asset was \$12,703 at both June 30, 2020 and 2019, and the related accumulated amortization was \$7,833 and \$5,293 at June 30, 2020 and 2019, respectively. The asset is amortized over the lesser of the related lease term or productive life of the asset, and amortization of the capital-leased asset included in depreciation expense is \$2,540 and \$2,541 for the years ended June 30, 2020 and 2019, respectively. Total minimum future lease payments under the capital lease at June 30, 2020 are due as follows:

2021		\$ 3,127
2022		<u>3,127</u>
<i>Total minimum future lease payments</i>		6,254
Less amount representing interest		<u>(521)</u>
<i>Total capital lease obligation</i>		<u>\$ 5,733</u>

NOTE 9. NET ASSETS INFORMATION

Net assets with donor restrictions are restricted for the following periods or purposes at June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time:		
Annual campaign promises for the next year	\$ 508,806	\$ 606,787
Promises for neighborhood center	15,000	-
Other promises	<u>3,000</u>	<u>-</u>
	<u>526,806</u>	<u>606,787</u>
Subject to expenditure for specified purposes:		
COVID-19 relief	572,092	-
Southeast neighborhood center	241,500	-
Education	256,737	314,275
Collective Impact Strategy	-	14,467
Community School Project	3,370	12,289
Flood relief	-	12,600
Health Initiative Alliance	10,450	-
Food program	<u>13,270</u>	<u>36,500</u>
	<u>1,097,419</u>	<u>390,131</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 1,624,225</u>	<u>\$ 996,918</u>

Net assets were released from donor restrictions by the passage of time or by incurring expenses satisfying restricted purposes or other events specified by the donors as follows for the years ended June 30, 2020 and 2019, respectively:

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 1,279,319	\$ 1,430,289
Satisfaction of purpose restrictions:		
COVID-19 relief	1,019,029	-
My United Way 2-1-1	-	20,000
Education	228,457	251,914
Collective Impact	156,295	121,767
Community School Project	8,919	-
VITA program	62,958	50,000
Team HEAT program	75,000	74,250
Blindness prevention	-	45,000
Health Initiative Alliance	10,032	-
Flood relief	12,600	600
Food program	<u>23,230</u>	<u>2,000</u>
<i>Total net assets released from restrictions</i>	<u>\$ 2,875,839</u>	<u>\$ 1,995,820</u>

NOTE 10. RETIREMENT PLAN

We maintain a defined-contribution tax-deferred annuity pension plan covering substantially all of our employees. Pension costs are funded in the period that they accrue. Pension expense was \$21,985 and \$19,926 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11. CASH FLOWS INFORMATION

The following reconciles cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts reported in the statements of cash flows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,002,491	\$ 1,557,031
Cash restricted for construction of neighborhood center	<u>241,500</u>	<u>-</u>
<i>Total cash, cash equivalents, and restricted cash reported in the statements of cash flows</i>	<u>\$ 4,243,991</u>	<u>\$ 1,557,031</u>

NOTE 12. CONCENTRATIONS AND UNCERTAINTIES REGARDING PANDEMIC

All of our programs and activities occur in St. Joseph County, Indiana and the surrounding area; consequently, our sources of support and revenue may be affected by conditions in this area. For the years ended June 30, 2020 and 2019, approximately 32% and 54%, respectively, of total revenues were received from our annual campaign. In addition, contributions from one employer and its employees were approximately 13% and 10% of total revenues for the years ended June 30, 2020 and 2019, respectively.

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents and promises to give. We have cash on deposit with financial institutions that, at times, may exceed federal deposit insurance limits. At June 30, 2020, we had deposits with one

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

financial institution that exceeded the federal deposit insurance limits by approximately \$3,990,000. Promises to give, which are generally due from individuals and entities in the St. Joseph County, Indiana area, represent a geographic concentration of credit risk. In addition, promises to give from four employers and their employees represented approximately 46% and 57% of total promises to give at June 30, 2020 and 2019, respectively, and a promise to give from an individual donor represented approximately 19% of total promises to give at June 30, 2020.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 23, 2020 the Governor of Indiana declared a health emergency and issued an executive order that closed all nonessential businesses, ordered residents to stay-at-home, and placed restrictions on public gatherings until further notice. On May 1, 2020 the Governor of Indiana implemented a timeline to phase-out the March 23, 2020 health emergency and executive orders, and most restrictions have now lapsed. As a consequence of the pandemic, we received substantial new grants for COVID-19 relief, portions of which were expended by June 30, 2020 and are included in our Community Impact program. We expect to expend those funds to support partner agencies efforts to provide economic relief through March 31, 2022. Our annual campaign has been and, we believe, will continue to be, negatively impacted by the economic effects of the pandemic on the local economy.