

FINANCIAL REPORT

UNITED WAY OF ST. JOSEPH COUNTY, INC.

June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of United Way of St. Joseph County, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and 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 United Way of St. Joseph County, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 United Way of St. Joseph County, Inc. 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 United Way of St. Joseph County, Inc.'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 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 United Way of St. Joseph County, Inc.'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 United Way of St. Joseph County, Inc.'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.

Cullen & Associates, P.C.

South Bend, Indiana
November 17, 2021

UNITED WAY OF ST. JOSEPH COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021			2020		
	Without Donor	With Donor	Totals	Without Donor	With Donor	Totals
	Restrictions	Restrictions		Restrictions	Restrictions	
Assets:						
Cash and cash equivalents	\$ 4,190,127	\$ 250,709	\$ 4,440,836	\$ 3,146,572	\$ 855,919	\$ 4,002,491
Certificates of deposit	190,000	-	190,000	400,068	-	400,068
Investments	43,560	-	43,560	43,764	-	43,764
Promises to give	61,197	704,716	765,913	199,660	526,806	726,466
Other receivables	-	-	-	222	-	222
Prepaid expenses	18,588	-	18,588	17,637	-	17,637
Beneficial interests in assets held by Community Foundation	647,446	-	647,446	509,054	-	509,054
Cash restricted for construction of neighborhood center	-	157,024	157,024	-	241,500	241,500
Property and equipment	320,312	-	320,312	50,929	-	50,929
<i>Total assets</i>	<u>\$ 5,471,230</u>	<u>\$ 1,112,449</u>	<u>\$ 6,583,679</u>	<u>\$ 4,367,906</u>	<u>\$ 1,624,225</u>	<u>\$ 5,992,131</u>
Liabilities and Net Assets:						
Accounts payable	\$ 49,747	\$ -	\$ 49,747	\$ 72,743	\$ -	\$ 72,743
Accrued liabilities	23,982	-	23,982	35,264	-	35,264
Refundable grant advances	596,620	-	596,620	1,781,254	-	1,781,254
Allocations payable	646,500	-	646,500	640,375	-	640,375
Designations payable	97,675	-	97,675	108,407	-	108,407
Funds held for others	30,792	-	30,792	44,617	-	44,617
Notes payable, bank	136,200	-	136,200	136,201	-	136,201
Capital lease obligation	2,988	-	2,988	5,733	-	5,733
<i>Total liabilities</i>	<u>1,584,504</u>	<u>-</u>	<u>1,584,504</u>	<u>2,824,594</u>	<u>-</u>	<u>2,824,594</u>
Net Assets:						
Without donor restrictions:						
Undesignated	2,282,619	-	2,282,619	360,504	-	360,504
Invested in property and equipment	320,312	-	320,312	50,929	-	50,929
Board designated:						
For operating purposes	361,036	-	361,036	361,036	-	361,036
For capital purposes	275,313	-	275,313	261,789	-	261,789
For endowment	647,446	-	647,446	509,054	-	509,054
	<u>3,886,726</u>	<u>-</u>	<u>3,886,726</u>	<u>1,543,312</u>	<u>-</u>	<u>1,543,312</u>
With donor restrictions:						
Time-restricted for future periods	-	704,716	704,716	-	526,806	526,806
Purpose restricted	-	407,733	407,733	-	1,097,419	1,097,419
	<u>-</u>	<u>1,112,449</u>	<u>1,112,449</u>	<u>-</u>	<u>1,624,225</u>	<u>1,624,225</u>
<i>Total net assets</i>	<u>3,886,726</u>	<u>1,112,449</u>	<u>4,999,175</u>	<u>1,543,312</u>	<u>1,624,225</u>	<u>3,167,537</u>
<i>Total liabilities and net assets</i>	<u>\$ 5,471,230</u>	<u>\$ 1,112,449</u>	<u>\$ 6,583,679</u>	<u>\$ 4,367,906</u>	<u>\$ 1,624,225</u>	<u>\$ 5,992,131</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Support, Revenue, and Gains:						
Annual campaign contributions:						
Total donor promises	\$ -	\$ 1,343,876	\$ 1,343,876	\$ -	\$ 1,426,448	\$ 1,426,448
Less donor designations	-	(213,969)	(213,969)	-	(159,458)	(159,458)
Less provision for uncollectables	-	(60,810)	(60,810)	-	(82,652)	(82,652)
<i>Net annual campaign contributions</i>	-	1,069,097	1,069,097	-	1,184,338	1,184,338
Other contributions and sponsorships	1,760,165	693,883	2,454,048	37,386	1,379,635	1,417,021
Grants	10,000	1,568,339	1,578,339	-	817,161	817,161
Government-funded awards	136,201	26,304	162,505	35,817	122,012	157,829
Donated goods and services	16,140	-	16,140	64,331	-	64,331
Revenues from contracts with customers	4,305	-	4,305	10,920	-	10,920
Net investment income	28,890	-	28,890	34,072	-	34,072
Change in value of beneficial interests in assets						
held by Community Foundation	138,392	-	138,392	10,593	-	10,593
Other	764	-	764	3,501	-	3,501
Net assets released from restrictions	3,869,399	(3,869,399)	-	2,875,839	(2,875,839)	-
<i>Total support, revenue, and gains</i>	<u>5,964,256</u>	<u>(511,776)</u>	<u>5,452,480</u>	<u>3,072,459</u>	<u>627,307</u>	<u>3,699,766</u>
Expenses:						
Program services expenses:						
Community Impact	2,973,147	-	2,973,147	2,258,081	-	2,258,081
Communications Impact	86,380	-	86,380	84,950	-	84,950
Indiana 211	-	-	-	75,000	-	75,000
<i>Total program services expenses</i>	<u>3,059,527</u>	<u>-</u>	<u>3,059,527</u>	<u>2,418,031</u>	<u>-</u>	<u>2,418,031</u>
Supporting services expenses:						
Management and general	199,464	-	199,464	209,805	-	209,805
Fundraising	361,851	-	361,851	403,844	-	403,844
<i>Total supporting services expenses</i>	<u>561,315</u>	<u>-</u>	<u>561,315</u>	<u>613,649</u>	<u>-</u>	<u>613,649</u>
<i>Total expenses</i>	<u>3,620,842</u>	<u>-</u>	<u>3,620,842</u>	<u>3,031,680</u>	<u>-</u>	<u>3,031,680</u>
Change in net assets	2,343,414	(511,776)	1,831,638	40,779	627,307	668,086
Net assets, beginning of year	<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>Net assets, end of year</i>	<u>\$ 3,886,726</u>	<u>\$ 1,112,449</u>	<u>\$ 4,999,175</u>	<u>\$ 1,543,312</u>	<u>\$ 1,624,225</u>	<u>\$ 3,167,537</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, 2021

	<u>Community Impact</u>	<u>Communications Impact</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Personnel:					
Salaries and wages	\$ 231,566	\$ 40,697	\$ 107,362	\$ 241,340	\$ 620,965
Retirement	5,601	1,463	5,973	8,213	21,250
Other benefits	11,604	3,446	18,122	39,098	72,270
Payroll taxes	<u>17,659</u>	<u>3,334</u>	<u>8,412</u>	<u>16,873</u>	<u>46,278</u>
<i>Total personnel</i>	266,430	48,940	139,869	305,524	760,763
Funds allocated to					
member agencies	646,500	-	-	-	646,500
Project expenses	1,954,981	-	-	-	1,954,981
Data processing	-	-	2,720	-	2,720
Outside services	24,172	366	12,182	3,403	40,123
Printing and office supplies	14,015	7,190	2,053	7,593	30,851
Communications	1,623	1,265	1,265	1,265	5,418
Postage and shipping	706	529	1,213	2,922	5,370
Conferences and travel	28,360	157	616	348	29,481
Local transportation	122	-	216	431	769
Equipment expenses	3,377	2,859	7,219	7,220	20,675
Occupancy	10,784	10,784	12,519	10,784	44,871
Dues to affiliated organizations	10,011	10,011	10,011	10,011	40,044
Other dues, permits, and fees	444	2,105	571	4,116	7,236
Use of donated goods and services	9,440	-	1,700	5,000	16,140
Other	8	-	5,136	1,061	6,205
Depreciation	<u>2,174</u>	<u>2,174</u>	<u>2,174</u>	<u>2,173</u>	<u>8,695</u>
<i>Totals</i>	<u>\$ 2,973,147</u>	<u>\$ 86,380</u>	<u>\$ 199,464</u>	<u>\$ 361,851</u>	<u>\$ 3,620,842</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	6,571	1,286	-	6,884	8,968	23,709
Other benefits	14,522	1,548	-	15,495	45,316	76,881
Payroll taxes	<u>20,559</u>	<u>3,458</u>	<u>-</u>	<u>10,688</u>	<u>19,188</u>	<u>53,893</u>
<i>Total personnel</i>	352,099	49,675	-	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
Communications	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	<u>3,381</u>	<u>3,381</u>	<u>-</u>	<u>3,381</u>	<u>3,380</u>	<u>13,523</u>
<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.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from annual campaign contributions	\$ 1,140,187	\$ 1,282,319
Cash received from other contributions, grants, and sponsorships	2,763,742	4,031,732
Cash received from others	5,069	14,421
Investment income received	30,419	33,659
Cash paid for personnel	(771,558)	(877,813)
Cash paid to member agencies	(651,107)	(494,500)
Cash paid to vendors and others	(2,227,011)	(1,588,653)
Interest paid	(382)	(547)
<i>Net cash provided by operating activities</i>	<u>289,359</u>	<u>2,400,618</u>
Cash Flows from Investing Activities:		
Proceeds from maturities of certificates of deposit	210,068	200,000
Purchase of investments	(935)	(43,295)
Purchase of property and equipment	<u>(278,078)</u>	<u>(4,041)</u>
<i>Net cash provided by (used in) investing activities</i>	<u>(68,945)</u>	<u>152,664</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable, bank	136,200	136,201
Payment of capital lease obligation	<u>(2,745)</u>	<u>(2,523)</u>
<i>Net cash provided by financing activities</i>	<u>133,455</u>	<u>133,678</u>
Net change in cash, cash equivalents, and restricted cash	353,869	2,686,960
Cash, cash equivalents, and restricted cash, beginning of year	<u>4,243,991</u>	<u>1,557,031</u>
<i>Cash, cash equivalents, and restricted cash, end of year</i>	<u>\$ 4,597,860</u>	<u>\$ 4,243,991</u>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in net assets	\$ 1,831,638	\$ 668,086
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	(136,201)	-
Depreciation	8,695	13,523
Investment (gains) losses	1,139	(469)
Changes in assets and liabilities:		
Promises to give	(39,447)	(87,432)
Other receivables	222	23,897
Prepaid expenses	(951)	(2,616)
Beneficial interests in assets held by		
Community Foundation	(138,392)	(10,593)
Accounts payable and accrued liabilities	(34,278)	54,768
Refundable grant advances	(1,184,634)	1,781,254
Allocations payable	6,125	(29,625)
Designations payable	(10,732)	(16,670)
Funds held for others	<u>(13,825)</u>	<u>6,495</u>
<i>Net cash provided by operating activities</i>	<u>\$ 289,359</u>	<u>\$ 2,400,618</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, 2021 and 2020

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.

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.

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:

UNITED WAY OF ST. JOSEPH COUNTY, INC.
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- *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.

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

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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, 2021 pertain to the campaign year ended June 30, 2021, and allocations payable at June 30, 2020 pertain to the campaign year ended June 30, 2020. All allocations are payable in the next year, and there is no unamortized discount on the allocations.

Funds Held for Others:

We 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.

Paycheck Protection Program Loan:

As discussed in Note 8, we borrowed funds 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.

UNITED WAY OF ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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Revenue and Revenue Recognition:

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 statements of financial position until the conditions are satisfied.

Revenue from cost-reimbursable and fee-for-service awards is recognized as revenue when allowable expenditures are incurred or allowable services are performed. Amounts received 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. In addition, 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 \$16,140 and \$63,281 for the years ended June 30, 2021 and 2020, 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.

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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 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 \$10,465 and \$8,275 for the years ended June 30, 2021 and 2020, respectively.

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, 2021 or 2020, 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, 2018.

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.

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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.

Subsequent Events:

The date through which events occurring subsequent to June 30, 2021 have been evaluated for possible adjustment to the financial statements or disclosure is November 17, 2021, the date on which the financial statements were available to be issued.

See Note 12 for information about the expected effects of the COVID-19 pandemic on our operations after June 30, 2021. In September 2021, we broke ground on an estimated \$6,700,000 Southeast Neighborhood Center building project expected to be completed in July 2022. The project will be funded through contributions and community partnerships.

As discussed in Note 8, in July 2021 we received full forgiveness of a \$136,200 loan under the Paycheck Protection Program (PPP) of the U.S. Small Business Administration that is reported as a liability in the accompanying June 30, 2021 statement of financial position.

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, 2021 and 2020, respectively, are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,190,127	\$ 3,146,572
Certificates of deposit	190,000	400,068
Investments	43,560	43,764
Promises to give	498,913	711,466
Other receivables	-	222
Distributions from beneficial interests in assets held by Community Foundation	<u>25,898</u>	<u>20,362</u>
<i>Total financial assets available for general expenditure</i>	<u>\$ 4,948,498</u>	<u>\$ 4,322,454</u>

Distributions from the beneficial interests in assets held by Community Foundation reflect expected distributions based on Community Foundation's historical 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, 2021 and 2020.

NOTE 3. INVESTMENTS AND NET INVESTMENT INCOME

Investments consist of the follows at June 30, 2021 and 2020, respectively:

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	<u>2021</u>	<u>2020</u>
Cash and equivalents	\$ 106	\$ 1,471
Corporate bond mutual funds	2,311	-
Corporate bonds	<u>41,143</u>	<u>42,293</u>
<i>Total investments</i>	<u>\$ 43,560</u>	<u>\$ 43,764</u>

Net investment income was as follows for the years ended June 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Interest on bank accounts	\$ 3,181	\$ 8,250
Interest and dividends from investments	1,325	511
Distributions from beneficial interest in Community Foundation	25,913	24,881
Realized investment gains	51	-
Unrealized investment gains (losses)	(1,190)	469
Investment expenses	<u>(390)</u>	<u>(39)</u>
<i>Net investment income</i>	<u>\$ 28,890</u>	<u>\$ 34,072</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 due as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 782,045	\$ 805,101
Due in one to five years	<u>50,000</u>	<u>-</u>
	832,045	805,101
Less allowance for uncollectables	<u>(66,132)</u>	<u>(78,635)</u>
<i>Net promises to give</i>	<u>\$ 765,913</u>	<u>\$ 726,466</u>

There is no discount for imputed interest on promises to give at either June 30, 2021 or 2020 because the amount is immaterial.

In addition, at June 30, 2021 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, educational programs, and food assistance for approximately \$474,900, 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

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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 \$647,446 and \$509,054 at June 30, 2021 and 2020, respectively. Distributions of \$25,913 and \$24,881 were made from that portion of the funds in the years ended June 30, 2021 and 2020, respectively, which are included in investment income. The change in value of that portion of the funds, net of distributions, was \$138,392 and \$10,593 for the years ended June 30, 2021 and 2020, 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 \$154,652 and \$121,594, at June 30, 2021 and 2020, respectively. Distributions of \$6,188 and \$5,648 were made from that portion of the funds in the years ended June 30, 2021 and 2020, 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, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 717,300	\$ 717,300
Furniture and equipment	<u>162,036</u>	<u>162,036</u>
	879,336	879,336
Less accumulated depreciation	<u>(837,102)</u>	<u>(828,407)</u>
	42,234	50,929
Assets not yet in service	<u>278,078</u>	<u>-</u>
<i>Net property and equipment</i>	<u>\$ 320,312</u>	<u>\$ 50,929</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.

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- *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, 2021 and 2020, respectively, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>For 2021:</i>				
Investments	\$ 43,560	\$ 2,417	\$ 41,143	\$ -
Beneficial interests in assets held by Community Foundation	<u>647,446</u>	<u>-</u>	<u>-</u>	<u>647,446</u>
<i>Totals</i>	<u>\$ 691,006</u>	<u>\$ 2,417</u>	<u>\$ 41,143</u>	<u>\$ 647,446</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>

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, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Fair value, beginning of year	\$ 509,054	\$ 498,461
Distributions	(25,913)	(24,881)
Change in value	<u>164,305</u>	<u>35,474</u>
<i>Fair value, end of year</i>	<u>\$ 647,446</u>	<u>\$ 509,054</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, 2021 and 2020, respectively.

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NOTE 8. NOTES 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 for \$136,201. We received full forgiveness of this loan in December 2020 and, consequently, recognized the entire \$136,201 as revenue in the 2021 statement of activities. In January 2021 we received a second PPP loan for \$136,200. The loan has no collateral or guarantees and is subject to an interest rate of 1%, with payments of principal and interest beginning in June 2022. The loan is due in full in January 2026. In July 2021, the SBA forgave the full \$136,200 of principal and we recognized the income from forgiveness of the loan at that date.

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, 2021 and 2020, and the related accumulated amortization was \$10,374 and \$7,833 at June 30, 2021 and 2020, 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 \$2,541 and \$2,540 for the years ended June 30, 2021 and 2020, respectively. Total minimum future lease payments under the capital lease at June 30, 2021 are due as follows:

2022		\$ 3,127
Less amount representing interest		<u>(139)</u>
<i>Total capital lease obligation</i>		<u>\$ 2,988</u>

NOTE 9. NET ASSETS INFORMATION

Net assets with donor restrictions are restricted for the following periods or purposes at June 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Annual campaign promises for the next year	\$ 437,716	\$ 508,806
Promises for neighborhood center	267,000	15,000
Other promises	<u>-</u>	<u>3,000</u>
	<u>704,716</u>	<u>526,806</u>
Subject to expenditure for specified purposes:		
COVID-19 relief	10,411	572,092
Southeast neighborhood center	157,025	241,500
Education	225,931	256,737
Health Initiative Alliance	14,366	10,450
Community School Project	-	3,370
Food program	<u>-</u>	<u>13,270</u>
	<u>407,733</u>	<u>1,097,419</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 1,112,449</u>	<u>\$ 1,624,225</u>

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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, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions	\$ 1,143,187	\$ 1,279,319
Satisfaction of purpose restrictions:		
COVID-19 relief	2,075,183	1,019,029
Education	76,624	228,457
Collective Impact	168,926	156,295
Community School Project	3,370	8,919
Volunteer Income Tax Assistance	3,069	62,958
Team HEAT program	78,806	75,000
Food program	25,172	23,230
Health Initiative Alliance	16,984	10,032
Southeast neighborhood center	278,078	-
Flood relief	-	12,600
<i>Total net assets released from restrictions</i>	<u>\$ 3,869,399</u>	<u>\$ 2,875,839</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 \$21,250 and \$23,709 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,440,836	\$ 4,002,491
Cash restricted for construction of neighborhood center	<u>157,024</u>	<u>241,500</u>
<i>Total cash, cash equivalents, and restricted cash reported in the statements of cash flows</i>	<u>\$ 4,597,860</u>	<u>\$ 4,243,991</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, 2021 and 2020, approximately 20% and 32%, respectively of total revenues were received from our annual campaign. In addition, contributions from two donors were approximately 32% and 25%, respectively, of total revenues for the year ended June 30, 2021. Contributions from one employer and its employees were approximately 13% of total revenues for the year ended June 30, 2020.

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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, 2021, we had deposits with one financial institution that exceeded the federal deposit insurance limits by approximately \$4,346,000. 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, at June 30, 2021, promises from one employer and its employees represented approximately 30% of total promises to give, and promises from two other donors represented approximately 20% and 10%, respectively, of total promises to give. At June 30, 2020, promises from four employers and their employees represented approximately 46% of total promises to give, and a promise from one donor represented approximately 19% of total promises to give.

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. The order was lifted in May 2020, but is subject to reinstatement. As a consequence of the pandemic, we received substantial new grants for COVID-19 relief, portions of which were expended by June 30, 2021 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.