

CONSOLIDATED FINANCIAL REPORT

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES

June 30, 2022 and 2021

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Audit, Accounting, Tax & Advisory

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AICPA Member

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the 2022 consolidated financial statements of United Way of St. Joseph County, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying 2022 consolidated financial statements present fairly, in all material respects, the consolidated financial position of United Way of St. Joseph County, Inc. and Affiliates as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The 2021 financial statements of United Way of St. Joseph County, Inc. were audited by Cullar & Associates, PC, a firm with which we merged, whose report dated November 17, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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. and Affiliates' 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 consolidated 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. and Affiliates' 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.

DWC CPA's LLC

South Bend, Indiana
November 17, 2022

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022			2021		
	Without Donor	With Donor	Totals	Without Donor	With Donor	Totals
	Restrictions	Restrictions		Restrictions	Restrictions	
Assets:						
Cash and cash equivalents	\$ 4,096,776	\$ 161,948	\$ 4,258,724	\$ 4,190,127	\$ 250,709	\$ 4,440,836
Certificates of deposit	-	-	-	190,000	-	190,000
Investments	43,130	-	43,130	43,560	-	43,560
Promises to give	85,354	431,590	516,944	61,197	704,716	765,913
Prepaid expenses	24,128	-	24,128	18,588	-	18,588
Beneficial interests in assets held by Community Foundation	554,908	-	554,908	647,446	-	647,446
Cash restricted for construction of neighborhood center	-	-	-	-	157,024	157,024
Property and equipment	4,490,304	-	4,490,304	320,312	-	320,312
<i>Total assets</i>	<u>\$ 9,294,600</u>	<u>\$ 593,538</u>	<u>\$ 9,888,138</u>	<u>\$ 5,471,230</u>	<u>\$ 1,112,449</u>	<u>\$ 6,583,679</u>
Liabilities and Net Assets:						
Liabilities:						
Accounts payable	\$ 1,039,301	\$ -	\$ 1,039,301	\$ 49,747	\$ -	\$ 49,747
Accrued liabilities	47,406	-	47,406	23,982	-	23,982
Refundable grant advances	120,022	-	120,022	596,620	-	596,620
Allocations payable	603,009	-	603,009	646,500	-	646,500
Designations payable	162,823	-	162,823	97,675	-	97,675
Funds held for others	31,353	-	31,353	30,792	-	30,792
Notes payable, bank	-	-	-	136,200	-	136,200
Capital lease obligation	-	-	-	2,988	-	2,988
<i>Total liabilities</i>	<u>2,003,914</u>	<u>-</u>	<u>2,003,914</u>	<u>1,584,504</u>	<u>-</u>	<u>1,584,504</u>
Net Assets:						
Without donor restrictions:						
Undesignated	1,600,431	-	1,600,431	2,282,619	-	2,282,619
Invested in property and equipment	4,490,304	-	4,490,304	320,312	-	320,312
Board designated:						
For operating purposes	361,036	-	361,036	361,036	-	361,036
For capital purposes	284,007	-	284,007	275,313	-	275,313
For endowment	554,908	-	554,908	647,446	-	647,446
	<u>7,290,686</u>	<u>-</u>	<u>7,290,686</u>	<u>3,886,726</u>	<u>-</u>	<u>3,886,726</u>
With donor restrictions:						
Time-restricted for future periods	-	431,590	431,590	-	704,716	704,716
Purpose restricted	-	161,948	161,948	-	407,733	407,733
	<u>-</u>	<u>593,538</u>	<u>593,538</u>	<u>-</u>	<u>1,112,449</u>	<u>1,112,449</u>
<i>Total net assets</i>	<u>7,290,686</u>	<u>593,538</u>	<u>7,884,224</u>	<u>3,886,726</u>	<u>1,112,449</u>	<u>4,999,175</u>
<i>Total liabilities and net assets</i>	<u>\$ 9,294,600</u>	<u>\$ 593,538</u>	<u>\$ 9,888,138</u>	<u>\$ 5,471,230</u>	<u>\$ 1,112,449</u>	<u>\$ 6,583,679</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Support, Revenue, and Gains:						
Annual campaign contributions:						
Total donor promises	\$ -	\$ 1,221,243	\$ 1,221,243	\$ -	\$ 1,343,876	\$ 1,343,876
Less donor designations	-	(201,129)	(201,129)	-	(213,969)	(213,969)
Less provision for uncollectables	-	(58,644)	(58,644)	-	(60,810)	(60,810)
<i>Net annual campaign contributions</i>	-	961,470	961,470	-	1,069,097	1,069,097
Other contributions and sponsorships	79,888	346,341	426,229	1,760,165	693,883	2,454,048
Grants	8,738	2,035,545	2,044,283	10,000	1,568,339	1,578,339
Government-funded awards	146,200	2,039,217	2,185,417	136,201	26,304	162,505
Donated goods and services	1,794	-	1,794	16,140	-	16,140
Revenues from contracts with customers	-	-	-	4,305	-	4,305
Net investment return	28,839	-	28,839	28,890	-	28,890
Change in value of beneficial interests in assets held by Community Foundation	(92,538)	-	(92,538)	138,392	-	138,392
Other	21	-	21	764	-	764
Net assets released from restrictions	5,901,484	(5,901,484)	-	3,869,399	(3,869,399)	-
<i>Total support, revenue, and gains</i>	<u>6,074,426</u>	<u>(518,911)</u>	<u>5,555,515</u>	<u>5,964,256</u>	<u>(511,776)</u>	<u>5,452,480</u>
Expenses:						
Program services expenses:						
Community Impact	1,849,871	-	1,849,871	2,973,147	-	2,973,147
Communications Impact	124,391	-	124,391	86,380	-	86,380
Southeast Neighborhood Center	17,146	-	17,146	-	-	-
<i>Total program services expenses</i>	<u>1,991,408</u>	<u>-</u>	<u>1,991,408</u>	<u>3,059,527</u>	<u>-</u>	<u>3,059,527</u>
Supporting services expenses:						
Management and general	234,312	-	234,312	199,464	-	199,464
Fundraising	444,746	-	444,746	361,851	-	361,851
<i>Total supporting services expenses</i>	<u>679,058</u>	<u>-</u>	<u>679,058</u>	<u>561,315</u>	<u>-</u>	<u>561,315</u>
<i>Total expenses</i>	<u>2,670,466</u>	<u>-</u>	<u>2,670,466</u>	<u>3,620,842</u>	<u>-</u>	<u>3,620,842</u>
Change in net assets	3,403,960	(518,911)	2,885,049	2,343,414	(511,776)	1,831,638
Net assets, beginning of year	3,886,726	1,112,449	4,999,175	1,543,312	1,624,225	3,167,537
<i>Net assets, end of year</i>	<u>\$ 7,290,686</u>	<u>\$ 593,538</u>	<u>\$ 7,884,224</u>	<u>\$ 3,886,726</u>	<u>\$ 1,112,449</u>	<u>\$ 4,999,175</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Community <u>Impact</u>	Communications <u>Impact</u>	Southeast Neighborhood <u>Center</u>	Management and General	<u>Fundraising</u>	<u>Totals</u>
Personnel:						
Salaries and wages	\$ 317,166	\$ 62,958	\$ 7,249	\$ 121,680	\$ 290,902	\$ 799,955
Retirement	4,940	794	-	7,510	8,945	22,189
Other benefits	8,169	8,024	(261)	14,521	31,612	62,065
Payroll taxes	<u>19,981</u>	<u>4,348</u>	<u>368</u>	<u>12,145</u>	<u>21,028</u>	<u>57,870</u>
<i>Total personnel</i>	350,256	76,124	7,356	155,856	352,487	942,079
Funds allocated to						
member agencies	603,009	-	-	-	-	603,009
Project expenses	789,877	-	-	-	-	789,877
Data processing	-	-	-	3,415	-	3,415
Outside services	25,916	876	2,846	13,915	759	44,312
Printing and office supplies	16,029	5,358	475	2,809	35,623	60,294
Communications	1,516	1,159	-	1,319	1,159	5,153
Postage and shipping	1,203	555	-	883	2,675	5,316
Conferences and travel	18,406	115	65	356	514	19,456
Local transportation	325	9	-	104	503	941
Equipment expenses	7,298	2,893	325	8,647	8,325	27,488
Occupancy	18,243	18,242	6,079	20,788	18,243	81,595
Dues to affiliated organizations	14,619	14,618	-	14,618	14,619	58,474
Other dues, permits, and fees	868	2,136	-	421	5,821	9,246
Use of donated goods and services	-	-	-	1,794	-	1,794
Other	-	-	-	7,081	1,712	8,793
Depreciation	<u>2,306</u>	<u>2,306</u>	<u>-</u>	<u>2,306</u>	<u>2,306</u>	<u>9,224</u>
<i>Totals</i>	<u>\$ 1,849,871</u>	<u>\$ 124,391</u>	<u>\$ 17,146</u>	<u>\$ 234,312</u>	<u>\$ 444,746</u>	<u>\$ 2,670,466</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Community <u>Impact</u>	Communications <u>Impact</u>	Management and General	Fundraising	<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 consolidated financial statements.

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash received from annual campaign contributions	\$ 967,596	\$ 1,140,187
Cash received from other contributions, grants, and sponsorships	926,008	2,763,742
Cash received from others	21	5,069
Investment return received	30,638	30,419
Cash paid for personnel	(920,160)	(771,558)
Cash paid to member agencies	(581,352)	(651,107)
Cash paid to vendors and others	(878,861)	(2,227,011)
Interest paid	<u>(139)</u>	<u>(382)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(456,249)</u>	<u>289,359</u>
Cash Flows from Investing Activities:		
Proceeds from maturities of certificates of deposit	190,000	210,068
Purchase of investments	(980)	(935)
Purchase of property and equipment	<u>(3,428,885)</u>	<u>(278,078)</u>
<i>Net cash (used in) investing activities</i>	<u>(3,239,865)</u>	<u>(68,945)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable, bank	-	136,200
Collection of contributions restricted to building project	3,359,966	-
Payment of capital lease obligation	<u>(2,988)</u>	<u>(2,745)</u>
<i>Net cash provided by financing activities</i>	<u>3,356,978</u>	<u>133,455</u>
Net change in cash, cash equivalents, and restricted cash	(339,136)	353,869
Cash, cash equivalents, and restricted cash, beginning of year	<u>4,597,860</u>	<u>4,243,991</u>
<i>Cash, cash equivalents, and restricted cash, end of year</i>	<u>\$ 4,258,724</u>	<u>\$ 4,597,860</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ 2,885,049	\$ 1,831,638
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted to building project	(3,359,966)	-
Forgiveness of Paycheck Protection Program loan	(136,200)	(136,201)
Depreciation	9,224	8,695
Net investment losses	1,410	1,139
Changes in assets and liabilities:		
Promises to give	248,969	(39,447)
Other receivables	-	222
Prepaid expenses	(5,540)	(951)
Beneficial interests in assets held by		
Community Foundation	92,538	(138,392)
Accounts payable and accrued liabilities	262,647	(34,278)
Refundable grant advances	(476,598)	(1,184,634)
Allocations payable	(43,491)	6,125
Designations payable	65,148	(10,732)
Funds held for others	<u>561</u>	<u>(13,825)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>\$ (456,249)</u>	<u>\$ 289,359</u>
Non-Cash Investing Activity:		
Property and equipment financed through accounts payable	<u>\$ 750,331</u>	<u>\$ -</u>

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

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of United Way of St. Joseph County, Inc. and its wholly owned affiliates, One Roof St. Joe County, LLC and One Roof St. Joe County Southeast, LLC (collectively, we, us, our, the Organization). Our operations are supported primarily by individual and corporate donations and grants.

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. 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.
- *Southeast Neighborhood Center* – We primarily serve families living within census tracks 29 and 30 to provide a high-quality Early Learning Program, holistic health, youth and senior services.

Our wholly owned affiliates were formed to hold and manage neighborhood centers.

Significant Accounting Policies:

Method of Presentation:

The consolidated financial statements present the consolidated financial condition, activities, and cash flows of United Way of St. Joseph County, Inc. and our wholly owned affiliates. All inter-company balances and transactions among the entities have been eliminated in the accompanying consolidated financial statements.

Use of Estimates:

The process of preparing consolidated 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 consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates used in the accompanying consolidated 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.

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

- Revenue earned from government-funded awards, which are governed by federal and State cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities.
- 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:

- *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 consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external and direct internal investment expenses.

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 consolidated 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 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 consolidated 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 consolidated statements of activities. The portions of the funds attributable to contributions from others are not reported as an asset in the consolidated statements of financial positions, and distributions from those portions are included in contributions revenue in the consolidated 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 consolidated statements of financial position. Allocations payable at June 30, 2022 pertain to the campaign year ended June 30, 2022, and allocations payable at June 30, 2021 pertain to the campaign year ended June 30, 2021. All allocations are payable in the next year, and there is no unamortized discount on the allocations.

UNITED WAY OF ST. JOSEPH COUNTY, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 consolidated statements of financial position as both an asset and a liability. No revenues or expenses are reported in the accompanying consolidated 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). We elected to treat the loan as a financial liability and not as a grant that is expected to be forgiven. Consequently, any income from the forgiveness of this loan is not recognized unless and until it is forgiven by the SBA.

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 consolidated 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 consolidated statements 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 revenue.

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 consolidated 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 consolidated statements of activities. The costs to generate and distribute designated promises are reported as fundraising expenses.

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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 consolidated financial statements. Contributed services of \$1,794 and \$16,140 for the years ended June 30, 2022 and 2021, respectively, were recognized as support and revenue in the accompanying consolidated 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 consolidated statements of activities. The consolidated 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 \$18,667 and \$10,465 for the years ended June 30, 2022 and 2021, 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 consolidated 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 consolidated 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

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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 consolidated 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, 2022 or 2021, 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, 2019.

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.

Subsequent Events:

The date through which events occurring subsequent to June 30, 2022 have been evaluated for possible adjustment to the consolidated financial statements or disclosure is November 17, 2022, the date on which the consolidated financial statements were available to be issued.

We expect to complete a \$6,700,000 Southeast Neighborhood Center building project in the fourth quarter of 2022. The project will be funded through contributions and community partnerships.

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, 2022 and 2021, respectively, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,072,861	\$ 4,190,127
Certificates of deposit	-	190,000
Investments	43,130	43,560
Promises to give	461,944	498,913
Distributions from beneficial interests in assets held by Community Foundation	<u>22,196</u>	<u>25,898</u>
<i>Total financial assets available for general expenditure</i>	<u>\$ 4,600,131</u>	<u>\$ 4,948,498</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, 2022 and 2021.

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NOTE 3. INVESTMENTS AND NET INVESTMENT RETURN

Investments consist of the follows at June 30, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Cash and equivalents	\$ 487	\$ 106
Corporate bond mutual funds	2,643	2,311
Corporate bonds	<u>40,000</u>	<u>41,143</u>
<i>Total investments</i>	<u>\$ 43,130</u>	<u>\$ 43,560</u>

Net investment return was as follows for the years ended June 30, 2022 and 2021, respectively:

Interest on bank accounts	\$ 1,154	\$ 3,181
Interest and dividends from investments	1,369	1,325
Distributions from beneficial interest in		
Community Foundation	28,115	25,913
Realized investment gains	21	51
Unrealized investment gains (losses)	(1,431)	(1,190)
Investment expenses	<u>(389)</u>	<u>(390)</u>
<i>Net investment return</i>	<u>\$ 28,839</u>	<u>\$ 28,890</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 585,219	\$ 782,045
Due in one to five years	<u>-</u>	<u>50,000</u>
	585,219	832,045
Less allowance for uncollectables	<u>(68,275)</u>	<u>(66,132)</u>
<i>Net promises to give</i>	<u>\$ 516,944</u>	<u>\$ 765,913</u>

There is no discount for imputed interest on promises to give at either June 30, 2022 or 2021 because the amount is immaterial.

In addition, at June 30, 2022 we had several conditional promises to give for educational programs and food assistance for approximately \$120,000 under cost-reimbursable awards that will be recognized as revenue if and when allowable costs are incurred. In addition, at June 30, 2022 we had received a \$1,837,500 grant dependent upon raising matching contributions for the Southeast Neighborhood Center project that will be recognized as revenue if and when the conditions are met.

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

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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 \$554,908 and \$647,446 at June 30, 2022 and 2021, respectively. Distributions of \$28,115 and \$25,913 were made from that portion of the funds in the years ended June 30, 2022 and 2021, respectively, which are included in net investment return. The change in value of that portion of the funds, net of distributions, was (\$92,538) and \$138,392 for the years ended June 30, 2022 and 2021, respectively, which is included in revenues in the accompanying consolidated 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 \$133,673 and \$154,652, at June 30, 2022 and 2021, respectively. Distributions of \$6,715 and \$6,188 were made from that portion of the funds in the years ended June 30, 2022 and 2021, respectively, which are included in other contribution revenues in the accompanying consolidated statements of activities.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 751,380	\$ 717,300
Furniture and equipment	<u>167,214</u>	<u>162,036</u>
	918,594	879,336
Less accumulated depreciation	<u>(846,325)</u>	<u>(837,102)</u>
	72,269	42,234
Assets not yet in service	<u>4,418,035</u>	<u>278,078</u>
<i>Net property and equipment</i>	<u>\$ 4,490,304</u>	<u>\$ 320,312</u>

NOTE 7. FAIR VALUE MEASUREMENTS

We report certain assets at fair value in the consolidated 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:

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- *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, 2022 and 2021, respectively, is as follows:

	Fair Value	Level 1	Level 2	Level 3
<i>For 2022:</i>				
Investments	\$ 43,130	\$ 3,130	\$ 40,000	\$ -
Beneficial interests in assets held by Community Foundation	<u>554,908</u>	<u>-</u>	<u>-</u>	<u>554,908</u>
<i>Totals</i>	<u>\$ 598,038</u>	<u>\$ 3,130</u>	<u>\$ 40,000</u>	<u>\$ 554,908</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>

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, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Fair value, beginning of year	\$ 647,446	\$ 509,054
Distributions	(28,115)	(25,913)
Change in value	<u>(64,423)</u>	<u>164,305</u>
<i>Fair value, end of year</i>	<u>\$ 554,908</u>	<u>\$ 647,446</u>

The change in value of the beneficial interests in assets held by Community Foundation is reported as such in revenues in the accompanying consolidated 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, 2022 and 2021, respectively.

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NOTE 8. NOTE PAYABLE, BANK

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 consolidated statement of activities. In January 2021 we received a second PPP loan for \$136,200. We received full forgiveness of this loan in July 2021 and, consequently, recognized the entire the entire \$136,200 as revenue in the 2022 consolidated statement of activities.

NOTE 9. NET ASSETS INFORMATION

Net assets with donor restrictions are restricted for the following periods or purposes at June 30, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Subject to the passage of time:		
Annual campaign promises for the next year	\$ 431,590	\$ 437,716
Promises for neighborhood center	-	267,000
	<u>431,590</u>	<u>704,716</u>
Subject to expenditure for specified purposes:		
COVID-19 relief	-	10,411
Southeast neighborhood center	-	157,025
Education	121,796	225,931
Health Initiative Alliance	2,172	14,366
Collective Impact	37,980	-
	<u>161,948</u>	<u>407,733</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 593,538</u>	<u>\$ 1,112,449</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, 2022 and 2021, respectively:

Expiration of time restrictions	\$ 967,596	\$ 1,143,187
Satisfaction of purpose restrictions:		
COVID-19 relief	479,457	2,075,183
Education	310,217	76,624
Collective Impact	180,717	168,926
Community School Project	-	3,370
Volunteer Income Tax Assistance	-	3,069
Team HEAT program	82,373	78,806
Food program	39,940	25,172
Health Initiative Alliance	12,194	16,984
Southeast neighborhood center	3,783,990	278,078
Vision testing	45,000	-
<i>Total net assets released from restrictions</i>	<u>\$ 5,901,484</u>	<u>\$ 3,869,399</u>

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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 \$22,189 and \$21,250 for the years ended June 30, 2022 and 2021, respectively.

NOTE 11. CASH FLOWS INFORMATION

The following reconciles cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts reported in the consolidated statements of cash flows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,258,724	\$ 4,440,836
Cash restricted for construction of neighborhood center	-	157,024
<i>Total cash, cash equivalents, and restricted cash reported in the consolidated statements of cash flows</i>	<u>\$ 4,258,724</u>	<u>\$ 4,597,860</u>

NOTE 12. CONCENTRATIONS

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, 2022 and 2021, approximately 17% and 20%, respectively of total revenues were received from our annual campaign. In addition, contributions from three donors were approximately 33%, 21%, and 12%, respectively, of total revenues for the year ended June 30, 2022. Contributions from two donors were approximately 32% and 25%, respectively, of total revenues for the year ended June 30, 2021.

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, 2022, we had deposits with one financial institution that exceeded the federal deposit insurance limits by approximately \$4,300,000. 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, 2022, promises from one employer and its employees represented approximately 45% of total promises to give, while promises from two other donors represented approximately 29% and 14%, respectively, of total promises to give. 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.