

UNITED WAY OF THE MOHAWK VALLEY, INC.

**Financial Statements as of
June 30, 2020 and 2019
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

February 15, 2021

To the Board of Directors of
United Way of the Mohawk Valley, Inc.:

We have audited the accompanying financial statements of United Way of the Mohawk Valley, Inc. (a New York nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Mohawk Valley, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Change in Accounting Principle

As described in Note 2 to the financial statements, United Way of the Mohawk Valley, Inc. implemented Financial Accounting Standards Board Accounting Standards Update (ASU) 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Bonadio & Co., LLP

UNITED WAY OF THE MOHAWK VALLEY, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 506,936	\$ 941,972
Promises to give, net of allowance	622,070	675,938
Grants receivable	493,204	83,975
Prepaid expenses	<u>20,574</u>	<u>14,255</u>
Total current assets	<u>1,642,784</u>	<u>1,716,140</u>
PROPERTY AND EQUIPMENT, net	25,409	-
OTHER ASSETS:		
Custodial funds	6,764	5,788
Beneficial interest in agency funds held by third party	<u>1,110,586</u>	<u>1,199,828</u>
Total other assets	<u>1,117,350</u>	<u>1,205,616</u>
Total assets	<u>\$ 2,785,543</u>	<u>\$ 2,921,756</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Campaign designations payable	\$ 226,318	\$ 227,310
Accounts payable	88,919	85,917
Accrued expenses	87,639	81,008
Other current liabilities	<u>15,500</u>	<u>51,790</u>
Total current liabilities	418,376	446,025
LONG-TERM DEBT	217,777	-
CUSTODIAL FUNDS	<u>6,764</u>	<u>5,788</u>
Total liabilities	<u>642,917</u>	<u>451,813</u>
NET ASSETS:		
Without donor restrictions	1,533,889	1,788,334
With donor restrictions	<u>608,737</u>	<u>681,609</u>
Total net assets	<u>2,142,626</u>	<u>2,469,943</u>
Total liabilities and net assets	<u>\$ 2,785,543</u>	<u>\$ 2,921,756</u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE MOHAWK VALLEY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Promises to give from current year campaign	\$ 1,397,055	\$ -	\$ 1,397,055
Promises to give received from prior year campaigns	<u>12,282</u>	<u>-</u>	<u>12,282</u>
Gross campaign results	1,409,337	-	1,409,337
Less: Donor designations - funded partners	(111,134)	-	(111,134)
Less: Donor designations - other agencies	(137,982)	-	(137,982)
Less: Allowance for uncollectible pledges	<u>(87,650)</u>	<u>-</u>	<u>(87,650)</u>
Total campaign revenue, net	1,072,571	-	1,072,571
OTHER REVENUES, GAINS AND OTHER SUPPORT:			
Contributions, net of related expenses	76,587	-	76,587
Grants	1,909,407	-	1,909,407
Investment loss, net	(10,602)	(23,166)	(33,768)
Miscellaneous revenue	7,646	-	7,646
Collections and management service income	12,798	-	12,798
Special events, net of direct expenses of \$4,058	77,191	-	77,191
Net assets released from restrictions	<u>49,706</u>	<u>(49,706)</u>	<u>-</u>
Total other revenues, gains and other support	<u>2,122,733</u>	<u>(72,872)</u>	<u>2,049,861</u>
Total revenues, gains and other support	<u>3,195,304</u>	<u>(72,872)</u>	<u>3,122,432</u>
ALLOCATIONS, FUNCTIONAL, AND OTHER EXPENSES:			
Allocations to funded partners	551,187	-	551,187
Functional expenses:			
Program services:			
Community impact	421,120	-	421,120
2-1-1 Program	130,348	-	130,348
R-4-K Program	236,595	-	236,595
ESPRI Program	1,120,961	-	1,120,961
VITA Program	77,219	-	77,219
Housing Program	273,070	-	273,070
Supporting services:			
Management and general	237,817	-	237,817
Fundraising	<u>383,453</u>	<u>-</u>	<u>383,453</u>
Total functional expenses	2,880,583	-	2,880,583
Other expenses:			
National Organization membership fees	<u>17,979</u>	<u>-</u>	<u>17,979</u>
Total expenses	<u>2,898,562</u>	<u>-</u>	<u>2,898,562</u>
Total allocations, functional, and other expenses	<u>3,449,749</u>	<u>-</u>	<u>3,449,749</u>
CHANGE IN NET ASSETS	(254,445)	(72,872)	(327,317)
NET ASSETS - beginning of period	<u>1,788,334</u>	<u>681,609</u>	<u>2,469,943</u>
NET ASSETS - end of period	<u>\$ 1,533,889</u>	<u>\$ 608,737</u>	<u>\$ 2,142,626</u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE MOHAWK VALLEY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Promises to give from current year campaign	\$ 1,503,337	\$ -	\$ 1,503,337
Promises to give received from prior year campaigns	<u>48,306</u>	<u>-</u>	<u>48,306</u>
Gross campaign results	1,551,643	-	1,551,643
Less: Donor designations - funded partners	(83,224)	-	(83,224)
Less: Donor designations - other agencies	(138,922)	-	(138,922)
Less: Allowance for uncollectible pledges	<u>(75,012)</u>	<u>-</u>	<u>(75,012)</u>
Total campaign revenue, net	1,254,485	-	1,254,485
OTHER REVENUES, GAINS AND OTHER SUPPORT:			
Contributions, net of related expenses	74,880	-	74,880
Grants	805,010	-	805,010
Investment income, net	23,138	21,661	44,799
Miscellaneous revenue	455	-	455
Collections and management service income	43,161	-	43,161
Special events, net of direct expenses of \$13,299	<u>48,878</u>	<u>-</u>	<u>48,878</u>
Total other revenues, gains and other support	<u>995,522</u>	<u>21,661</u>	<u>1,017,183</u>
Total revenues, gains and other support	<u>2,250,007</u>	<u>21,661</u>	<u>2,271,668</u>
ALLOCATIONS, FUNCTIONAL, AND OTHER EXPENSES:			
Allocations to funded partners	598,560	-	598,560
Functional expenses:			
Program services:			
Community impact	624,700	-	624,700
2-1-1 Program	145,208	-	145,208
R-4-K Program	224,586	-	224,586
ESPRI Program	98,146	-	98,146
VITA Program	56,949	-	56,949
Supporting services:			
Management and general	246,253	-	246,253
Fundraising	<u>383,903</u>	<u>-</u>	<u>383,903</u>
Total functional expenses	1,779,745	-	1,779,745
Other expenses:			
National Organization membership fees	<u>17,594</u>	<u>-</u>	<u>17,594</u>
Total expenses	<u>1,797,339</u>	<u>-</u>	<u>1,797,339</u>
Total allocations, functional, and other expenses	<u>2,395,899</u>	<u>-</u>	<u>2,395,899</u>
CHANGE IN NET ASSETS	(145,892)	21,661	(124,231)
NET ASSETS - beginning of period	<u>1,934,226</u>	<u>659,948</u>	<u>2,594,174</u>
NET ASSETS - end of period	<u>\$ 1,788,334</u>	<u>\$ 681,609</u>	<u>\$ 2,469,943</u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE MOHAWK VALLEY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Totals for 2019)

	Program Services						Supporting Services			Total 2019	
	Community Impact	2-1-1	R-4-K	ESPRI	VITA	Housing	Total	Management and General	Fundraising		Total 2020
Salaries	\$ 119,895	\$ 57,196	\$ 188,426	\$ 60,000	\$ 55,250	\$ 108,237	\$ 589,004	\$ 106,208	\$ 224,809	\$ 920,021	\$ 831,296
Employee benefits	14,143	673	13,948	4,672	529	12,319	46,284	10,758	23,369	80,411	83,150
Payroll taxes	9,361	4,895	12,567	4,306	4,214	5,923	41,266	7,350	17,057	65,673	64,427
Retirement plan	10,736	2,931	531	1,385	-	-	15,583	7,787	15,128	38,498	22,838
Total salaries and related expenses	154,135	65,695	215,472	70,363	59,993	126,479	692,137	132,103	280,363	1,104,603	1,001,711
Professional fees	4,298	60,695	1,444	3,126	-	316	69,879	25,210	7,874	102,963	94,328
Rent	25,196	-	-	27,714	7,398	4,456	64,764	37,793	41,993	144,550	80,280
Supplies	8,607	872	15,744	1,019,283	6,099	50,826	1,101,431	11,810	13,801	1,127,042	99,149
Outside services	159,878	-	-	-	-	85,403	245,281	-	-	245,281	401,952
Campaign supplies and communications	5,681	-	-	-	144	-	5,825	8,596	17,167	31,588	23,121
Equipment expenses	6,084	325	897	-	1,826	1,826	9,132	9,126	10,140	28,398	25,793
Board and staff development	1,095	2,638	-	-	1,466	3,236	8,435	628	1,820	10,883	13,505
Insurance	1,993	-	-	-	-	-	1,993	2,989	3,321	8,303	8,753
Telephone and internet service	1,386	122	-	396	1,041	427	3,372	2,109	2,364	7,845	6,741
Travel	644	-	3,036	-	1,078	101	4,859	965	1,073	6,897	11,896
Membership dues	1,291	-	-	-	-	-	1,291	1,936	2,151	5,378	7,423
Postage	718	1	2	79	-	-	800	2,826	1,196	4,822	4,239
Depreciation	-	-	-	-	-	-	-	1,555	-	1,555	-
Contribution expense	50,000	-	-	-	-	-	50,000	-	-	50,000	-
Repairs and maintenance	114	-	-	-	-	-	114	171	190	475	854
Total functional expenses	\$ 421,120	\$ 130,348	\$ 236,595	\$ 1,120,961	\$ 77,219	\$ 273,070	\$ 2,259,313	\$ 237,817	\$ 383,453	\$ 2,880,583	\$ 1,779,745

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE MOHAWK VALLEY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services					Supporting Services			
	Community Impact	2-1-1 Program	R-4-K	ESPRI	VITA	Total	Management and General	Fundraising	Total
Salaries	\$ 138,336	\$ 61,840	\$ 132,026	\$ 61,400	\$ 38,250	\$ 431,852	\$ 139,579	\$ 259,865	\$ 831,296
Employee benefits	18,758	678	13,642	8,596	327	42,001	9,532	31,617	83,150
Payroll taxes	11,443	4,759	9,223	4,615	2,434	32,474	12,341	19,612	64,427
Retirement plan	5,001	-	-	-	-	5,001	4,494	13,343	22,838
Total salaries and related expenses	173,538	67,277	154,891	74,611	41,011	511,328	165,946	324,437	1,001,711
Professional fees	1,674	60,695	99	5,739	-	68,207	22,705	3,416	94,328
Rent	29,952	-	-	-	5,400	35,352	26,957	17,971	80,280
Supplies	1,692	10,902	56,257	17,163	7,506	93,520	2,824	2,805	99,149
Outside services	401,952	-	-	-	-	401,952	-	-	401,952
Campaign supplies and communications	3,465	-	-	-	12	3,477	5,332	14,312	23,121
Equipment expenses	3,878	300	7,666	-	1,660	13,504	5,816	6,473	25,793
Board and staff development	1,478	3,682	669	-	106	5,935	4,681	2,889	13,505
Insurance	2,101	-	-	-	-	2,101	3,150	3,502	8,753
Telephone and internet service	1,346	312	-	468	418	2,544	1,953	2,244	6,741
Travel	1,111	1,698	5,004	129	823	8,765	1,483	1,648	11,896
Membership dues	1,703	305	-	-	-	2,008	2,577	2,838	7,423
Postage	606	37	-	36	13	692	2,521	1,026	4,239
Repairs and maintenance	204	-	-	-	-	204	308	342	854
Total functional expenses	\$ 624,700	\$ 145,208	\$ 224,586	\$ 98,146	\$ 56,949	\$ 1,149,589	\$ 246,253	\$ 383,903	\$ 1,779,745

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE MOHAWK VALLEY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (327,317)	\$ (124,231)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,555	-
Bad debts	87,650	75,012
Depreciation		
Realized loss on investments	170	52
Contributions of donated assets	(6,055)	(5,767)
Change in beneficial interest in agency funds	89,243	(38,130)
Changes in:		
Promises to give	(33,782)	(70,823)
Grants receivable	(409,229)	68,282
Prepaid expenses	(6,319)	(905)
Campaign designations payable	(992)	(132,045)
Accounts payable	3,002	70,131
Accrued expenses	6,631	350
Other current liabilities	<u>(36,290)</u>	<u>11,590</u>
Net cash flow from operating activities	<u>(631,733)</u>	<u>(146,484)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(26,964)	-
Proceeds from sales of investments	<u>5,884</u>	<u>5,716</u>
Net cash flow from investing activities	<u>(21,080)</u>	<u>5,716</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long term debt	<u>217,777</u>	-
Net cash flow from financing activities	<u>217,777</u>	-
CHANGE IN CASH AND CASH EQUIVALENTS	(435,036)	(140,768)
CASH AND CASH EQUIVALENTS - beginning of year	<u>941,972</u>	<u>1,082,740</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 506,936</u>	<u>\$ 941,972</u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF THE MOHAWK VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES

United Way of the Mohawk Valley, Inc. (the United Way) is a local member of United Way Worldwide. The United Way was formed to develop resources needed to address the health and human service needs of the community.

Annual campaigns are conducted each year to raise support for allocation to human service agencies. Such allocations are distributed in the subsequent year.

The program services of the United Way are referred to as Community Impact, which improves lives by mobilizing communities to create sustained changes in the community conditions. It includes the following services: building community partnerships and coalitions, assessment of community needs, and funds distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The United Way reports information regarding its financial position and activities using the following categories:

- **Net Assets Without Donor Restrictions**
Net assets without donor restrictions include resources that are available for the support of the United Way's operating activities.
- **Net Assets With Donor Restrictions**
Net assets with donor restrictions include resources that have been donated to the United Way subject to restrictions as defined by the donor. The satisfaction of the restrictions is reflected as net assets released from restrictions in the statement of activities.

Change in Accounting Principle

ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

On July 1, 2019, the United Way adopted Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies whether a grant or contract is a contribution or an exchange transaction subject to other guidance. Changes resulting from the adoption of ASU 2018-08 were made on a modified prospective basis during the year of adoption and therefore, had no effect on the financial position or results of operations for the year ended June 30, 2019. For the year ended June 30, 2020, there was no material effect on total net assets or change in net assets.

Cash and Cash Equivalents

The United Way considers all short-term investments with an initial maturity of three months or less to be cash equivalents. For purposes of determining cash and cash equivalents, the United Way excludes cash and cash equivalents included in investments and restricted cash. There are no cash equivalents as of June 30, 2020 and 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In accordance with GAAP, investments in equity securities with readily determinable fair values, investments held in investment pools and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains or losses on investments, interest and dividends) is included in revenue without donor restrictions unless the income or loss is restricted by donor or law.

Beneficial Interest in Agency Funds Held by Third Party

The United Way is the beneficiary under a Designated Agency Fund Agreement with The Community Foundation of Herkimer & Oneida Counties, Inc. The agency fund has been recorded in accordance with GAAP which states that if a community foundation receives assets from a nonprofit organization that specifies itself or its affiliate as the beneficiary, the transfer is not a contribution received by the community foundation even if the variance power is explicitly stated in the gift instrument. The assets of the fund are included in the statements of financial position of the United Way as a beneficial interest in agency fund held by third party. Distributions are to be paid at least annually, or as the two organizations may from time to time agree upon. In addition, the fund is charged a .125% administrative fee quarterly on the fund balance.

Property and Equipment

Property and equipment purchased is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Major additions and improvements to property and equipment which extend the lives or increase the value of the assets are capitalized to the respective asset accounts while replacements, maintenance and repairs which do not improve or extend the life of the assets are expensed as incurred. The United Way's capitalization policy is to capitalize only those expenditures in excess of \$1,000. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in without donor restrictions net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The United Way reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Custodial Funds

Custodial funds consist of funds held by the United Way to facilitate multi-organization events conducted in the area. These funds are received and disbursed on behalf of the event and are not part of any program operated by the United Way. Custodial funds held as of June 30, 2020 and 2019, were \$6,764 and \$5,788, respectively.

Donor Designations

Under GAAP, when a recipient organization accepts assets from a donor and agrees to use those assets on behalf of a specified beneficiary or disburse those assets, the return on investment on those assets, or both to that beneficiary, the recipient organization has not received a contribution. In this instance, the United Way is required to recognize a liability to the specified beneficiary when it recognizes the assets received from the donor. The amounts are recorded in the statements of financial position as campaign designations payable and are measured at fair market value at the date of donation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Payroll and benefits are allocated based on time spent in the various programs. Depreciation, maintenance and occupancy related costs are allocated based on management's estimates. Allocations to funded agencies are all considered program expenses.

Income Tax Status

The United Way is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the United Way qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Revenue Recognition – Grants and Contributions

Grants received from governments, agencies and others, which are conditioned upon the United Way incurring certain qualifying costs or meeting other conditions, are recognized as revenue when the qualifying costs are incurred and not meeting the conditions is remote. Funds received, but not yet earned are recorded as refundable advances. Funds for qualifying costs incurred and recognized as revenue, but not yet received, are recorded as grants and donations receivable.

Gifts of cash and other assets are reported as net assets without donor restrictions unless they are received with donor stipulations that limit the use of the donated assets. Gifts with restrictions are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, assets with donor restrictions are reclassified to assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Because there is a new campaign every year, unconditional promises to give are treated as current year promises. Conditional promises to give are recognized only when the conditions on which they depend are met and the promises become unconditional. The United Way estimates an allowance for uncollectible promises to give based on historical collections data and current economic conditions. Although management has reviewed the collection history while projecting the allowance, it is reasonably possible that actual uncollectible pledges may differ from the estimated allowance. Open accounts are written off after all collection efforts have been exhausted and the pledge is determined to be uncollectible.

The United Way records promises to give when there is sufficient evidence in the form of verifiable documentation that a promise was made. Accordingly, as of June 30, 2020 and 2019, the United Way reflects those promises to give that meet such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the United Way and its future results and financial position is not presently determinable.

Paycheck Protection Program Loan

The United Way is accounting for the Paycheck Protection Program Loan (“PPP Loan”) under FASB ASC-470, *Debt*. The United Way applied for forgiveness under the Paycheck Protection Program and will recognize the extinguishment of debt income once the forgiveness application has been approved by the lender and the United Way has been legally released as primary obligor (see Note 17).

3. LIQUIDITY

The United Way has a goal to maintain financial assets on hand to meet normal operating expenses. The United Way has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The United Way’s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 506,936	\$ 941,972
Promises to give, net of allowance	622,070	675,938
Grants receivable	<u>493,204</u>	<u>83,975</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,622,210</u>	<u>\$ 1,701,885</u>

The United Way maintains sufficient cash that is readily available for general expenditures. Additionally, the United Way’s ability to meet its cash needs is further dependent, in part, on timely collection of its promises to give and grants receivable. The United Way’s promises to give and grants receivable are due primarily from organizations and individuals. The United Way employs procedures specifically designed to collect from these payers as quickly as possible. However, timeliness of payment from these payers varies and is sometimes difficult to predict.

4. INVESTMENTS

From time to time, the United Way receives donations of marketable securities in satisfaction of campaign pledges. The United Way’s policy is to sell such securities immediately. There were no marketable securities held at June 30, 2020 and 2019.

5. PROMISES TO GIVE

All promises to give are expected to be received within one year. At June 30, promises to give consist of the following:

	<u>2020</u>	<u>2019</u>
Promises to give:		
2017 – 2018 campaign	\$ -	\$ 123,507
2018 – 2019 campaign	92,964	698,837
2019 – 2020 campaign	<u>691,923</u>	<u>-</u>
Total promises to give	784,887	822,344
Less: Allowance for uncollectibles:		
2017 – 2018 campaign	-	(71,239)
2018 – 2019 campaign	(92,964)	(75,167)
2019 – 2020 campaign	<u>(69,853)</u>	<u>-</u>
Net promises to give	<u>\$ 622,070</u>	<u>\$ 675,938</u>

6. PROPERTY AND EQUIPMENT

At June 30, property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures and equipment	\$ 26,964	\$ 46,059
Less: Accumulated depreciation	<u>(1,555)</u>	<u>(46,059)</u>
Net property and equipment	<u>\$ 25,409</u>	<u>\$ -</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$1,555 and \$0, respectively.

7. CAMPAIGN DESIGNATIONS PAYABLE

At June 30, campaign designations payable consist of the following:

	<u>2020</u>	<u>2019</u>
Funded partners	\$ 111,134	\$ 89,724
Other United Ways	42,039	54,437
Other agencies	<u>73,145</u>	<u>83,149</u>
Campaign designations payable	<u>\$ 226,318</u>	<u>\$ 227,310</u>

8. DONATED SERVICES AND FACILITIES

Donated services are recognized as contributions in accordance with GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the United Way. Many volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under GAAP was not met. Also, numerous agencies have donated significant advertising materials and airtime. No amounts for these services have been recorded in the financial statements.

In 2020 and 2019, the use of the facilities where the United Way operates was donated by Utica Mutual Insurance Company which owns the real property and most of the personal property at the site. Amounts have been recognized as revenues and expenses in the accompanying statement of activities and changes in net assets for the fair market value of the donated facilities (\$74,880 for the years ended June 30, 2020 and 2019). All operating and maintenance expenses for the facilities are the responsibility of Utica Mutual Insurance Company. The lease agreement for the donated facilities expired on June 30, 2020.

9. BENEFICIAL INTEREST IN AGENCY FUNDS HELD BY THIRD PARTY

The components of the agency funds are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Operating funds (without donor restrictions)	\$ 124,140	\$ 128,509
Building fund (without donor restrictions)	377,709	389,710
Raymonda Scholarship (with donor restrictions)	237	245
Endowment earnings (with donor restrictions)	333,347	406,211
Endowment fund (with donor restrictions)	<u>275,153</u>	<u>275,153</u>
Total beneficial interest	<u>\$ 1,110,586</u>	<u>\$ 1,199,828</u>

10. FAIR VALUE MEASUREMENTS

GAAP states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. GAAP also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described below:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

10. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth the United Way's investments that were accounted for at fair value at June 30, 2020 and 2019. Investments are classified in their entirety based on the lower level of input that is significant to the fair value measurements:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2020				
Beneficial interest in Community Foundation	\$ <u> -</u>	\$ <u>1,110,586</u>	\$ <u> -</u>	\$ <u>1,110,586</u>
Total	\$ <u> -</u>	\$ <u>1,110,586</u>	\$ <u> -</u>	\$ <u>1,110,586</u>
June 30, 2019				
Beneficial interest in Community Foundation	\$ <u> -</u>	\$ <u>1,199,828</u>	\$ <u> -</u>	\$ <u>1,199,828</u>
Total	\$ <u> -</u>	\$ <u>1,199,828</u>	\$ <u> -</u>	\$ <u>1,199,828</u>

The fair value of the United Way's beneficial interest in the Community Foundation's investment pool was provided by the Community Foundation based on the fair value of the underlying assets using quoted market prices as well as observable inputs from the Community Foundation's investment custodian. There were no changes in the valuation methodology in 2020 and 2019.

11. RESTRICTIONS/LIMITATIONS ON NET ASSETS

Without Donor Restrictions

From time to time, the board designates net assets without donor restrictions for specific purposes. Net assets without donor restrictions consisted of the following designated and undesignated amounts as of June 30:

	<u>2020</u>	<u>2019</u>
Designated by Board for:		
Building fund	\$ 377,708	\$ 389,710
Future allocations	466,202	554,725
Undesignated	<u>689,979</u>	<u>843,899</u>
Total net assets without donor restrictions	<u>\$ 1,533,889</u>	<u>\$ 1,788,334</u>

With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Raymonda Scholarship	\$ 237	\$ 245
Endowment earnings	<u>333,347</u>	<u>406,211</u>
Total net assets with time and/or purpose restrictions	333,584	406,456
Net assets restricted in perpetuity	<u>275,153</u>	<u>275,153</u>
Total net assets with donor restrictions	<u>\$ 608,737</u>	<u>\$ 681,609</u>

11. RESTRICTIONS/LIMITATIONS ON NET ASSETS (Continued)

Endowment Funds

The United Way's beneficial interest in endowment fund consists of funds held by The Community Foundation of Herkimer & Oneida Counties, Inc. The endowment consists of donor-restricted endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation the United Way classifies as with donor restrictions net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restrictions net assets is classified as with donor restrictions net assets and maintained as such for appropriation for expenditure by the United Way in a manner consistent with the standard of prudence prescribed by NYPMIFA and donors' restrictions on use. In accordance with the NYPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the United Way and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the United Way
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; and
- The investment policies of the United Way

Investment Return Objectives, Risk Parameters and Strategies

The United Way has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3.5%, while growing the funds if possible. Therefore, the United Way expects its endowment assets, over time, to produce an average rate of return in excess of the distribution rate. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

11. RESTRICTIONS/LIMITATIONS ON NET ASSETS (Continued)

Spending Policy

The United Way has a policy of appropriating for distribution each year up to 3.5% of its endowment fund's average fair value of the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the United Way considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The United Way expects the current spending policy to allow its endowment funds to grow on an annual basis. This is consistent with the United Way's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Appropriations from the endowment fund were \$49,706 and \$0 for 2020 and 2019, respectively.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	<u>\$ 608,500</u>

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	<u>\$ 681,364</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year, 2019	\$ 659,711
2019 Changes in endowment:	
Investment return	<u>21,653</u>
Endowment net assets, end of year, 2019	<u>\$ 681,364</u>
2020 Changes in endowment:	
Investment return	(23,158)
Appropriations	<u>(49,706)</u>
Endowment net assets, end of year, 2020	<u>\$ 608,500</u>

12. CONCENTRATION OF CREDIT RISK

Cash

Funds at each financial institution were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents exceeding federally insured limits total \$56,084 and \$453,862 at June 30, 2020 and 2019, respectively. The United Way does not require additional collateral, has not experienced any losses in these accounts and believes it is not exposed to any significant risks with respect to cash and cash equivalents.

Promises to Give

The United Way solicits promises to give for its annual campaign within the Mohawk Valley and the greater Utica area and its surrounding suburbs. The vast majority of those promises received represent promises to pay at a later date either directly or through payroll deductions. Although the United Way has a diversified promise base, a substantial portion of its donors' ability to honor their promises is dependent upon general economic conditions of the governmental and commercial sectors within the Utica area.

13. RETIREMENT PLAN

The United Way has established a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the United Way who meet certain age, hours, and length of service requirements. Each plan year the United Way contributes 5% of gross salaries for qualified employees of the plan. Employees may make contributions to the plan which must be matched by the United Way equal to the lesser of 50% of the salary reduction amount during the plan year or 2.5% of compensation received during the plan year. Retirement plan expense was \$38,498 and \$22,838 for the years ended June 30, 2020 and 2019, respectively.

14. COMMITMENTS

Unemployment Insurance

The United Way is self-insured with respect to New York State Unemployment Benefits. Under the reimbursement option, the United Way is required to pay all approved unemployment claims as presented. Claims paid under this arrangement for the years ended June 30, 2020 and 2019 totaled \$12,069 and \$0, respectively. Management believes the self-funding arrangement will result in reduced unemployment costs for the United Way based on previous claims experience. The accompanying financial statements do not reflect any liability for future claims as management believes that there are no significant pending claims.

Operating Leases

The United Way leases equipment and office space under operating leases and charges the costs to expense as incurred. The amount charged to expense for the years ended June 30, 2020 and 2019 was \$71,534 and \$4,032, respectively. Future minimum payments under all operating leases are as follows for the years ending June 30:

2021	85,845
2022	81,303
2023	79,032
2024	88,032
2025	<u>84,000</u>
Total	<u>\$ 418,212</u>

15. LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	<u>2020</u>	
Paycheck Protection Program Loan	\$ 217,777	
Less: Current portion	<u> -</u>	
Total long-term debt	<u>\$ 217,777</u>	

Paycheck Protection Program Loan

On April 16, 2020, the United Way qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$217,777 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the United Way's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the United Way. The United Way applied for and received forgiveness in December 2020 (see Note 17).

16. CONDITIONAL PROMISES TO GIVE

Conditional promises to give were received with the following conditions as of June 30:

	<u>2020</u>	<u>2019</u>
Cost reimbursement grants - conditioned upon meeting agreed-upon expenditures for reimbursement	<u>\$ 671,971</u>	<u>\$ 2,092,337</u>

17. SUBSEQUENT EVENTS

Paycheck Protection Program Loan Forgiveness

The United Way applied for and received forgiveness of their Paycheck Protection Program loan in December 2020. This forgiveness of debt income will be recognized as revenue at the time forgiveness was granted in December 2020.

The United Way has evaluated subsequent events through February 15, 2021, which is the date the financial statements were available to be issued.