

Financial Statements

UNITED WAY OF ALLEN COUNTY, INC.

*Years ended June 30, 2021 and 2020
with Independent Auditor's Report*

United Way of Allen County, Inc.

Financial Statements

Years ended June 30, 2021 and 2020

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Independent Auditor's Report

The Board of Directors
United Way of Allen County, Inc.

Report on the Financial Statements

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

Haines, Asenbarger & Skiba, LLC

August 17, 2021

United Way of Allen County, Inc.

Statements of Financial Position

	June 30	
	2021	2020
Assets		
Cash and cash equivalents	\$ 535,595	\$ 2,833,185
Contributions receivable, net of allowance of \$117,800 in 2021 and \$127,700 in 2020	993,219	1,052,548
Grants and pledges receivable	635,009	-
Other receivables	-	4,959
Prepaid expenses	17,768	16,078
Investments, at fair value	2,770,686	2,260,169
Property and equipment:		
Leasehold improvements	28,913	76,024
Furniture and equipment	140,153	187,686
	<u>169,066</u>	<u>263,710</u>
Less accumulated depreciation	154,221	232,971
Total property and equipment, net	<u>14,845</u>	<u>30,739</u>
Other assets:		
Beneficial interest in perpetual trust	186,631	153,269
Contributions receivable from remainder trust	274,492	247,985
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	1,479,721	1,074,323
Cash surrender value of life insurance	10,035	17,917
Total other assets	<u>1,950,879</u>	<u>1,493,494</u>
Total assets	<u><u>\$ 6,918,001</u></u>	<u><u>\$ 7,691,172</u></u>
Liabilities and net assets		
Accounts payable	\$ 211,928	\$ 500,576
Accrued payroll and benefits	101,976	91,318
Designations payable, net of allowance of \$5,345 in 2021 and \$6,739 in 2020	182,682	201,215
Refundable advance	234,563	234,800
Deferred rent	-	28,791
Total liabilities	<u>731,149</u>	<u>1,056,700</u>
Net assets:		
Without donor restrictions	4,128,533	3,850,361
With donor restrictions	2,058,319	2,784,111
Total net assets	<u>6,186,852</u>	<u>6,634,472</u>
Total liabilities and net assets	<u><u>\$ 6,918,001</u></u>	<u><u>\$ 7,691,172</u></u>

See accompanying notes.

United Way of Allen County, Inc.

Statements of Activities and Changes in Net Assets

	Year ended June 30					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains:						
Campaign contributions	\$ 2,589,328	\$ 12,816	\$ 2,602,144	\$ 3,062,231	\$ 305,667	\$ 3,367,898
Donor designations	(579,849)	-	(579,849)	(707,858)	-	(707,858)
Provision for uncollectible pledges	(117,800)	-	(117,800)	(127,700)	-	(127,700)
Campaign contributions, net	<u>1,891,679</u>	<u>12,816</u>	<u>1,904,495</u>	<u>2,226,673</u>	<u>305,667</u>	<u>2,532,340</u>
Program funding, grants and other contributions	3,497	3,279,278	3,282,775	291,838	2,858,579	3,150,417
Administrative and service fees	30,344	-	30,344	58,195	-	58,195
Special events, net of expenses	-	14,362	14,362	-	-	-
Net investment return	509,842	-	509,842	92,961	-	92,961
Change in value of beneficial interest in perpetual trust	-	26,507	26,507	-	3,647	3,647
Change in value of contributions receivable from remainder trust	-	33,362	33,362	-	43,996	43,996
Gain (loss) on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	108,347	297,051	405,398	(7,837)	(21,469)	(29,306)
Change in value of cash surrender value of life insurance	(7,882)	-	(7,882)	(6,753)	-	(6,753)
Gain on disposal of fixed assets	5,726	-	5,726	-	-	-
	<u>649,874</u>	<u>3,650,560</u>	<u>4,300,434</u>	<u>428,404</u>	<u>2,884,753</u>	<u>3,313,157</u>
Net assets released from restrictions	4,389,168	(4,389,168)	-	2,028,122	(2,028,122)	-
Total support, revenues and gains	<u>6,930,721</u>	<u>(725,792)</u>	<u>6,204,929</u>	<u>4,683,199</u>	<u>1,162,298</u>	<u>5,845,497</u>
Expenses:						
Program services	5,916,135	-	5,916,135	4,270,134	-	4,270,134
Management and general	152,037	-	152,037	163,585	-	163,585
Resource development	584,377	-	584,377	731,488	-	731,488
Total expenses	<u>6,652,549</u>	<u>-</u>	<u>6,652,549</u>	<u>5,165,207</u>	<u>-</u>	<u>5,165,207</u>
Increase (decrease) in net assets	278,172	(725,792)	(447,620)	(482,008)	1,162,298	680,290
Net assets at beginning of year	3,850,361	2,784,111	6,634,472	4,332,369	1,621,813	5,954,182
Net assets at end of year	<u>\$ 4,128,533</u>	<u>\$ 2,058,319</u>	<u>\$ 6,186,852</u>	<u>\$ 3,850,361</u>	<u>\$ 2,784,111</u>	<u>\$ 6,634,472</u>

See accompanying notes.

United Way of Allen County, Inc.

Statements of Functional Expenses

	Year ended June 30							
	2021				2020			
	Program Services	Management and General	Resource Development	Total	Program Services	Management and General	Resource Development	Total
Salaries and wages	\$ 567,826	\$ 33,841	\$ 329,106	\$ 930,773	\$ 651,716	\$ 38,808	\$ 399,003	\$1,089,527
Employee benefits	117,706	3,062	68,576	189,344	130,058	16,481	84,916	231,455
Total salaries and benefits	685,532	36,903	397,682	1,120,117	781,774	55,289	483,919	1,320,982
Community investment	4,808,248	-	91	4,808,339	2,996,694	-	-	2,996,694
Advertising and promotion	39,702	2,758	8,112	50,572	57,446	4,045	21,436	82,927
Depreciation	9,065	1,636	4,812	15,513	11,175	1,081	6,996	19,252
Equipment rental and maintenance	9,688	1,048	3,087	13,823	10,469	591	4,516	15,576
Insurance	7,891	1,638	5,234	14,763	10,987	860	4,497	16,344
Dues and subscriptions	53,802	9,311	31,321	94,434	50,803	4,924	31,050	86,777
Miscellaneous	-	186	-	186	82	353	32	467
Occupancy	40,400	6,306	28,395	75,101	87,403	8,304	52,876	148,583
Postage	1,168	259	995	2,422	1,820	203	1,094	3,117
Printing and publications	504	96	210	810	1,459	202	6,199	7,860
Professional services	143,367	74,817	47,718	265,902	162,366	79,459	76,562	318,387
Public events	11,076	-	58,749	69,825	22,150	-	1,247	23,397
Supplies	1,825	906	997	3,728	1,959	1,159	1,682	4,800
Technology and telephone	54,100	7,192	28,997	90,289	55,893	3,650	28,908	88,451
Travel and training	49,767	8,981	26,064	84,812	17,654	3,465	10,474	31,593
Total expenses allocated functionally	5,916,135	152,037	642,464	6,710,636	4,270,134	163,585	731,488	5,165,207
Less: Special events direct expenses	-	-	(58,087)	(58,087)	-	-	-	-
Expenses for statement of activities	\$5,916,135	\$ 152,037	\$ 584,377	\$6,652,549	\$4,270,134	\$ 163,585	\$ 731,488	\$5,165,207

See accompanying notes.

United Way of Allen County, Inc.

Statements of Cash Flows

	Year ended June 30	
	2021	2020
Operating activities		
Increase (decrease) in net assets	\$ (447,620)	\$ 680,290
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,513	19,252
Provision for uncollectible pledges	117,800	127,700
Realized and unrealized gain on investments	(483,604)	(59,635)
Gain on disposal of fixed assets	(5,726)	-
Change in value of beneficial interest in perpetual trust	(26,507)	(3,647)
Change in value of contributions receivable from remainder trust	(33,362)	(43,996)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(405,398)	29,306
Changes in operating assets and liabilities:		
Contributions receivable, net	(58,471)	243,822
Grants and pledges receivable	(635,009)	378,018
Other receivables	4,959	95,387
Prepaid expenses	(1,690)	3,643
Cash surrender value of life insurance	7,882	6,753
Accounts payable	(288,648)	416,911
Accrued payroll and benefits	10,658	1,986
Designations payable, net	(18,533)	53,011
Refundable advance	(237)	234,800
Deferred rent	(28,791)	(15,527)
Cash provided by (used in) operating activities	<u>(2,276,784)</u>	2,168,074
Investing activities		
Purchases of property and equipment	(4,893)	(9,344)
Proceeds from sale of fixed assets	11,000	-
Purchases of investments	(500,499)	(645,636)
Proceeds from the sale and maturities of investments	473,586	612,027
Cash used in investing activities	<u>(20,806)</u>	<u>(42,953)</u>
Increase (decrease) in cash and cash equivalents	(2,297,590)	2,125,121
Cash and cash equivalents at beginning of year	2,833,185	708,064
Cash and cash equivalents at end of year	<u>\$ 535,595</u>	<u>\$ 2,833,185</u>

See accompanying notes.

United Way of Allen County, Inc.

Notes to Financial Statements

June 30, 2021

1. Organization

The Vision of United Way of Allen County (UWAC) is:

An Allen County where all individuals and families discover and achieve their potential.

The Mission of UWAC is to:

Unite our community's time, talent and treasure to cultivate and advance community solutions that address the most critical issues around basic needs, education, financial stability and healthy lives.

UWAC completed a strategic planning process in the summer of 2018, which guided the organization through June 30, 2021. Through that process, three strategic foci were identified for the success of the organization:

1. ALICE: Fostering an environment that will reduce the barriers facing Asset Limited, Income Constrained, Employed households.
2. Operational Excellence: Develop lasting organizational health.
3. Future Opportunities: Be an innovative organization positioned to benefit from opportunities.

UWAC focuses beyond temporary fixes. Together, United, we work to break down community barriers creating lasting change for families that are working hard but struggle to survive. We don't just distribute dollars. We unite local organizations to develop holistic strategies and make smart, outcome-driven investments in our county.

When we succeed, our entire community wins.

By bringing people and organizations together around innovative solutions, we recognize the greater positive impact to Allen County residents every day. UNITED we win. United, we can find a way. We lead advocacy campaigns, to give a voice to those who can't speak for themselves, and we mobilize volunteers, helping individuals and companies change their community. This multi-faceted approach reflects the collaborative spirit of the place we call home. It also addresses the systemic problems that still plague so many of our neighbors. But most importantly, it helps them leverage the impact of every dollar donated.

UWAC conducts annual campaigns to support the well being of the community. The annual campaign is generally recorded without donor restrictions unless a pledge is specifically restricted due to timing (a future year pledge). UWAC allows donors the choice to designate all or part of their contributions.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

1. Organization (continued)

UWAC is incorporated as a nonprofit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. UWAC has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. UWAC is also exempt from state income taxes.

However, UWAC is subject to federal income tax on any unrelated business taxable income. UWAC provides liabilities for uncertain tax positions when a liability is probable and estimable. Management believes that it has appropriate support for any tax positions it has taken or expects to take and as such, does not have any uncertain tax positions that should be recognized, measured or disclosed in the financial statements. Management believes UWAC is no longer subject to examination by tax authorities for years before June 30, 2018.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. All cash and cash equivalents are held at local financial institutions. UWAC periodically has cash accounts with balances in excess of federally insured limits.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, UWAC's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 8* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

Net investment return (loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investments expenses.

UWAC's investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation. Items with a cost of \$1,000 or more and a useful life of one year or more are capitalized. Leasehold improvements are depreciated over the lesser of the lease term or their estimated useful life. Furniture and equipment is depreciated over their estimated useful life. Depreciation is computed by the straight-line method over the following periods:

Leasehold improvements	15 years
Furniture and equipment	3 – 10 years

Expenses for normal repairs and maintenance are expensed as incurred.

Net Assets

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- (or certain grantor-) imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when received and released from restrictions when the assets are placed in service. 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. If a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as an unrestricted contribution in the statements of activities and changes in net assets.

Contributions and Contributions, Grants and Pledges Receivable

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. During the year ended June 30, 2021, UWAC was awarded a conditional grant from Indiana United Ways (IUW) in the amount of \$500,000 that provides support to increase participation levels as well as levels of contributions. Qualifying activity reported to IUW resulted in conditional grant funds being recognized in the financial statements in the amount of \$500,000 during the year ended June 30, 2021. UWAC received a Paycheck Protection Program loan from the Small Business Administration during the year ended June 30, 2020. Management has applied to have the loan fully forgiven in accordance with the terms of the Coronavirus Aid Relief and Economic Security Act and has recognized \$234,800 in contribution revenue for the year ended June 30, 2021. UWAC received a second Paycheck Protection Program loan from the Small Business Administration during the year ended June 30, 2021. Management believes the second loan will be fully forgiven. Accordingly, UWAC has recorded a refundable advance of \$234,563 for the forgivable loan as of June 30, 2021 and will recognize contribution revenue when the loan has been forgiven.

Contributions of assets other than cash are recorded at their fair market value.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Contributions and Contributions, Grants and Pledges Receivable (continued)

Unconditional promises or pledges are recorded at net realizable value. UWAC provides an allowance for uncollectible pledges, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Contributions receivable are ordinarily due in accordance with the pledge commitment made by the donor. All contributions receivable at June 30, 2021 and 2020 were due in less than one year.

Community Investment

Agency investments are estimated in three year cycles and are contingent upon actual campaign results. The actual amounts invested are expensed as paid.

Funded Partner Investments

Investments in funded partner non-profit agencies are determined by volunteers. These investments are based upon programmatic and agency outcomes and are reviewed annually by volunteers.

These investments are estimated in three year cycles and are contingent upon actual campaign results. The actual amounts invested are expensed as paid.

Designations

Designations to specific nonprofit organizations other than UWAC are excluded from contribution revenue and allocation expenses. Designations are included within pledge receivable without donor restrictions totals with a related offsetting liability without donor restrictions. The cost to generate and distribute designated pledges is recorded as fundraising expense and the costs are deducted from designated contributions as the funds are disbursed. This cost reimbursement is recorded as administrative fee income. All designations are treated as first-in dollars and are included in UWAC's Funded Partners' annual grant allocations. Total donor designations that exceed the allocated amount to a funded partner will be given in addition to that funded partner's allocation.

Use of Estimates

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements 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, certain professional services, supplies, information technology, insurance and other expenses, which are allocated on the basis of time and effort.

Reclassification

Certain amounts as of and for the year ended June 30, 2020 have been reclassified to conform with the presentation as of and for the year ended June 30, 2021.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to require a lessee to recognize a right-of-use asset and a lease liability for both operating and finance leases, whereas previous U.S. GAAP require the asset and liability be recognized only for capital leases. The amendment also requires qualitative and specific quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, with early adoption permitted. UWAC is evaluating the guidance of ASU 2016-02 and the impact that the adoption of this update will have on its financial statements.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings and other items. This standard is intended to enhance the presentation and disclosures of these items; however, the recognition and measurement requirements for these nonfinancial assets remain unchanged in Accounting Standards Codification (ASC) 958-605. ASU 2020-07 is effective for UWAC's periods beginning after June 15, 2021 and should be applied on a retrospective basis. UWAC is currently evaluating the effect of the pending adoption of the new standard on its financial statements.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Year ended June 30	
	2021	2020
Cash and cash equivalents	\$ 535,595	\$ 2,833,185
Contributions receivable, net	993,219	1,052,548
Grants and pledges receivable without donor restriction	635,009	-
Other receivables	-	4,959
Investments, at fair value	2,770,686	2,260,169
	4,934,509	6,150,861
Less contractual or donor-imposed restrictions on financial assets making them unavailable to general expenditure	(498,753)	(1,267,812)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,435,756	\$ 4,883,049

UWAC manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged. As part of its liquidity management plan, UWAC has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. It invests cash in excess of daily requirements in short-term investments, including savings accounts.

4. Beneficial Interest in Perpetual Trust

UWAC has a beneficial interest in a perpetual trust administered by an outside party. Pursuant to the terms of the trust, UWAC has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. Distributions from the perpetual trust are recorded as donor restricted income. The estimated value of UWAC's beneficial interest in the perpetual trust was \$186,631 and \$153,269 at June 30, 2021 and 2020, respectively. The change in the estimated value is recorded in net assets with donor restrictions as a gain or loss in the beneficial interest in perpetual trust.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

5. Contributions Receivable from Remainder Trust

UWAC is also a beneficiary pursuant to a charitable remainder trust administered by an outside party. Pursuant to the terms of the trust, UWAC has the irrevocable right to receive the net assets of the trust at the end of the trust's term. The portion of the trust attributable to the future interest of UWAC is recorded in the statements of financial position as a contribution receivable from remainder trust. The contribution receivable from this remainder trust is recorded at the present value of the expected future cash flows using applicable mortality tables and a discount rate of 1.2 percent at June 30, 2021. The estimated value of the expected future cash flows is \$274,492 and \$247,985 at June 30, 2021 and 2020, respectively.

6. Beneficial Interest in Funds Held by the Community Foundation of Greater Fort Wayne Inc.

The beneficial interest in the funds held and invested by the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) is the result of an agreement whereby UWAC has transferred assets to the Community Foundation and UWAC benefits from those assets. UWAC is allocated its funds' proportionate share of the Community Foundation's pooled funds' investment returns on an annual basis. UWAC may draw up to a certain percent of the value of the funds each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Community Foundation. The cumulative amount of the retained beneficial interest in funds held by the Community Foundation included in the statements of financial position was \$1,479,721 and \$1,074,323 at June 30, 2021 and 2020, respectively.

Amounts invested in the Community Foundation's pooled investment funds are exposed to a variety of uncertainties, including interest rate, market volatility and credit risks. Due to the level of risk associated with certain investments in the pooled fund, it is possible that changes in the values of these investments may occur in the near term. Such changes could materially affect the amounts reported in UWAC's financial statements.

Additionally, donors have also contributed funds for the benefit of UWAC to the Community Foundation. At June 30, 2021 and 2020, the fair market value of the funds was \$173,128 and \$124,049, respectively. UWAC is precluded from recognizing these assets in UWAC's statements of financial position because of the explicitly granted variance power held by the Community Foundation. Accordingly, UWAC only recognizes its annual grants by the Community Foundation from these funds as contributions.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

7. Net Investment Return

The composition of investment return recognized in the statements of activities and changes in net assets is as follows:

	Year ended June 30	
	2021	2020
Net investment return:		
Interest and dividends	\$ 41,964	\$ 47,335
Net realized gain (loss) on investments	91,494	(26,926)
Net unrealized gain on investments	391,410	86,198
	524,868	106,607
Less investment management and custodial fees	(15,026)	(13,646)
Net investment return	\$ 509,842	\$ 92,961

8. Fair Value Measurements

FASB ASC Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted 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 the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UWAC has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Money market funds: Valued at quoted market prices in an exchange and active market, which represent the net asset values of shares held by UWAC at year-end.

Mutual funds and exchange traded funds: Valued at the daily closing price. Mutual funds held by UWAC are open-end funds that are registered with the Securities and Exchange Commission. The mutual funds and exchange traded funds held by UWAC are deemed to be actively traded.

Beneficial interest in perpetual trust and contribution receivable from remainder trust: Based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income. UWAC is able to compare the valuation model inputs and results to widely available published industry data for reasonableness.

Beneficial interest in funds held by the Community Foundation: Valued based upon UWAC's proportionate share of the Community Foundation's pooled investment portfolio, as reported by the Community Foundation at year-end. UWAC's finance committee reviews the valuations and returns in comparison to industry benchmarks and other information provided by the Community Foundation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UWAC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

The following sets forth by level, within the fair value hierarchy, UWAC's assets at fair value:

	Assets at Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 59,408	\$ -	\$ -	\$ 59,408
Exchange traded and mutual funds				
Equity funds:				
Consumer discretionary	81,240	-	-	81,240
Consumer staples	41,492	-	-	41,492
Energy	22,572	-	-	22,572
Financial	84,240	-	-	84,240
Health care	99,626	-	-	99,626
Industrial	65,843	-	-	65,843
Technology	203,918	-	-	203,918
Materials	16,380	-	-	16,380
Real estate	16,978	-	-	16,978
Communications	80,808	-	-	80,808
Utilities	17,262	-	-	17,262
Large-cap equity	513,750	-	-	513,750
Developed markets	167,388	-	-	167,388
Mid-cap equities	199,572	-	-	199,572
Small-cap equities	82,768	-	-	82,768
Diversified emerging markets	51,323	-	-	51,323
	<u>1,745,160</u>	-	-	<u>1,745,160</u>
Fixed income funds:				
Intermediate-term bonds	650,398	-	-	650,398
Short-term bonds	315,720	-	-	315,720
	<u>966,118</u>	-	-	<u>966,118</u>
Total exchange traded and mutual funds	<u>2,711,278</u>	-	-	<u>2,711,278</u>
Total investments at fair value	<u>2,770,686</u>	-	-	<u>2,770,686</u>
Beneficial interest in perpetual trust	-	186,631	-	186,631
Contribution receivable from remainder trust	-	274,492	-	274,492
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	-	1,479,721	1,479,721
Total other assets at fair value	-	461,123	1,479,721	1,940,844
Total assets at fair value	<u>\$ 2,770,686</u>	<u>\$ 461,123</u>	<u>\$ 1,479,721</u>	<u>\$ 4,711,530</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

The following sets forth by level, within the fair value hierarchy, UWAC's assets at fair value:

	Assets at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 60,352	\$ -	\$ -	\$ 60,352
Exchange traded and mutual funds				
Equity funds:				
Consumer discretionary	54,021	-	-	54,021
Consumer staples	37,999	-	-	37,999
Energy	15,859	-	-	15,859
Financial	53,129	-	-	53,129
Health care	79,155	-	-	79,155
Industrial	38,335	-	-	38,335
Technology	144,301	-	-	144,301
Materials	11,214	-	-	11,214
Real estate	13,332	-	-	13,332
Communications	53,932	-	-	53,932
Utilities	15,405	-	-	15,405
Large-cap equity	513,119	-	-	513,119
Developed markets	120,288	-	-	120,288
Mid-cap equities	54,606	-	-	54,606
Small-cap equities	67,577	-	-	67,577
Diversified emerging markets	18,894	-	-	18,894
	<u>1,291,166</u>	-	-	<u>1,291,166</u>
Fixed income funds:				
Intermediate-term bonds	629,880	-	-	629,880
Short-term bonds	278,771	-	-	278,771
	<u>908,651</u>	-	-	<u>908,651</u>
Total exchange traded and mutual funds	<u>2,199,817</u>	-	-	<u>2,199,817</u>
Total investments at fair value	<u>2,260,169</u>	-	-	<u>2,260,169</u>
Beneficial interest in perpetual trust	-	153,269	-	153,269
Contribution receivable from remainder trust	-	247,985	-	247,985
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	-	1,074,323	1,074,323
Total other assets at fair value	<u>-</u>	<u>401,254</u>	<u>1,074,323</u>	<u>1,475,577</u>
Total assets at fair value	<u>\$ 2,260,169</u>	<u>\$ 401,254</u>	<u>\$ 1,074,323</u>	<u>\$ 3,735,746</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

8. Fair Value Measurements (continued)

The table below sets forth a summary of changes in the fair value of UWAC's Level 3 assets:

	Year ended June 30	
	2021	2020
Balance at beginning of year	\$ 1,074,323	\$ 1,103,629
Contributions	-	100
Interest and dividend income	30,315	33,583
Net unrealized gain (loss)	377,148	(60,665)
Net realized gain on sale of securities	3,647	2,410
Investment fees	(2,628)	(2,228)
Administrative fees	(3,084)	(2,506)
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	405,398	(29,306)
Balance at end of year	\$ 1,479,721	\$ 1,074,323

9. Endowment Funds

ASC 958, *Not-for-Profit Entities*, requires certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.

UWAC's endowment (Endowment) primarily consists of three funds held at the Community Foundation. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. In addition, the Endowment also includes a perpetual trust and a remainder trust that are administered by outside parties. As required by accounting principles generally accepted in the United States of America, 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.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

9. Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Beneficial interest in perpetual trust	\$ -	\$ 186,631	\$ 186,631
Contributions receivable from remainder trust	-	274,492	274,492
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	1,088,151	1,088,151
	-	1,549,274	1,549,274
Board-designated endowment funds:			
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	391,570	-	391,570
Total funds	<u>\$ 391,570</u>	<u>\$ 1,549,274</u>	<u>\$ 1,940,844</u>

Changes in endowment net assets for the year ended June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 283,223	\$ 1,192,354	\$ 1,475,577
Gain on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	108,347	297,051	405,398
Change in value of beneficial interest in perpetual trust	-	26,507	26,507
Change in value of contributions receivable from remainder trust	-	33,362	33,362
Endowment net assets at end of year	<u>\$ 391,570</u>	<u>\$ 1,549,274</u>	<u>\$ 1,940,844</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

9. Endowment Funds (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Beneficial interest in perpetual trust	\$ -	\$ 153,269	\$ 153,269
Contributions receivable from remainder trust	-	247,985	247,985
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	791,100	791,100
	-	1,192,354	1,192,354
Board-designated endowment funds:			
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	283,223	-	283,223
Total funds	<u>\$ 283,223</u>	<u>\$ 1,192,354</u>	<u>\$ 1,475,577</u>

Changes in endowment net assets for the year ended June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 291,060	\$ 1,166,180	\$ 1,457,240
Loss on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	(7,837)	(21,469)	(29,306)
Change in value of beneficial interest in perpetual trust	-	3,647	3,647
Change in value of contributions receivable from remainder trust	-	43,996	43,996
Endowment net assets at end of year	<u>\$ 283,223</u>	<u>\$ 1,192,354</u>	<u>\$ 1,475,577</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

9. Endowment Funds (continued)

Interpretation of Relevant Law

The Board of Directors of UWAC has interpreted UPMIFA 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 stipulation to the contrary. As a result of this interpretation, UWAC retains in perpetuity (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts to the Endowment and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, UWAC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of UWAC and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of UWAC.
- The investment policies of UWAC.

Return Objectives and Risk Parameters

UWAC has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of certain investment benchmark indices while assuming a moderate level of investment risk. UWAC expects its endowment funds, over time, to provide an average rate of return while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the community and to develop a new and significant source of revenue for UWAC. In so doing, the Endowment will provide a secure, long-term source of funds to: (i) stabilize

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

9. Endowment Funds (continued)

Strategies Employed for Achieving Objectives (continued)

agency funding during periods of below normal annual campaigns; (ii) fund special grants; (iii) ensure long-term growth; (IV) enhance our ability to meet changing community needs in both the short and long-term and (v) support the administrative expenses of UWAC as deemed appropriate.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UWAC's Board of Directors has approved a spending policy whereby in the year following the attainment of the initial disbursement restriction of \$1 million and in all subsequent years, distributions will be limited to the lesser of 6 percent of the market value of the Endowment balance at year-end, or 90 percent of annual investment income (defined as dividends, interest and both realized and unrealized securities appreciation). Within these parameters, the amount of the disbursement shall be determined annually by the UWAC Board of Directors, who may also elect to take no distribution in any given year.

Endowment Fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a two-thirds majority vote by the UWAC Board of Directors will be required.

10. Net Assets

Net assets without donor restrictions are as follows:

	June 30	
	2021	2020
Board designated for endowment	\$ 391,570	\$ 283,323
Undesignated	3,736,963	3,567,038
	<u>\$ 4,128,533</u>	<u>\$ 3,850,361</u>

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

10. Net Assets (continued)

Net assets with donor restriction are restricted for the following purposes and periods:

	June 30	
	2021	2020
Subject to expenditure for specific purpose:		
Emergency Relief Initiative	\$ 365,787	\$ 1,267,812
Strong Neighborhoods	109,422	-
Diversity, equity and inclusion	16,601	-
Education initiatives	2,811	-
Transportation services	-	30,000
Other	4,007	-
Accumulated operating endowment earnings	552,743	255,692
	<u>1,051,371</u>	<u>1,553,504</u>
Subject to passage of time:		
Future campaign	10,518	294,045
	<u>1,061,889</u>	<u>1,847,549</u>
Restricted in perpetuity	996,430	936,562
	<u>\$ 2,058,319</u>	<u>\$ 2,784,111</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or by the occurrence of the passage of time were \$4,389,168 in 2021 and \$2,028,122 in 2020.

11. Lease Commitments

UWAC leases an office building pursuant to an operating lease agreement which expires on September 30, 2022. Rental expense for office space for the years ended June 30, 2021 and 2020 was \$70,842 and \$141,449, respectively.

UWAC leases equipment pursuant to month-to-month operating lease arrangements. Rental expense for these leases for the years ended June 30, 2021 and 2020 was \$9,587 and \$10,833, respectively.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

11. Lease Commitments (continued)

Future minimum payments under noncancelable operating leases with initial terms of one year or more consisted of the following at June 30, 2021:

Year ended June 30, 2022	\$ 90,000
Year ended June 30, 2023	<u>22,500</u>
	<u>\$ 112,500</u>

12. Employee Retirement Plan

UWAC sponsors a Section 403(b) defined-contribution plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. UWAC's contribution consists of a Board-established contribution of eligible compensation, at a rate of 2 percent for the year ended June 30, 2021. UWAC also contributes a matching contribution of 50 percent of employee contributions, up to 4 percent of eligible employee compensation. UWAC's cash contributions to the plan were \$22,686 and \$27,991 for the years ended June 30, 2021 and 2020, respectively.

13. Related Party Transactions

Certain members of the Board of Directors are employed by organizations that have provided banking, legal and other services for UWAC. The fees received or paid for these services were based on customary and reasonable rates for such services.

UWAC has outsourced pledge processing services to UniFi Solutions, an operating program of IUW. The fees paid for these services for the years ended June 30, 2021 and 2020 were \$44,016, respectively. UWAC also paid IUW fees of \$42,500 and \$77,500 for digital services for the years ended June 30, 2021 and 2020, respectively and are included in professional fees in the statements of functional expenses.

UWAC pays annual dues to United Way Worldwide, the leadership and support organization for the network of nearly 1,800 community based United Ways across more than 40 countries and territories worldwide. Those dues are used to help underwrite television advertising, defray the costs of marketing and campaign materials used locally, and support training of United Way staff. Dues expense for the years ended June 30, 2021 and 2020 was \$60,968 and \$48,315, respectively. UWAC also pays membership dues to IUW; these dues amounted to \$27,995 and \$24,157 for the years ended June 30, 2021 and 2020, respectively.

United Way of Allen County, Inc.

Notes to Financial Statements (continued)

14. Subsequent Events

Management has evaluated subsequent events through August 17, 2021, the date on which the financial statements were available to be issued.