

United Way of Greater New Haven, Inc.

**Financial Statements
and Independent Auditor's Report**

June 30, 2020

(With Comparative Totals for June 30, 2019)

United Way of Greater New Haven, Inc.

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Independent Auditor's Report

Board of Directors
United Way of Greater New Haven, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Greater New Haven, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Greater New Haven, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited United Way of Greater New Haven, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2021, on our consideration of United Way of Greater New Haven, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way of Greater New Haven, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Greater New Haven, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut
February 3, 2021

United Way of Greater New Haven, Inc.

**Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 2,927,402	\$ 1,571,787
Campaign pledges receivable, net	717,309	754,351
Grants receivable	104,781	33,109
Other assets	64,781	42,403
Investments	1,125,621	1,114,316
Property and equipment, net	<u>53,365</u>	<u>57,204</u>
Total assets	<u>\$ 4,993,259</u>	<u>\$ 3,573,170</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 309,795	\$ 148,165
Line of credit	-	109,913
Donor-directed gifts payable	659,807	582,606
Accrued expenses and other liabilities	393,671	82,025
Refundable advance - PPP loan	<u>296,415</u>	<u>-</u>
Total liabilities	<u>1,659,688</u>	<u>922,709</u>
Net assets		
Without donor restrictions		
Unrestricted	713,089	1,430,866
Board designated	1,905,674	420,000
Property and equipment	53,365	57,204
With donor restrictions	<u>661,443</u>	<u>742,391</u>
Total net assets	<u>3,333,571</u>	<u>2,650,461</u>
Total liabilities and net assets	<u>\$ 4,993,259</u>	<u>\$ 3,573,170</u>

See Notes to Financial Statements.

United Way of Greater New Haven, Inc.

**Statement of Activities
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
<u>Public support and revenue</u>				
Campaign amounts raised	\$ 3,510,803	\$ 996,666	\$ 4,507,469	\$ 3,920,637
Less				
Uncollectible pledges	(218,173)	-	(218,173)	(156,161)
Amounts designated by donors	(1,112,969)	-	(1,112,969)	(1,110,031)
Net assets released from restrictions	<u>1,079,829</u>	<u>(1,079,829)</u>	<u>-</u>	<u>-</u>
Campaign revenue, net	<u>3,259,490</u>	<u>(83,163)</u>	<u>3,176,327</u>	<u>2,654,445</u>
<u>Other revenue</u>				
Gifts, bequests, grants and other	1,336,418		1,336,418	873,265
Government grants	3,428,982	-	3,428,982	2,710,035
Investment income, net of fees of \$7,688	19,064	2,215	21,279	20,217
Realized gain on sale of investments	49,278	-	49,278	88,677
Administrative fees	74,415	-	74,415	37,068
Special events and sponsorships	135	-	135	40,450
Miscellaneous income	<u>50,151</u>	<u>-</u>	<u>50,151</u>	<u>5,751</u>
Total other revenue	<u>4,958,443</u>	<u>2,215</u>	<u>4,960,658</u>	<u>3,775,463</u>
Total public support and revenue	<u>8,217,933</u>	<u>(80,948)</u>	<u>8,136,985</u>	<u>6,429,908</u>
<u>Functional Expenses</u>				
<u>Community Impact and program services</u>				
Community support and gross funds distributed	6,151,719	-	6,151,719	4,114,225
Less amounts designated by donors	<u>(1,112,969)</u>	<u>-</u>	<u>(1,112,969)</u>	<u>(1,110,031)</u>
Community Impact (program support)	5,038,750	-	5,038,750	3,004,194
Program services	<u>1,416,270</u>	<u>-</u>	<u>1,416,270</u>	<u>1,448,291</u>
Total Community Impact and program services	<u>6,455,020</u>	<u>-</u>	<u>6,455,020</u>	<u>4,452,485</u>
<u>Support services</u>				
Fundraising	521,612	-	521,612	466,952
Management and general	<u>447,613</u>	<u>-</u>	<u>447,613</u>	<u>457,634</u>
Total support services	<u>969,225</u>	<u>-</u>	<u>969,225</u>	<u>924,586</u>
Total functional expenses	<u>7,424,245</u>	<u>-</u>	<u>7,424,245</u>	<u>5,377,071</u>
Operating income (loss)	793,688	(80,948)	712,740	1,052,837
<u>Nonoperating revenue and expenses</u>				
Unrealized loss on investments	(29,630)	-	(29,630)	(53,617)
Pension and postretirement benefit change, other than net periodic pension cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,901</u>
Change in net assets	764,058	(80,948)	683,110	1,207,121
Net assets, beginning of year	<u>1,908,070</u>	<u>742,391</u>	<u>2,650,461</u>	<u>1,443,340</u>
Net assets, end of year	<u>\$ 2,672,128</u>	<u>\$ 661,443</u>	<u>\$ 3,333,571</u>	<u>\$ 2,650,461</u>

See Notes to Financial Statements.

United Way of Greater New Haven, Inc.

**Statement of Cash Flows
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ 683,110	\$ 1,207,121
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	15,031	11,101
Uncollectible pledges	218,173	156,161
Unrealized loss on investments	29,630	53,617
Realized gain on sale of investments	(49,278)	(88,677)
Changes in operating assets and liabilities		
Campaign pledges receivable	(181,131)	72,343
Other receivables	-	83,332
Grants receivable	(71,672)	374,762
Other assets	(22,378)	(2,003)
Accounts payable	161,630	(27,716)
Community Impact and grants payable	-	(661,270)
Donor-directed gifts payable	77,201	(16,559)
Accrued expenses and other liabilities	<u>311,646</u>	<u>(455,786)</u>
Net cash provided by operating activities	<u>1,171,962</u>	<u>706,426</u>
Cash flows from investing activities		
Purchases of property and equipment, net	(11,192)	(4,004)
Purchases of investments	(270,556)	(350,359)
Proceeds from sales of long-term investments	<u>278,899</u>	<u>373,694</u>
Net cash (used in) provided by investing activities	<u>(2,849)</u>	<u>19,331</u>
Cash flows from financing activities		
Proceeds from PPP loan	296,415	-
Net repayments on line of credit	<u>(109,913)</u>	<u>(40,000)</u>
Net cash provided by (used in) financing activities	<u>186,502</u>	<u>(40,000)</u>
Net change in cash and cash equivalents	1,355,615	685,757
Cash and cash equivalents, beginning	<u>1,571,787</u>	<u>886,030</u>
Cash and cash equivalents, end	<u>\$ 2,927,402</u>	<u>\$ 1,571,787</u>

See Notes to Financial Statements.

United Way of Greater New Haven, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	Support Services			2020 Total	2019 Total
	Community Impact and program services	Fundraising	Management and general		
Community investments					
Community support and gross funds distributed	\$ 6,151,719	\$ -	\$ -	\$ -	\$ 6,151,719
Less amounts designated by donors	<u>(1,112,969)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,110,031)</u>
Community Impact (program support)	<u>5,038,750</u>	<u>-</u>	<u>-</u>	<u>5,038,750</u>	<u>3,004,194</u>
Salaries and related benefits					
Salaries and wages	851,298	296,295	224,141	520,436	1,371,734
Employee benefits	142,312	49,532	37,470	87,002	229,314
Payroll taxes	<u>65,680</u>	<u>22,860</u>	<u>17,293</u>	<u>40,153</u>	<u>105,833</u>
Subtotal - salaries and related benefits	<u>1,059,290</u>	<u>368,687</u>	<u>278,904</u>	<u>647,591</u>	<u>1,706,881</u>
Other expenses					
Occupancy	110,752	38,547	29,160	67,707	178,459
Professional Fees	9,055	50,188	85,146	135,334	144,389
Telephone	9,884	3,440	2,602	6,042	15,926
Supplies, Printing & Production	6,228	2,168	1,640	3,808	10,036
Postage & Shipping	2,958	1,030	779	1,809	4,767
Printing & Publication	26,704	4,565	-	4,565	31,269
Equipment Rental & Maintenance	43,527	15,150	11,460	26,610	70,137
Awards	569	-	-	-	569
New Media	72,734	11,495	16,307	27,802	100,536
Travel	1,566	545	412	957	2,523
Conferences & Meetings	3,318	1,543	2,855	4,398	7,716
Membership - Dues	57,832	20,128	15,227	35,355	93,187
Miscellaneous	2,525	879	665	1,544	4,069
Depreciation	<u>9,328</u>	<u>3,247</u>	<u>2,456</u>	<u>5,703</u>	<u>15,031</u>
Subtotal - other expenses	<u>356,980</u>	<u>152,925</u>	<u>168,709</u>	<u>321,634</u>	<u>678,614</u>
Total functional expenses	<u>\$ 6,455,020</u>	<u>\$ 521,612</u>	<u>\$ 447,613</u>	<u>\$ 969,225</u>	<u>\$ 7,424,245</u>
				<u>\$ 7,424,245</u>	<u>\$ 5,377,071</u>

See Notes to Financial Statements.

United Way of Greater New Haven, Inc.

Notes to Financial Statements June 30, 2020

Note 1 - Nature of operations

United Way of Greater New Haven, Inc. ("United Way") is a not-for-profit organization incorporated in 1971 in the State of Connecticut and governed by a volunteer Board of Directors. The mission of United Way is to bring people and organizations together to create solutions to Greater New Haven's most pressing challenges in the areas of Education, Health, and Financial Stability, grounded in racial and social justice.

United Way's driving goal is to make Greater New Haven a place where all children are nurtured, all families are thriving, and all community members have opportunities to reach their full potential.

To accomplish this goal, United Way listens and learns to understand community needs and aspirations, develops community solutions, activates donors and volunteers, and serves our neighbors in need, with a particular focus on ending disparities based on race. United Way has been a presence in Greater New Haven for 100 years.

United Way fundraising campaigns are conducted throughout the year to raise money and support for our community investment in health, education, and financial stability programs and initiatives. United Way receives a majority of its contributions in the greater New Haven region, and serves this region as well. This 12-town greater New Haven region includes Bethany, Branford, East Haven, Guilford, Hamden, Madison, New Haven, North Branford, North Haven, Orange, West Haven and Woodbridge.

The success of each year's campaign is dependent not only on the goodwill of this community, but is also influenced by the economic climate affecting major businesses and employee groups, among other factors. United Way's fundraising activities rely on a significant effort by community volunteers. Fundraising costs are expensed in the period incurred regardless of when related campaign contributions are recorded as earned.

In addition, United Way generates, manages, and distributes significant financial resources for the region through government and foundation grants. Funds raised support local programs and projects that demonstrate measurable results for the community.

More information about United Way's results for our community can be found at www.uwgnh.org.

United Way of Greater New Haven is a member of United Way Worldwide ("UWW"). UWW is a national leadership organization for the United Way movement. Membership in UWW constitutes an affiliate relationship under the Internal Revenue Service ("IRS") definition of Federated Fundraising Agencies. The payment reported is a quota support payment to UWW for which this United Way receives, among other services, the right to use the national brand in charitable endeavors, national advocacy of issues, member education and training, centralized creation and support for marketing of fundraising campaigns, fostering relationships with national organizations that support multiple members, establishment and monitoring of compliance with standards of accountability by members, establishment of policies and processes that improve operational efficiencies among members, and promotion of concept of local community impact on a national scale. The UWW membership fees were \$72,477 for the year ended June 30, 2020.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2020**

Members of UWW have membership criteria to ensure that all members meet basic legal, financial and ethical standards to ensure consistent and transparent reporting among member United Ways. To remain a member in good standing, United Way certifies annually that it has met the basic criteria for membership to UWW.

Note 2 - New accounting pronouncement

United Way adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. United Way has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Analysis of various provisions of this standard resulted in no significant changes in the way United Way recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Note 3 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that may or will be met by actions of United Way and/or the passage of time and net assets subject to donor-imposed restrictions that they be maintained permanently by United Way. Generally, the donors of these assets permit United Way to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Board-designated net assets - Net assets without donor restrictions set aside by the Board of Directors for community investment.

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with United Way's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

United Way of Greater New Haven, Inc.

Notes to Financial Statements June 30, 2020

Revenue recognition

Transactions where the resource provider does not receive commensurate value are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where United Way has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if United Way fails to overcome the barrier. United Way recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance. Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Conditional and unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset or are restricted for time. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restriction.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly-liquid investments with an original maturity of three months or less when purchased. These investments are readily convertible to cash and are stated at fair value. Cash equivalents included in cash and cash equivalents in the accompanying statement of financial position at June 30, 2019 are \$374,050.

Investments

United Way reports investments at their current fair value and reflects any gain or loss in the statement of activities. Gains and losses are classified as without donor restrictions unless restricted by donor stipulation or by operation of law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years.

Donations of property and equipment are reported as unrestricted support 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, United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. United Way reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Endowment investment and spending policies

United Way's endowment consists of one donor-restricted endowment fund established for specific purposes.

The Board of Directors has interpreted the State of Connecticut's Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") 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

United Way of Greater New Haven, Inc.

Notes to Financial Statements June 30, 2020

the contrary. As a result of this interpretation, United Way classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, 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. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is donor restricted due to time or purpose until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by the CTUPMIFA.

In accordance with CTUPMIFA, United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of United Way and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of United Way; and
7. The investment policies of United Way.

United Way has adopted investment and spending policies for endowment assets 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 United Way must hold in perpetuity.

To satisfy its long-term rate-of-return objectives, United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). United Way targets a diversified asset allocation that generally targets an even balance between equity and fixed income based investments to achieve its long-term return objectives within prudent risk constraints.

Under United Way's spending rate policy, actual income received (interest) is deemed to be prudently expendable to support current operations. In establishing this policy, United Way considered the long-term expected return on its endowment to be maintained. United Way would not expend from a fund that is underwater. There are no underwater funds at June 30, 2020.

Functional expenses

Direct expenses are charged to each program benefited. Certain expenditures not directly chargeable are allocated among the programs.

Income taxes

United Way was organized as a nonstock, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and as such is not subject to federal and state corporate income taxes.

United Way has no unrecognized tax benefits at June 30, 2020. United Way's federal and state information returns prior to fiscal year 2017 are closed and management continually evaluates

United Way of Greater New Haven, Inc.

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expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If United Way has unrelated business income taxes, United Way will recognize interest and penalties associated with uncertain tax positions as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statement of financial position.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

United Way has evaluated events and transactions for potential recognition or disclosure through February 3, 2021, which is the date the financial statements were available to be issued.

Note 4 - Liquidity

United Way regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2020, United Way has approximately \$2.3 million of financial assets available to meet annual operating needs for the 2021 fiscal year as follows:

Cash and cash equivalents	\$	2,927,402
Investments		1,125,621
Campaign pledges receivables		717,309
Grants and other receivables		<u>104,781</u>
Less:		4,875,113
Endowment funds to be held in perpetuity		(50,664)
Endowment funds restricted to time and purpose		(2,215)
Donor designated gifts		(573,751)
Board designated		<u>(1,905,674)</u>
	\$	<u><u>2,342,809</u></u>

These financial assets are not subject to any donor or contractual restrictions.

United Way supports its general operations primarily with contributions and grants. In addition, the Board may use funds previously designated for community investment.

To deal with unplanned cash requirements that might arise, United Way can draw on its \$750,000 line of credit.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2020**

Note 5 - Concentration of credit risk

United Way maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. United Way has not experienced any losses in such accounts. United Way believes it is not exposed to any significant credit risk on cash and cash equivalents. The total uninsured cash balance at June 30, 2020 was approximately \$2,564,000.

United Way invests in various securities. These investment securities are recorded at market value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of United Way's investments which could materially affect amounts reported on the financial statements.

Note 6 - Pledges receivable and allowance for uncollectible pledges

Pledges receivable, which are expected to be collected within one year, and the allowance for uncollectible pledges at June 30, 2020 are as follows:

<u>Campaign conducted</u>	<u>Campaign allocation year</u>	<u>Balance of pledges receivable</u>	<u>Allowance for uncollectible pledges</u>	<u>Net pledges receivable</u>
Fall 2020	2021	\$ -	\$ -	\$ -
Fall 2019	2020	830,509	139,570	690,939
Fall 2018	2019	327,609	301,239	26,370
Fall 2017	2018	84,140	84,140	-
		<u>\$ 1,242,258</u>	<u>\$ 524,949</u>	<u>\$ 717,309</u>

The majority of campaign pledges received by United Way are honored via payroll deductions. These pledges are remitted to United Way throughout the year by the individual's employer.

The estimated allowance for uncollectible pledges is based upon an average of historical pledge loss factors adjusted by management's estimates of current economic and local business factors, applied to overall campaign activity. Initial reserve amounts are calculated (and recorded) on gross campaign amounts raised. Specific pledge amounts are written off when management has ascertained the amounts will not be collected. Otherwise, the overall outstanding campaign balance is reconciled and closed at a later date and time.

UWW standards require the direct payment of donor directed gifts by the "processing" local United Way rather than having proceeds flow through the "managing" United Way of the workplace campaign. If no collection and payment detail is provided to United Way by the campaign "processor" (another local United Way or a third-party agent contracted by the company for its campaign), these specific designated gifts are assumed to be collected (and disbursed) in full and are recorded accordingly as campaign revenue and amounts designated by donors.

Should the actual pledge loss from a campaign be less than or greater than the amount initially reserved, the difference is recorded in current year results.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2020**

Note 7 - Donor-directed gifts

Through United Way's Community Campaign, donors can direct their gifts to any qualified 501(c)(3) organization in the region that has been approved to receive designations through the United Way campaign. Generally, a 10% fee (including administrative and fundraising costs) per designated gift is deducted from donor-directed gifts.

Membership in UWW requires that local United Ways charge donors no more than the actual cost incurred to process and transfer their designated gifts. The formulas utilized to determine fundraising and administrative costs are based upon a current, three-year average of information taken from IRS Form 990. United Ways are permitted to charge less than this amount, so long as the amount of undesignated dollars used to subsidize this policy, if applicable, is knowingly undertaken by the local United Way's board.

In some cases, fundraising and administrative costs vary per campaign and by agreement with Federations. For donor-directed gifts received from other United Way campaigns, no additional fees are deducted.

Expenses incurred for the processing of these donor-directed gifts include, but are not limited to, the verification of 501(c)(3) status of designated agencies, internal review and analysis of agency materials submitted to apply to receive donor-directed gifts, maintenance of an agency database, recording of individual donor-directed gift data, the compilation of donor-directed gift information in reports, and notification of payments to be forwarded to recipient agencies. Donor-directed gift expenses (the costs incurred in processing/transferring donor-directed gifts) are similar to pledge processing and administrative costs and, therefore, do not qualify and are not reported as community investment and program services.

Donor-directed gifts of \$1,112,969 at June 30, 2020 are shown as a reduction in the amount reported as campaign amounts raised and community impact expenses in the statement of activities.

Note 8 - Other assets

Details of other assets at June 30, 2020 are as follows:

Charitable remainder unitrust	\$ 34,813
Prepaid expenses	<u>29,968</u>
	<u>\$ 64,781</u>

United Way is a 10% beneficiary of a charitable remainder unitrust ("CRUT"). On an annual basis, United Way revalues its interest in the CRUT based on actuarial assumptions. The present value of United Way's interest in the CRUT is calculated using a discount rate of 8.00% and applicable mortality tables.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2020**

Note 9 - Investments

Investments at June 30, 2020 are summarized as follows:

	<u>Cost</u>	<u>Market value</u>	<u>Unrealized gain</u>
Mutual funds	<u>\$ 1,075,791</u>	<u>\$ 1,125,621</u>	<u>\$ 49,830</u>

Note 10 - Fair value measurements

United Way values its financial assets and liabilities based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

If an 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.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, United Way utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used during fiscal year 2020.

Assets measured at fair value on a recurring basis at June 30, 2020 are as follows:

<u>Description</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
Domestic equity	\$ 477,383	\$ 477,383	\$ -	\$ -
Fixed income	409,807	409,807	-	-
International	180,193	180,193	-	-
Alternatives	40,443	40,443	-	-
Market Neutral	17,795	17,795	-	-
Beneficial interest - charitable remainder unitrust	<u>34,813</u>	<u>-</u>	<u>-</u>	<u>34,813</u>
	<u>\$ 1,160,434</u>	<u>\$ 1,125,621</u>	<u>\$ -</u>	<u>\$ 34,813</u>

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
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Mutual funds (Level 1) are valued at the daily closing price as reported by the fund. Mutual funds are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds are deemed to be actively traded.

Fair value for the beneficial interest - charitable remainder unitrust is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and an 8.0% discount rate (Level 3).

Changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	Beneficial interest - charitable remainder unitrust
July 1, 2019	\$ 34,813
Change in value	<u>-</u>
June 30, 2020	<u>\$ 34,813</u>

United Way's policy is to recognize transfers in and transfers out of each level as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between each level during the year ended June 30, 2020.

Note 11 - Property and equipment

Details of property and equipment at June 30, 2020 are as follows:

Equipment	\$ 380,705
Furniture and fixtures	<u>137,463</u>
	518,168
Less accumulated depreciation	<u>(464,803)</u>
	<u>\$ 53,365</u>

Depreciation expense for the year ended June 30, 2020 was \$15,031.

Note 12 - Line of credit

United Way has a \$750,000 line of credit available for its use. At June 30, 2020, the outstanding balance was \$0. The line is secured by a portion of United Way's cash equivalents and investments.

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
June 30, 2020**

Note 13 - Net asset restrictions

Certain net assets are restricted to time or purpose as follows:

Net assets restricted in perpetuity:	
General operations	\$ 45,064
Mittens, gloves and hats for underprivileged children	<u>5,600</u>
	50,664
Net assets restricted to time and purpose:	
Endowment earnings	2,215
Split - interest agreement	34,813
Purpose restrictions	<u>573,751</u>
	<u><u>\$ 661,443</u></u>

Certain net assets have been restricted by the Board of Directors as follows:

Community investments	\$ 905,674
Organizational reserves	<u>1,000,000</u>
	<u><u>\$ 1,905,674</u></u>

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u> Time or purpose	<u>Perpetual</u>	<u>Total</u>
Endowment net assets, July 1, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,664</u>	<u>\$ 50,664</u>
Investment return				
Investment income	<u>-</u>	<u>2,215</u>	<u>-</u>	<u>2,215</u>
Total investment return	-	2,215	-	2,215
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2020	<u><u>\$ -</u></u>	<u><u>\$ 2,215</u></u>	<u><u>\$ 50,664</u></u>	<u><u>\$ 52,879</u></u>

Note 14 - Postretirement benefits other than pensions

United Way provides a postretirement benefit plan consisting of Medicare supplement health insurance coverage and payment for unused sick leave. This plan covers certain employees retiring from United Way on or after attaining age 65 for medical and 62 for sick leave and who have rendered 20 years of service. New employees hired after August 1, 1995 are not eligible to participate in this plan. United Way eliminated the sick leave benefit for all eligible employees as of June 30, 2015. Special coverage is also provided under the plan if certain conditions are met. The

United Way of Greater New Haven, Inc.

**Notes to Financial Statements
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expected cost of these postretirement benefits is charged to expense during the years that the employees render service. United Way does not fund this plan. United Way uses a June 30 measurement date for its postretirement plan.

Information of the plan at June 30, 2020 is as follows:

Accumulated postretirement benefit obligation (included in accrued expenses and other liabilities)	\$	29,616
Postretirement benefit cost (income)		(3,922)
Employer contributions		4,688
Benefits paid		4,688

The following summarizes the amounts in net assets without donor restrictions not yet recognized as components of net periodic benefit cost for the year ended June 30, 2020:

Transitional obligation	\$	-
Prior service cost		-
Unrecognized net gain		<u>(31,041)</u>
Total recognized in net assets without donor restrictions	\$	<u><u>(31,041)</u></u>

The following summarizes the amounts in net assets without donor restrictions expected to be recognized in net periodic benefit cost for the year ending June 30, 2021:

Amortization of transitional obligation	\$	-
Amortization of prior service cost		-
Amortization of unrecognized net loss		<u>(4,965)</u>
Total estimated amortizations from net assets without donor restriction to net periodic benefit cost	\$	<u><u>(4,965)</u></u>

The assumptions used in the measurement of United Way's postretirement benefit obligation and postretirement benefit cost are shown in the following table:

	<u>Obligation</u>	<u>Cost</u>
Weighted-average assumptions		
Discount rate	1.53%	2.69%
Rate of compensation increase	N/A	N/A

The assumed healthcare cost trend rate used to measure the expected cost of benefits covered by the plan for the year ended June 30, 2020 was 6.5%. The ultimate trend rate expected to be achieved by the year ending June 30, 2025 is 4.4%.



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