



PragerMetis

**United Way of the
Dutchess-Orange Region, Inc.
Financial Statements and
June 30, 2020 and 2019**

United Way of the Dutchess - Orange Region, Inc.

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors of
United Way of the Dutchess - Orange Region, Inc.

Prager Metis CPAs, LLC

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We have audited the accompanying financial statements of United Way of the Dutchess - Orange Region, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows 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. 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 Dutchess - Orange Region, 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.

Prior Period Financial Statements

The financial statements of United Way of the Dutchess - Orange Region, Inc. as of June 30, 2019 were audited by other auditors whose report dated October 31, 2019, expressed an unmodified opinion on those statements.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Poughkeepsie, New York
November 10, 2020

United Way of the Dutchess - Orange Region, Inc.
 Statements of Financial Position
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 165,918	\$ 180,201
Pledges receivable, less provision for uncollectible pledges of \$69,639 and \$79,258, respectively	520,556	588,088
Grants receivable	145,723	219,930
Other receivables	15,229	68,406
Prepaid expenses	19,038	30,649
Other assets	42,267	43,016
Investments, broker held	1,387,538	1,298,293
Pooled endowment investments	2,129,480	2,306,708
Property and equipment, net of accumulated depreciation	<u>337,278</u>	<u>375,206</u>
Total assets	<u><u>\$ 4,763,027</u></u>	<u><u>\$ 5,110,497</u></u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 9,262	\$ 129,208
Accrued expenses	132,485	131,728
Donor designated organizations payable	101,358	115,359
Refundable advance	113,153	-
Other liabilities	3,381	-
Capital lease obligations	<u>11,214</u>	<u>18,077</u>
Total liabilities	<u><u>370,853</u></u>	<u><u>394,372</u></u>
Net assets		
Without donor restrictions		
Operating	2,146,211	2,374,306
Board designated	<u>941,427</u>	<u>1,008,832</u>
Total net assets without donor restrictions	<u><u>3,087,638</u></u>	<u><u>3,383,138</u></u>
With donor restrictions	<u>1,304,536</u>	<u>1,332,987</u>
Total net assets	<u><u>4,392,174</u></u>	<u><u>4,716,125</u></u>
Total liabilities and net assets	<u><u>\$ 4,763,027</u></u>	<u><u>\$ 5,110,497</u></u>

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

United Way of the Dutchess - Orange Region, Inc.
 Statements of Activities
 Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support						
Annual campaign contributions including donor designated amounts	\$ 1,333,319	\$ -	\$ 1,333,319	\$ 1,461,464	\$ -	\$ 1,461,464
In kind contributions	229,335	-	229,335	279,783	-	279,783
Contract, grant and contribution income	900,624	107,045	1,007,669	1,026,555	23,933	1,050,488
Investment return, net of fees	106,665	-	106,665	130,142	-	130,142
Special events income	93,680	-	93,680	265,844	-	265,844
Paycheck protection program grant	43,347	-	43,347	-	-	-
Other income	16,474	-	16,474	19,631	-	19,631
Endowment appropriation to operations	73,029	-	73,029	72,359	-	72,359
Net assets released from restriction	35,997	(35,997)	-	19,251	(19,251)	-
Total operating revenue, gains and other support including donor designated amounts	2,832,470	71,048	2,903,518	3,275,029	4,682	3,279,711
Less: provision for uncollectible pledges	(70,427)	-	(70,427)	(98,127)	-	(98,127)
Less: donor designated amounts	(180,511)	-	(180,511)	(219,395)	-	(219,395)
Net operating revenue, gains and other support	2,581,532	71,048	2,652,580	2,957,507	4,682	2,962,189
Expenses and losses						
Grants and program services						
Community fund grants and program expenses	1,378,507	-	1,378,507	1,423,783	-	1,423,783
Community building services	892,618	-	892,618	856,510	-	856,510
Total grants and program services	2,271,125	-	2,271,125	2,280,293	-	2,280,293
Supporting services						
Management and general	196,723	-	196,723	194,045	-	194,045
Fundraising	341,779	-	341,779	449,893	-	449,893
Total supporting services	538,502	-	538,502	643,938	-	643,938
Total expenses and losses	2,809,627	-	2,809,627	2,924,231	-	2,924,231
Change in net assets from operations	(228,095)	71,048	(157,047)	33,276	4,682	37,958
Non-operating activities						
Endowment unrealized losses on investments	(53,878)	(69,328)	(123,206)	(26,881)	(34,582)	(61,463)
Endowment investment returns, net of fees	12,826	16,505	29,331	39,938	51,381	91,319
Endowment appropriation to operations	(26,353)	(46,676)	(73,029)	(31,646)	(40,713)	(72,359)
Total non-operating activities	(67,405)	(99,499)	(166,904)	(18,589)	(23,914)	(42,503)
Change in net assets	(295,500)	(28,451)	(323,951)	14,687	(19,232)	(4,545)
Net assets, beginning of year	3,383,138	1,332,987	4,716,125	3,368,451	1,352,219	4,720,670
Net assets, ending of year	\$ 3,087,638	\$ 1,304,536	\$ 4,392,174	\$ 3,383,138	\$ 1,332,987	\$ 4,716,125

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

United Way of the Dutchess - Orange Region, Inc.
 Statements of Functional Expenses
 Years Ended June 30, 2020 and 2019

	2020				2019			
	Program	Administrative			Program	Administrative		
	Community Building Services	Management & General	Fund- Raising	Total	Community Building Services	Management & General	Fund- Raising	Total
Staff compensation								
Salaries	\$ 496,948	\$ 125,330	\$ 180,967	\$ 803,245	\$ 439,850	\$ 123,618	\$ 202,049	\$ 765,517
Payroll taxes	43,768	11,549	17,087	72,404	39,174	11,738	19,158	70,070
Temporary staffing	3,500	-	-	3,500	3,500	-	-	3,500
Employee benefits	120,637	28,424	27,066	176,127	93,054	20,909	33,673	147,636
Total staff compensation	<u>664,853</u>	<u>165,303</u>	<u>225,120</u>	<u>1,055,276</u>	<u>575,578</u>	<u>156,265</u>	<u>254,880</u>	<u>986,723</u>
Direct divisional expenses								
Advertising and marketing	34,895	-	3,991	38,886	29,224	-	3,650	32,874
Supplies	17,278	418	853	18,549	6,539	697	1,478	8,714
Printing	3,787	447	7,996	12,230	3,301	444	9,991	13,736
Professional development	2,629	87	280	2,996	1,781	234	492	2,507
Meetings and dues	9,416	689	4,458	14,563	22,090	588	9,205	31,883
Transportation	5,424	214	2,791	8,429	6,558	273	3,290	10,121
Special events	8,805	-	19,435	28,240	25,788	1,489	63,371	90,648
Postage	2,235	112	3,236	5,583	1,574	49	2,508	4,131
Other program costs	-	-	-	-	19,565	624	790	20,979
Campaign administrative fees	-	-	9,089	9,089	-	-	10,401	10,401
Total direct divisional expenses	<u>84,469</u>	<u>1,967</u>	<u>52,129</u>	<u>138,565</u>	<u>116,420</u>	<u>4,398</u>	<u>105,176</u>	<u>225,994</u>
Central operating services								
Service contracts	27,481	2,541	16,496	46,518	40,829	5,047	22,741	68,617
Telephone	9,449	2,022	3,891	15,362	9,180	1,869	4,979	16,028
Occupancy and depreciation	55,589	11,373	19,865	86,827	61,004	13,013	30,544	104,561
Organizational dues	13,759	3,683	6,616	24,058	13,644	3,443	8,081	25,168
Insurance	10,833	2,900	5,209	18,942	10,008	2,526	5,928	18,462
Interest	512	137	246	895	702	177	415	1,294
Payroll, pension and bank fees	8,955	2,371	4,258	15,584	9,504	2,399	5,630	17,533
Professional fees	16,718	4,426	7,949	29,093	19,641	4,908	11,519	36,068
Total central operating services	<u>143,296</u>	<u>29,453</u>	<u>64,530</u>	<u>237,279</u>	<u>164,512</u>	<u>33,382</u>	<u>89,837</u>	<u>287,731</u>
Subtotal	<u>892,618</u>	<u>196,723</u>	<u>341,779</u>	<u>1,431,120</u>	<u>856,510</u>	<u>194,045</u>	<u>449,893</u>	<u>1,500,448</u>
Program expenses								
Community fund grants and program expenses	1,378,507	-	-	1,378,507	1,423,783	-	-	1,423,783
Total operating expenses	<u>\$ 2,271,125</u>	<u>\$ 196,723</u>	<u>\$ 341,779</u>	<u>\$ 2,809,627</u>	<u>\$ 2,280,293</u>	<u>\$ 194,045</u>	<u>\$ 449,893</u>	<u>\$ 2,924,231</u>

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

United Way of the Dutchess - Orange Region, Inc.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (323,951)	\$ (4,545)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	37,928	35,276
Realized and unrealized (gains)/losses on investments	30,809	(110,934)
Donated investments	(10,053)	(4,612)
Proceeds from sale of donated investments	10,141	4,617
Provision for losses on pledges receivable	70,427	98,127
Changes in operating assets and liabilities		
Pledges receivable	(2,895)	(123,287)
Grants receivable	74,207	(85,674)
Other receivables	53,177	(52,973)
Prepaid expenses	11,611	(2,331)
Other assets	749	
Accounts payable	(119,946)	118,740
Accrued expenses	757	(9,918)
Grants payable	-	(21,341)
Donor designated organizations payable	(14,001)	(39,459)
Refundable advances	113,153	-
Other liabilities	3,381	-
Net cash used in operating activities	<u>(64,506)</u>	<u>(198,314)</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(100,000)
Proceeds from sale of pooled endowment investments	83,353	85,911
Proceeds from sale of investments	287,502	232,027
Purchases of investments	(313,769)	(280,836)
Net cash provided by/(used in) investing activities	<u>57,086</u>	<u>(62,898)</u>
Cash flows from financing activities		
Repayments on capital lease obligations	(6,863)	(6,464)
Net decrease in cash and cash equivalents	(14,283)	(267,676)
Cash and cash equivalents – beginning of year	<u>180,201</u>	<u>447,877</u>
Cash and cash equivalents – end of year	<u>\$ 165,918</u>	<u>\$ 180,201</u>
Supplemental disclosure of cash flows information		
Cash paid during the years for interest	<u>\$ 895</u>	<u>\$ 1,794</u>

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

Note 1 Nature of Organization

United Way of the Dutchess - Orange Region, Inc.'s ("United Way") mission is to fight for the health, education, and financial stability of every person in our community. United Way's support comes primarily from campaign contributions from individuals and corporations who reside in or conduct business in Dutchess and Orange Counties, in New York State along with contributions from individuals and private foundations; government grants and contracts; and special events.

Effective September 2017, the Organization's legal name was changed from United Way of the Mid-Hudson Valley, Inc. to United Way of the Dutchess - Orange Region, Inc.

Note 2 Summary of Significant Accounting Policies

Net Asset Classification

Net assets are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and are available to support and fund United Way programs and other organizations through the granting of amounts raised during the annual campaigns. Donor-restricted contributions are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. The Board of Directors has designated from net assets without donor restrictions, net assets for a board designated endowment.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that are available to fund programs and organizations in Dutchess and Orange Counties where grant recipients and amounts are specified by the donor. Additionally, net assets with donor restrictions include net assets subject to donor-imposed stipulations that require that they be maintained permanently. Generally, the donors of these permanent assets permit United Way to use all or part of the income earned on these investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 periods. Actual results could differ from those estimates. Estimates that are particularly susceptible to change, relate to the determination of the allowance for pledges receivable, depreciation and the allocation of functional expenses, among others.

Cash and Cash Equivalents

United Way considers all investments in money market accounts absent of withdrawal restrictions and demand deposits at banks to be cash and cash equivalents.

Note 2 Summary of Significant Accounting Policies (continued)

Investments

United Way holds investments in brokerage accounts which are reported at fair value based quoted market prices. In addition, United Way holds investments in a pooled mutual fund account at the Community Foundations of the Hudson Valley (“CFHV”). The assets held in the pooled account is presented at fair value using United Way’s share of the CFHV community foundation investment pool at the measurement date. CFHV values securities and other financial instruments on a fair value basis of accounting. The estimated fair value of investments of the CFHV are determined by the management of CFHV and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ from the values that would have been used had a ready market existed for those investments.

Property and Equipment

Property and equipment are recorded at acquisition cost if purchased and at estimated fair value if donated. United Way’s policy is to expense the purchase of property and equipment under \$1,000. Buildings, furniture and equipment are being depreciated over estimated useful lives of five to thirty years using a straight-line method. Depreciation expense amounted to \$37,928 and \$35,276 for the years ended June 30, 2020 and 2019, respectively.

Endowment Classification, Investment and Spending Policies

GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the related disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. United Way is subject to the New York State enacted version of UPMIFA.

Under the terms of the directives, the Board of Directors can be given the ability to distribute so much of the corpus of any endowment or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Net assets with donor restrictions consist of restricted contributions receivable, and endowment funds with donor restrictions. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Certain endowment funds with donor restrictions are restricted by donors in perpetuity. These amounts are recorded at the fair value of the original gift as of the gift date.

Note 2 Summary of Significant Accounting Policies (continued)

Endowment Classification, Investment and Spending Policies

United Way has adopted investment and spending policies for endowment assets that attempt to provide for long-term growth. United Way's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to achieve a growth rate of 5% real growth over inflation per year. Actual returns in any given year may vary from this amount. The target payout rate is 5% of the prior three years' moving average market value of the portfolio and will be available for expenditure consistent with the terms of the gifts. To achieve long-term capital appreciation with a moderate level of risk, United Way has deposited its endowment funds with the CFHV for investment management. The CFHV investment pool has a target allocation of 70 percent equities and 30 percent fixed income.

Revenue Recognition

Annual campaign contributions are generally available for unrestricted use in the campaign year unless specifically restricted by the donor. Unconditional pledges are recorded as earned when pledged. The majority of pledges are received from a broad base of Dutchess and Orange County contributors as a result of the annual campaign. Pledges receivable are stated at their net realizable value. At least annually, management reviews past due receivables and writes off those balances deemed uncollectible after all reasonable collection efforts have been exhausted. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable. Management uses various factors to determine the allowance including assessments of historical uncollectible rates and adjusting for current local economic conditions to arrive at the most likely loss rate.

Contributions are recognized when cash, securities or other assets; unconditional promise to give; or a notification of a beneficial interest is received. Contributions are reported as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor restrictions met in the year received are reported as revenue without donor restrictions.

Conditional promises to give (that is those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met. A portion of United Way's revenue is derived from federal and state contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when United Way has incurred expenditures in compliance with the specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Note 2 Summary of Significant Accounting Policies (continued)

Endowment funds are comprised of contributions and investments and are classified as net assets with donor restrictions or board-designated net assets without donor restrictions. Investment earnings on endowment funds with donor restrictions are classified as net assets with donor restrictions until appropriated for expenditure, at which point they are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All other earnings are classified as net assets without donor restrictions.

Advertising and Marketing Costs

Advertising and marketing costs are expensed when incurred. Amounts incurred for advertising and marketing were \$38,886 and \$32,874 for the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting services in reasonable ratios determined by management that are consistently applied. All direct expenses related to a department or program are allocated fully to the appropriate program or supporting service as incurred. All indirect expenses are allocated among programs and supporting services based on FTE weighted salary percentages.

Fair Value Measurements

United Way determines the fair market value of its financial instruments based on the fair value hierarchy established by GAAP. United Way is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy requires that all financial instruments measured at fair value are classified as Level 1, Level 2, or Level 3.

Level 1

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2

Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable.

Note 2 Summary of Significant Accounting Policies (continued)

Level 3

Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined by 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.

Measure of Operations

In its statements of activities, United Way includes in its definition of operations all revenue and expenses that are an integral part of its program and supporting activities. All endowment activity and other items that management considers not an integral part of its program and supporting activities are recognized as non-operating activities. Non-operating investment income is generated from United Way's endowment; operating investment income is generated from interest and dividends on cash reserves and brokerage account investments.

Income Taxes

United Way is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. It is not classified as a private foundation under Section 170(b)(1)(A)(vi).

Management evaluates tax positions taken by the United Way and recognizes a tax liability if the United Way has taken uncertain tax positions that more likely than not will not be sustained upon examination by the Internal Revenue Service. Management has concluded that as of June 30, 2020, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. United Way is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. In the event that United Way incurs any interest and penalties, it will present interest as a component of interest expense and penalties as a component of office expense in the year incurred.

Reclassifications

Certain 2019 amounts have been reclassified to conform with the 2020 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 3 Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard does not apply to how contributions and promises to give are recognized, as they are specifically scoped out of the guidance. The adoption of this accounting standard did not have a material impact on United Way's change in net assets, cash flows or financial position.

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 3 Recently Adopted Accounting Standards (continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. The change is preferable in that it clarifies whether to account for transactions as contributions or exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. This accounting standard was adopted on a modified prospective basis in 2020 and did not have a material impact on United Way's change in net assets, cash flows or financial position.

Note 4 Liquidity and Availability of Resources

United Way meets cash needs for expenditures with grants and campaign contributions received throughout the year. Campaign pledges may be designated by donors and grants may be for specific programs. United Way has the following financial assets that could readily be made available within one year of the statement of financial position date to fund expenses without limitations as of June 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 165,918	\$ 180,201
Pledges receivable, net	520,556	588,088
Grants receivable	145,723	219,930
Other receivables	15,229	68,406
Investments, broker held	1,387,538	1,298,293
Pooled endowment investments	2,129,480	2,306,708
Total financial assets	<u>4,364,444</u>	<u>4,661,626</u>

Less financial assets unavailable for general expenditure within one year due to:

Donor designated funds	(101,358)	(115,359)
Restricted by donors for specified time period or purpose	(1,020,793)	(1,049,244)
Restricted by donors in perpetuity	(283,743)	(283,743)
Grants receivable with donor restrictions	-	(100,000)
Board designated endowment, net of board appropriation to next fiscal year	(871,374)	(948,570)
	<u>(2,277,268)</u>	<u>(2,496,916)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,087,176</u>	<u>\$ 2,164,710</u>

To help manage unanticipated liquidity needs, board designated net assets without donor restrictions could be made available for current operations, if necessary.

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 5 Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cash in banks	\$ 134,838	\$ 137,927
Money market accounts	<u>31,080</u>	<u>42,274</u>
Total cash and cash equivalents	<u>\$ 165,918</u>	<u>\$ 180,201</u>

Note 6 Investments, Broker Held

United Way holds investments in government and agency securities, corporate bonds, equities and mutual funds in its brokerage account that are recorded at fair value in the amounts of \$1,387,538 and \$1,298,293 at June 30, 2020 and 2019, respectively.

Note 7 Pooled Investments and Endowment

United Way's endowment fund consists of pooled mutual funds managed and held by the Community Foundations of the Hudson Valley. A portion of these investments are classified as with donor restrictions and the remainder represents amounts without donor restrictions. All amounts without donor restrictions have been designated by the Board for unspecified purposes.

Expenses relating to investment revenues include custodial fees and investment advisory fees; these amounted to \$23,110 and \$19,963 for the years ended June 30, 2020 and 2019, respectively. These expenses are netted against investment revenues in the accompanying statements of activities.

The following represents the activity by net asset class in the endowment for the year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends, net of investment expense	\$ 12,826	\$ 16,505	\$ 29,331
Realized gains on investments	22,103	28,441	50,544
Unrealized losses on investments	(75,981)	(97,769)	(173,750)
Grants paid	-	(23,091)	(23,091)
Endowment appropriation to operations	<u>(26,353)</u>	<u>(33,909)</u>	<u>(60,262)</u>
Change in endowment net assets	<u>(67,405)</u>	<u>(109,823)</u>	<u>(177,228)</u>
Endowment assets, beginning of year	<u>1,008,832</u>	<u>1,297,876</u>	<u>2,306,708</u>
Endowment assets, ending of year	<u>\$ 941,427</u>	<u>\$ 1,188,053</u>	<u>\$ 2,129,480</u>

Note 7 Pooled Investments and Endowment (continued)

The following represents the net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds	\$ -	\$ 1,188,053	\$ 1,188,053
Board-designated endowment funds	941,427	-	941,427
	<u>\$ 941,427</u>	<u>\$ 1,188,053</u>	<u>\$ 2,129,480</u>

The following represents the activity by net asset class in the endowment for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net of investment expenses	\$ 15,473	\$ 19,907	\$ 35,380
Realized gains on investments	24,465	31,474	55,939
Unrealized losses on investments	(26,881)	(34,582)	(61,463)
Grants paid	(5,927)	(7,625)	(13,552)
Endowment appropriation to operations	(31,646)	(40,713)	(72,359)
Change in endowment net assets	(24,516)	(31,539)	(56,055)
Endowment assets, beginning of year	1,033,348	1,329,415	2,362,763
Endowment assets, ending of year	<u>\$ 1,008,832</u>	<u>\$ 1,297,876</u>	<u>\$ 2,306,708</u>

The following represents the net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds	\$ -	\$ 1,297,876	\$ 1,297,876
Board-designated endowment funds	1,008,832	-	1,008,832
	<u>\$ 1,008,832</u>	<u>\$ 1,297,876</u>	<u>\$ 2,306,708</u>

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 8 Investment Return

The following is a detail of United Way's investment return for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Operating investment return, net		
Interest and dividends	\$ 34,094	\$ 31,120
Investment fees	(18,625)	(17,441)
Realized gains on brokerage investments	28,130	32,159
Unrealized gains on brokerage investments	63,066	84,304
Operating investment return, net	<u>106,665</u>	<u>130,142</u>
Non-operating investment return, net		
Interest and dividends on endowment	52,441	54,812
Realized gains on endowment	50,544	55,939
Unrealized losses on endowment	(173,750)	(61,463)
Investment fees on endowment	(23,110)	(19,432)
Total non-operating investment return, net	<u>(93,875)</u>	<u>29,856</u>
Investment return, net	<u>\$ 12,790</u>	<u>\$ 159,998</u>

Note 9 Fair Value Measurements

Fair value of assets measured on a recurring basis as of June 30, are as follows:

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled endowment investments	\$ -	\$ -	\$ 2,129,480	\$ 2,129,480
Investments, broker held				
Government & agency securities	96,115	112,181	-	208,296
Corporate bonds	-	31,232	-	31,232
Equities	897,412	-	-	897,412
Mutual funds	249,441	-	-	249,441
Accrued interest	1,157	-	-	1,157
Total broker held funds	<u>1,244,125</u>	<u>143,413</u>	<u>-</u>	<u>1,387,538</u>
Total	<u>\$ 1,244,125</u>	<u>\$ 143,413</u>	<u>\$ 2,129,480</u>	<u>\$ 3,517,018</u>

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 9 Fair Value Measurements (continued)

	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled endowment investments	\$ -	\$ -	\$ 2,306,708	\$ 2,306,708
Investments, broker held				
Government & agency securities	76,850	119,987	-	196,837
Corporate bonds	-	28,124	-	28,124
Equities	850,620	-	-	850,620
Mutual funds	221,518	-	-	221,518
Accrued interest	1,194	-	-	1,194
Total broker held funds	<u>1,150,182</u>	<u>148,111</u>	<u>-</u>	<u>1,298,293</u>
Total	<u>\$ 1,150,182</u>	<u>\$ 148,111</u>	<u>\$ 2,306,708</u>	<u>\$ 3,605,001</u>

Level 2 assets are valued using pricing models maximizing the use of observable inputs for similar securities.

The fair value of the pooled endowment investments is based on the fair value of the fund investments as reported by CFHV. These are considered Level 3 investments. The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30,

	<u>2020</u>	<u>2019</u>
Balance beginning of year	\$ 2,306,708	\$ 2,362,763
Distributions	(83,353)	(85,911)
Investment performance, net	(93,875)	29,856
Balance end of year	<u>\$ 2,129,480</u>	<u>\$ 2,306,708</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided by CFHV. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees and is included in non-operating activities in the statements of activities. Typically, distributions decrease United Way's respective financial assets and increases cash and cash equivalents at the time of distribution.

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Note 10 Fund Held by Other Organization

The Community Foundation of Orange and Sullivan holds the Marion S. Murphy (Quasi) Endowment Fund amounting to \$29,851 and \$30,600 at June 30, 2020 and 2019, respectively. Under the terms of the original agreement, if the endowment fund reached \$25,000 by 2011 it would be endowed and generate annual income back to the United Way to reduce its operating and administrative expenses. While the fund did not reach the \$25,000 by 2011, the fund remained with the Community Foundation of Orange and Sullivan and when the \$25,000 balance was met the United Way began receiving an annual 4% distribution from the fund. The balance of this fund is included in the statements of financial position under the title “other assets.”

Note 11 Property and Equipment, net

Property and equipment, net consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 12,000	\$ 12,000
Building	80,000	80,000
Building improvements	791,888	791,888
Equipment and furniture	91,998	96,500
	<u>975,886</u>	<u>980,388</u>
Accumulated depreciation	<u>(638,608)</u>	<u>(605,182)</u>
Property and equipment, net	<u>\$ 337,278</u>	<u>\$ 375,206</u>

Note 12 Paycheck Protection Program

In response to the COVID-19 pandemic, the Payroll Protection Program (“PPP”) was established under the CARES Act and administered by the Small Business Administration (“SBA”). Organizations who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds are fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization.

In April 2020, the United Way received a loan of \$156,500 under the PPP. The loan bears interest at 1.0% with principal and interest payments deferred for the first six months of the loan. After that the loan and interest would be paid back over a period of 18 months, if the loan is not forgiven under the terms of the PPP.

Note 12 Paycheck Protection Program (continued)

When it applied for the loan, United Way believed it would qualify to have the loan forgiven under the terms of the PPP, and therefore considered the funding to be a conditional grant. United Way has performed an initial calculation for PPP loan forgiveness and expects that the PPP loan will be forgiven in full. United Way has accounted for the loan in accordance with ASC 958-605, *Not-For-Profit Entities: Revenue Recognition* which indicates that the conditions of the contribution/grant should be “substantially met” by the entity before the receipt of assets is recognized as a contribution. United Way has recognized \$43,347 as revenue for the year ended June 30, 2020 with the remaining \$113,153 included as a refundable advance on the statements of financial position.

United Way plans to submit the PPP loan forgiveness in the near term. Although United Way believes it is probable that the PPP loan will be forgiven, its actions and information must be evaluated by the lender and the SBA before forgiveness is formally granted.

Note 13 Capital Lease Obligations

Office equipment under capital leases consist of a copier, postage machine, and telephone system with capitalized costs of \$31,970. Accumulated depreciation in the statements of financial position includes \$21,316 and \$14,922 in relation to the leased assets for the years ended June 30, 2020 and 2019, respectively. Amortization of the capital leases in the amount of \$6,394 is included in depreciation expense reported in the statements of activities for each of the years presented. The leases provide for minimum monthly payments totaling \$646 (including principal and interest) and begin to expire in 2021 through 2022.

The following is a schedule by years of future minimum payments required under the leases together with their present values as of June 30, 2020:

Years Ending June 30,	
2021	\$ 7,758
2022	4,008
	<hr/>
Total future minimum lease payments	11,766
Less: amount representing interest	(552)
	<hr/>
Present value of minimum lease payments	<u>\$ 11,214</u>

Note 14 Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for specified purposes or time periods as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for donor-specified purpose or time period:		
COVID-19	\$ 92,162	\$ -
Student Emergency Fund	8,049	-
Not One More	6,439	6,439
Crisis Fund	6,833	400
Heroes in Deed	3,000	2,600
Children's Corner	-	16,338
Tornado Drive	-	4,060
Veteran's Initiatives	-	3,828
Dutchess County Coalition of Non-Profits	-	660
Baby Shower Drive	-	606
Book Drive	-	100
Backpack Drive	-	80
	<u>116,483</u>	<u>35,111</u>
Endowments to United Way's spending policy and appropriation:		
Endowment funds to be held in perpetuity	283,743	283,743
Unappropriated endowment earnings	904,310	1,014,133
	<u>1,188,053</u>	<u>1,297,876</u>
Total endowments subject to United Way's spending policy and appropriation	<u>1,188,053</u>	<u>1,297,876</u>
Total net assets with donor restrictions	<u>\$ 1,304,536</u>	<u>\$ 1,332,987</u>

Note 15 Pension Plan

United Way has a defined contribution pension plan covering substantially all employees. Employees who are age 21 or older and have completed one year of service are eligible to participate in the plan. Employees who were previously employed at another nonprofit organization for at least three years are immediately eligible to participate in the plan. United Way's contributions to the plan are equal to 8% of compensation. The amounts are included in employee benefits in the statements of functional expenses and totaled \$72,419 and \$43,133 for the years ended June 30, 2020 and 2019, respectively.

Note 16 Operating Leases

In May 2017, United Way entered into a lease agreement for office space in Orange County, New York under a one-year lease that expired in April 2018. The lease was not renewed and continued on a month-to-month basis. In March 2020, the original lease agreement was amended to reduce the amount of space for a period of six months, ending August 31, 2020. The amended lease calls for monthly base rent of \$650. Rent expense amounted to \$13,000 and \$29,332 for the years ended June 30, 2020 and 2019, respectively, and is included in occupancy and depreciation in the statements of functional expenses.

Note 17 Donated Goods and Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received, if sufficient information exists to establish the fair value. During the years ended June 30, 2020 and 2019, United Way received \$33,430 and \$41,980, respectively, in donated services for advertising and marketing. These amounts have been reported as expenses in their natural expense classification in the statements of activities.

In addition, United Way receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities because the criteria for recognition under generally accepted accounting principles has not been satisfied.

United Way receives donated clothing, household goods, books, and various other items which are recognized in the financial statements at their fair market value which is offset with a corresponding expense for the distribution. There is no effect on change in net assets. During the years ended June 30, 2020 and 2019, United Way received \$186,045 and \$147,958 in donated goods, respectively. These amounts have been reported as expenses in their natural expense classification in the statements of activities.

Note 18 Concentrations, Risks and Uncertainties

United Way receives a substantial amount of donations from public support concentrated in Dutchess and Orange Counties in New York State. If a significant reduction in the level of this support were to occur, it may have a significant effect on the programs and activities of the United Way.

United Way maintains its bank and money market accounts with high credit worthy financial institutions, with funds in excess of limits set and insured by the FDIC and coverage provided by the SIPC. United Way's endowment accounts are pooled and maintained with other financial institutions with funds that are in excess of limits set and insured by the FDIC and coverage provided by the SIPC. United Way has not experienced any losses on such accounts. Management believes that United Way is not exposed to any significant credit risk related to those accounts.

Note 18 Concentrations, Risks and Uncertainties (continued)

United Way invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The COVID-19 pandemic has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally. As a result of the spread of COVID-19 economic uncertainties have arisen which have the potential to negatively impact United Way, the extent to which is uncertain at this time.

Note 19 Contingencies

Grants received by United Way are subject to audit and adjustment by the funding agency or its representative. If grant revenues are received for expenditures which are subsequently disallowed, United Way may be required to repay the revenues to the funding agency.

Note 20 Related Party Transactions

United Way conducts business with various vendors in Dutchess and Orange Counties. Several of these vendors have principals or employees serving on United Way's Board of Directors. Payments for these goods or services may not represent the amounts that would have been paid under an arms-length-transaction. Each member of the Board of Directors is required to sign a conflict of interest statement and all purchases go through United Way's regular purchasing processes. United Way has determined that none of these expenditures were material during the years presented. United Way also solicits and receives contributions from its employees, members of its board of directors and their employers.

Note 21 COVID-19 Response

United Way immediately responded to COVID in our community, creating a COVID relief fund and distributing food, basic essentials and PPE to families most affected. We mobilized donors, assessed the most dire needs in our community and began distributing funds weekly to those negatively impacted by COVID. As of the date of the financial statements, we have aided in numerous community projects resulting in community meals being distributed, front-line workers having access to life-saving PPE, and provided community members with hygiene and other basic needs. We also addressed food insecurity for college students, provided critical support for veterans, and delivered meals to front-line health workers. Finally, we offered around the clock human service referrals and advise to residents through our 211 helpline.

Note 22 Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, November 10, 2020, which is the date the financial statements were available for issuance.