



PragerMetis

**United Way of the
Dutchess - Orange Region, Inc.
Financial Statements
June 30, 2022 and 2021**

United Way of the Dutchess - Orange Region, Inc.

Table of Contents

June 30, 2022 and 2021

Independent Auditor's Report	1 – 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 22



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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Opinion

We have audited the accompanying financial statements of United Way of the Dutchess - Orange Region, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of the Dutchess - Orange Region, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.





Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of the Dutchess - Orange Region, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of the Dutchess - Orange Region, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Poughkeepsie, New York
October 27, 2022

United Way of the Dutchess - Orange Region, Inc.
 Statements of Financial Position
 June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 290,926	\$ 393,639
Pledges receivable, less provision for uncollectible pledges of \$53,783 and \$59,038, respectively	418,710	471,168
Grants receivable	75,597	106,476
Other receivables	10,155	20,292
Prepaid expenses	16,215	20,614
Other assets	12,416	12,416
Investments, broker held	1,494,497	1,721,183
Pooled endowment investments	2,352,913	2,727,226
Property and equipment, net of accumulated depreciation	304,640	315,358
Total assets	<u>\$ 4,976,069</u>	<u>\$ 5,788,372</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 34,555	\$ 36,311
Accrued expenses	169,673	171,855
Donor designated organizations payable	90,017	93,443
Refundable advance	-	31,132
Deferred revenue	29,000	13,131
Capital lease obligations	-	3,262
Total liabilities	<u>323,245</u>	<u>349,134</u>
Net assets		
Without donor restrictions		
Operating	2,277,532	2,655,654
Board designated	1,080,926	1,238,187
Total net assets without donor restrictions	<u>3,358,458</u>	<u>3,893,841</u>
With donor restrictions	<u>1,294,366</u>	<u>1,545,397</u>
Total net assets	<u>4,652,824</u>	<u>5,439,238</u>
Total liabilities and net assets	<u>\$ 4,976,069</u>	<u>\$ 5,788,372</u>

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

United Way of the Dutchess - Orange Region, Inc.

Statement of Activities

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue, gains and other support			
Annual campaign contributions including donor designated amounts	\$ 1,128,495	\$ -	\$ 1,128,495
In kind contributions	371,176	-	371,176
Contract, grant and contribution income	694,572	4,350	698,922
Investment return, net of fees	(230,580)	-	(230,580)
Special events income	223,221	-	223,221
Paycheck Protection Program grant	31,132	-	31,132
Other income	1,951	-	1,951
Endowment appropriation to operations	73,420	-	73,420
Net assets released from restriction	54,855	(54,855)	-
Total operating revenue, gains and other support including donor designated amounts	<u>2,348,242</u>	<u>(50,505)</u>	<u>2,297,737</u>
Less: provision for uncollectible pledges	(60,806)	-	(60,806)
Less: donor designated amounts	<u>(134,750)</u>	<u>-</u>	<u>(134,750)</u>
Net operating revenue, gains and other support	<u>2,152,686</u>	<u>(50,505)</u>	<u>2,102,181</u>
Expenses			
Grants and program services			
Community fund grants and program expenses	1,096,066	-	1,096,066
Community building services	822,578	-	822,578
Total grants and program services	<u>1,918,644</u>	<u>-</u>	<u>1,918,644</u>
Supporting services			
Management and general	183,674	-	183,674
Fundraising	428,490	-	428,490
Total supporting services	<u>612,164</u>	<u>-</u>	<u>612,164</u>
Total expenses	<u>2,530,808</u>	<u>-</u>	<u>2,530,808</u>
Change in net assets from operations	<u>(378,122)</u>	<u>(50,505)</u>	<u>(428,627)</u>
Non-operating activities			
Endowment realized and unrealized losses on investments, net	(146,816)	(174,650)	(321,466)
Endowment investment returns, net of fees	16,930	20,169	37,099
Endowment appropriation to operations	(27,375)	(46,045)	(73,420)
Total non-operating activities	<u>(157,261)</u>	<u>(200,526)</u>	<u>(357,787)</u>
Change in net assets	<u>(535,383)</u>	<u>(251,031)</u>	<u>(786,414)</u>
Net assets – beginning of year	<u>3,893,841</u>	<u>1,545,397</u>	<u>5,439,238</u>
Net assets – ending of year	<u>\$ 3,358,458</u>	<u>\$ 1,294,366</u>	<u>\$ 4,652,824</u>

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

United Way of the Dutchess - Orange Region, Inc.
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support			
Annual campaign contributions including donor designated amounts	\$ 1,164,484	\$ -	\$ 1,164,484
In kind contributions	349,373	-	349,373
Contract, grant and contribution income	871,840	10,456	882,296
Investment return, net of fees	334,769	-	334,769
Special events income	118,445	-	118,445
Paycheck Protection Program grant	265,152	-	265,152
Other income	7,440	-	7,440
Endowment appropriation to operations	71,193	-	71,193
Net assets released from restriction	87,294	(87,294)	-
Total operating revenue, gains and other support including donor designated amounts	3,269,990	(76,838)	3,193,152
Less: provision for uncollectible pledges	(66,481)	-	(66,481)
Less: donor designated amounts	(148,985)	-	(148,985)
Net operating revenue, gains and other support	3,054,524	(76,838)	2,977,686
Expenses and losses			
Grants and program services			
Community fund grants and program expenses	1,170,429	-	1,170,429
Community building services	804,026	-	804,026
Total grants and program services	1,974,455	-	1,974,455
Supporting services			
Management and general	182,216	-	182,216
Fundraising	357,874	-	357,874
Total supporting services	540,090	-	540,090
Total expenses	2,514,545	-	2,514,545
Loss on disposal of fixed assets	685	-	685
Total expenses and losses	2,515,230	-	2,515,230
Change in net assets from operations	539,294	(76,838)	462,456
Non-operating activities			
Endowment realized and unrealized gains on investments, net	276,787	340,766	617,553
Endowment investment returns, net of fees	17,024	21,224	38,248
Endowment appropriation to operations	(26,902)	(44,291)	(71,193)
Total non-operating activities	266,909	317,699	584,608
Change in net assets	806,203	240,861	1,047,064
Net assets – beginning of year	3,087,638	1,304,536	4,392,174
Net assets – ending of year	\$ 3,893,841	\$ 1,545,397	\$ 5,439,238

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

United Way of the Dutchess - Orange Region, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program	Administrative		Total
	Community Building Services	Management and General	Fund- Raising	
Staff compensation				
Salaries	\$ 500,623	\$ 117,874	\$ 173,221	\$ 791,718
Payroll taxes	45,216	11,089	16,909	73,214
Temporary staffing	4,000	-	971	4,971
Employee benefits	104,238	21,162	26,047	151,447
Total staff compensation	<u>654,077</u>	<u>150,125</u>	<u>217,148</u>	<u>1,021,350</u>
Direct divisional expenses				
Advertising and marketing	4,671	-	4,375	9,046
Supplies	1,860	548	676	3,084
Printing	2,914	245	10,504	13,663
Professional development	1,235	170	280	1,685
Meetings and dues	7,819	561	1,634	10,014
Transportation	1,881	-	322	2,203
Special events	-	-	116,822	116,822
Postage	1,846	98	3,564	5,508
Campaign administrative fees	-	-	7,142	7,142
Total direct divisional expenses	<u>22,226</u>	<u>1,622</u>	<u>145,319</u>	<u>169,167</u>
Central operating services				
Service contracts	28,194	2,995	18,564	49,753
Telephone	9,138	1,892	3,042	14,072
Occupancy	32,027	7,970	13,092	53,089
Depreciation	15,843	3,943	6,477	26,263
Organizational dues	17,629	4,381	7,196	29,206
Insurance	10,941	2,719	4,466	18,126
Interest	44	11	18	73
Payroll, pension and bank fees	8,543	2,116	3,476	14,135
Professional fees	23,916	5,900	9,692	39,508
Total central operating services	<u>146,275</u>	<u>31,927</u>	<u>66,023</u>	<u>244,225</u>
Subtotal	<u>822,578</u>	<u>183,674</u>	<u>428,490</u>	<u>1,434,742</u>
Program expenses				
Community fund grants and program expenses	<u>1,096,066</u>	-	-	<u>1,096,066</u>
Total operating expenses	<u>\$ 1,918,644</u>	<u>\$ 183,674</u>	<u>\$ 428,490</u>	<u>\$ 2,530,808</u>

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

United Way of the Dutchess - Orange Region, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program	Administrative		Total
	Community Building Services	Management and General	Fund- Raising	
Staff compensation				
Salaries	\$ 500,623	\$ 117,874	\$ 173,221	\$ 791,718
Payroll taxes	45,216	11,089	16,909	73,214
Temporary staffing	4,000	-	971	4,971
Employee benefits	104,238	21,162	26,047	151,447
Total staff compensation	<u>654,077</u>	<u>150,125</u>	<u>217,148</u>	<u>1,021,350</u>
Direct divisional expenses				
Advertising and marketing	4,671	-	4,375	9,046
Supplies	1,860	548	676	3,084
Printing	2,914	245	10,504	13,663
Professional development	1,235	170	280	1,685
Meetings and dues	7,819	561	1,634	10,014
Transportation	1,881	-	322	2,203
Special events	-	-	116,822	116,822
Postage	1,846	98	3,564	5,508
Campaign administrative fees	-	-	7,142	7,142
Total direct divisional expenses	<u>22,226</u>	<u>1,622</u>	<u>145,319</u>	<u>169,167</u>
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Telephone	9,138	1,892	3,042	14,072
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Insurance	10,941	2,719	4,466	18,126
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Professional fees	23,916	5,900	9,692	39,508
Total central operating services	<u>146,275</u>	<u>31,927</u>	<u>66,023</u>	<u>244,225</u>
Subtotal	<u>822,578</u>	<u>183,674</u>	<u>428,490</u>	<u>1,434,742</u>
Program expenses				
Community fund grants and program expenses	<u>1,096,066</u>	-	-	<u>1,096,066</u>
Total operating expenses	<u>\$ 1,918,644</u>	<u>\$ 183,674</u>	<u>\$ 428,490</u>	<u>\$ 2,530,808</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (786,414)	\$ 1,047,064
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	26,263	36,396
Realized and unrealized (gains) losses on investments, net	528,930	(980,326)
Donated investments	(10,631)	(11,226)
Proceeds from sale of donated investments	10,673	10,836
Provision for losses on pledges receivable	60,806	66,481
Loss on disposal of fixed assets	-	685
Changes in operating assets and liabilities		
Pledges receivable	(8,348)	(17,093)
Grants receivable	30,879	39,247
Other receivables	10,137	(5,063)
Prepaid expenses	4,399	(1,576)
Accounts payable	(1,756)	27,049
Accrued expenses	(2,182)	39,370
Donor designated organizations payable	(3,426)	(7,915)
Refundable advances	(31,132)	(82,021)
Deferred revenue	15,869	9,750
Net cash provided by (used in) operating activities	<u>(155,933)</u>	<u>171,658</u>
Cash flows from investing activities		
Purchase of property and equipment	(15,545)	(15,827)
Proceeds from sale of pooled endowment investments	89,946	87,906
Proceeds from sale of investments	388,220	492,860
Purchases of investments	(406,139)	(501,590)
Net cash provided by investing activities	<u>56,482</u>	<u>63,349</u>
Cash flows from financing activities		
Repayments on capital lease obligations	(3,262)	(7,286)
Net increase (decrease) in cash and cash equivalents	<u>(102,713)</u>	<u>227,721</u>
Cash and cash equivalents – beginning of year	<u>393,639</u>	<u>165,918</u>
Cash and cash equivalents – end of year	<u>\$ 290,926</u>	<u>\$ 393,639</u>
Supplemental disclosure of cash flows information		
Cash paid during the years for interest	<u>\$ 73</u>	<u>\$ 472</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.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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 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 and the allocation of functional expenses.

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 pooled investment accounts at the Community Foundations of the Hudson Valley (“CFHV”) and the Community Foundation of Orange and Sullivan (“CFOS”). The assets held in the pooled accounts are presented at fair value using United Way’s share of the CFHV and CFOS investment pool at the measurement date. CFHV and CFOS value securities and other financial instruments on a fair value basis of accounting. The estimated fair value of investments of the CFHV and CFOS are determined by the management of CFHV and CFOS 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, building improvements, furniture and equipment are being depreciated over estimated useful lives of three to thirty years using a straight-line method. Depreciation expense amounted to \$26,263 and \$36,396 for the years ended June 30, 2022 and 2021, 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.

Note 2 Summary of Significant Accounting Policies (continued)

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 and CFOS for investment management. The CFHV investment pool has a target allocation of 70 percent equities and 30 percent fixed income. The CFOS investment pool consists mainly of equity and fixed income investments and the allocation between investment types is determined and managed by CFOS.

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.

United Way recognizes revenue from exchange transactions related to fundraising events when the fundraising event has been held and collectability is assured. Revenue received for future events is deferred and recognized as revenue when the event is held.

Advertising and Marketing Costs

Advertising and marketing costs are expensed when incurred. Amounts incurred for advertising and marketing were \$9,046 and \$40,749 for the years ended June 30, 2022 and 2021, 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 full-time equivalent weighted salary percentages.

Fair Value Measurement

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 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 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 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 endowments; 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 United Way and recognizes a tax liability if 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, 2022, 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/or 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 2021 amounts have been reclassified to conform with the 2022 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Recently Adopted Accounting Standards

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*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. This accounting standard was adopted on a retrospective basis in 2022 and did not have a material impact on United Way's change in net assets, cash flows, financial position, or disclosures.

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 3 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>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 290,926	\$ 393,639
Pledges receivable, net	418,710	471,168
Grants receivable	75,597	106,476
Other receivables	10,155	20,292
Investments, broker held	1,494,497	1,721,183
Pooled endowment investments	2,352,913	2,727,226
Total financial assets	<u>4,642,798</u>	<u>5,439,984</u>
Less financial assets unavailable for general expenditure within one year due to:		
Donor designated funds	(90,017)	(93,443)
Restricted by donors for specified time period or purpose	(1,010,623)	(1,261,654)
Restricted by donors in perpetuity	(283,743)	(283,743)
Board designated endowment, net of board appropriation to next fiscal year	(1,019,456)	(1,179,492)
	<u>(2,403,839)</u>	<u>(2,818,332)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,238,959</u>	<u>\$ 2,621,652</u>

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

Note 4 Cash and Cash Equivalents

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

	<u>2022</u>	<u>2021</u>
Cash in banks	\$ 242,100	\$ 350,937
Money market accounts	48,826	42,702
Total cash and cash equivalents	<u>\$ 290,926</u>	<u>\$ 393,639</u>

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 5 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 \$1,494,497 and \$1,721,183 at June 30, 2022 and 2021, respectively.

Note 6 Pooled Investments and Endowment

United Way's endowment funds consist primarily of pooled mutual funds managed and held by the CFHV and CFOS. 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 \$24,025 and \$21,260 for the years ended June 30, 2022 and 2021, respectively. These expenses are netted against investment income in the accompanying statements of activities.

The following represents the activity by net asset class in the endowment for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net of investment expenses	\$ 16,930	\$ 20,169	\$ 37,099
Realized gains on investments	44,040	53,196	97,236
Unrealized losses on investments	(190,856)	(227,846)	(418,702)
Grants paid	-	(16,526)	(16,526)
Endowment appropriation to operations	(27,375)	(46,045)	(73,420)
Change in endowment net assets	(157,261)	(217,052)	(374,313)
Endowment assets – beginning of year	1,238,187	1,489,039	2,727,226
Endowment assets – end of year	<u>\$ 1,080,926</u>	<u>\$ 1,271,987</u>	<u>\$ 2,352,913</u>

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 6 Pooled Investments and Endowment (continued)

The following represents the net asset composition by type of fund as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-designated endowment funds	\$ -	\$ 1,271,987	\$ 1,271,987
Board-designated endowment funds	<u>1,080,926</u>	<u>-</u>	<u>1,080,926</u>
	<u>\$ 1,080,926</u>	<u>\$ 1,271,987</u>	<u>\$ 2,352,913</u>

The following represents the activity by net asset class in the endowment for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends – net of investment expenses	\$ 17,024	\$ 21,224	\$ 38,248
Realized gains on investments	66,459	81,500	147,959
Unrealized gains on investments	210,328	259,266	469,594
Reclassification of Marion S. Murphy fund	29,851	-	29,851
Grants paid	-	(16,713)	(16,713)
Endowment appropriation to operations	<u>(26,902)</u>	<u>(44,291)</u>	<u>(71,193)</u>
Change in endowment net assets	296,760	300,986	597,746
Endowment assets – beginning of year	<u>941,427</u>	<u>1,188,053</u>	<u>2,129,480</u>
Endowment assets – end of year	<u>\$ 1,238,187</u>	<u>\$ 1,489,039</u>	<u>\$ 2,727,226</u>

The following represents the net asset composition by type of fund as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-designated endowment funds	\$ -	\$ 1,489,039	\$ 1,489,039
Board-designated endowment funds	<u>1,238,187</u>	<u>-</u>	<u>1,238,187</u>
	<u>\$ 1,238,187</u>	<u>\$ 1,489,039</u>	<u>\$ 2,727,226</u>

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 7 Investment Return

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

	<u>2022</u>	<u>2021</u>
Operating investment return – net		
Interest and dividends	\$ 38,008	\$ 31,504
Investment fees	(24,025)	(21,260)
Realized gains on brokerage investments	74,106	163,796
UnOperating investment return – net	<u>(318,669)</u>	<u>160,729</u>
	<u>(230,580)</u>	<u>334,769</u>
Non-operating investment return – net		
Interest and dividends on endowment	63,234	60,812
Realized gains on endowment	97,236	147,959
Unrealized gains (losses) on endowment	(418,702)	469,594
Investment fees on endowment	(26,135)	(22,564)
Total non-operating investment return – net	<u>(284,367)</u>	<u>655,801</u>
Investment return – net	<u>\$ (514,947)</u>	<u>\$ 990,570</u>

Note 8 Fair Value Measurement

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

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled endowment investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,352,913</u>	<u>\$ 2,352,913</u>
Investments, broker held				
Government & agency securities	127,427	110,920	-	238,347
Corporate bonds	-	35,660	-	35,660
Equities	946,347	-	-	946,347
Mutual funds	272,601	-	-	272,601
Accrued interest	1,542	-	-	1,542
Total broker held funds	<u>1,347,917</u>	<u>146,580</u>	<u>-</u>	<u>1,494,497</u>
Total	<u>\$ 1,347,917</u>	<u>\$ 146,580</u>	<u>\$ 2,352,913</u>	<u>\$ 3,847,410</u>

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 8 Fair Value Measurement (continued)

	2021			
	Level 1	Level 2	Level 3	Total
Pooled endowment investments	\$ -	\$ -	\$ 2,727,226	\$ 2,727,226
Investments, broker held				
Government & agency securities	155,491	117,590	-	273,081
Corporate bonds	-	38,107	-	38,107
Equities	1,103,696	-	-	1,103,696
Mutual funds	304,723	-	-	304,723
Accrued interest	1,576	-	-	1,576
Total broker held funds	<u>1,565,486</u>	<u>155,697</u>	<u>-</u>	<u>1,721,183</u>
Total	<u>\$ 1,565,486</u>	<u>\$ 155,697</u>	<u>\$ 2,727,226</u>	<u>\$ 4,448,409</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 and CFOS. 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,

	2022	2021
Balance – beginning of year	\$ 2,727,226	\$ 2,129,480
Reclassification of Marion S. Murphy fund	-	29,851
Distributions	(89,946)	(87,906)
Investment performance – net	(284,367)	655,801
Balance – end of year	<u>\$ 2,352,913</u>	<u>\$ 2,727,226</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 and CFOS. 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, 2022 and 2021

Note 9 Property and Equipment, Net

Property and equipment, net consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 12,000	\$ 12,000
Building	80,000	80,000
Building improvements	626,679	615,235
Equipment and furniture	44,909	72,663
	<u>763,588</u>	<u>779,898</u>
Accumulated depreciation	<u>(458,948)</u>	<u>(464,540)</u>
Property and equipment – net	<u>\$ 304,640</u>	<u>\$ 315,358</u>

Note 10 Paycheck Protection Program

In response to the COVID-19 pandemic, the Paycheck 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.

When it applied for the PPP loans, United Way believed it would qualify to have the loans forgiven under the terms of the PPP, and therefore considered the funding to be conditional grants. United Way accounted for both PPP loans 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.

In April 2020, United Way received a loan of \$156,500 under the PPP, which was fully forgiven during the year ended June 30, 2021. In February 2021, United Way received a second loan under the PPP of \$183,131, which was fully forgiven during the year ended June 30, 2022. As of June 30, 2021, all PPP loan proceeds except the \$31,132 included as a refundable advance on the statements of financial position had been recognized as Paycheck Protection Program grant income on the statements of activities.

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 11 Capital Lease Obligations

United Way leased office equipment under capital leases with total capitalized costs of \$21,942 as of June 30, 2021. These capital leases ended during the year ended June 30, 2022. Accumulated depreciation in the statements of financial position includes \$18,852 in relation to the leased assets for the year ended June 30, 2021. Amortization of capital leases in the amount of \$3,090 and \$6,394 is included in depreciation expense reported in the statements of functional expenses for the years ended June 30, 2022 and 2021, respectively.

Note 12 Net Assets with Donor Restrictions

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

Note 13 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 \$52,914 and \$49,232 for the years ended June 30, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Subject to expenditure for donor-specified purpose or time period		
Diaper Drive	\$ 8,450	\$ 6,890
Not One More	6,439	6,439
Crisis Fund	2,865	7,887
Children's Corner	2,317	512
School Readiness	984	-
Student Emergency Fund	750	2,249
Day of Sharing	500	2,000
COVID-19	74	30,381
	<u>22,379</u>	<u>56,358</u>
Endowments to United Way's spending policy and appropriation		
Endowment funds to be held in perpetuity	283,743	283,743
Unappropriated endowment earnings	988,244	1,205,296
	<u>1,271,987</u>	<u>1,489,039</u>
Total endowments subject to United Way's spending policy and appropriation		
	<u>1,271,987</u>	<u>1,489,039</u>
Total net assets with donor restrictions	<u>\$ 1,294,366</u>	<u>\$ 1,545,397</u>

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Note 14 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 called for monthly base rent of \$650. Rent expense amounted to \$11,852 for the year ended June 30, 2021, and is included in occupancy in the statements of functional expenses.

The United Way also has two office equipment leases classified as operating leases. The operating leases expire in September 2025 and January 2027. Rent expense related to these leases was \$3,816 and \$226 during the years ended June 30, 2022 and 2021, respectively.

Future minimum rent payments under the office equipment leases are as follows:

Years Ending June 30,	
2023	\$ 5,354
2024	5,354
2025	3,316
2026	2,637
2027	<u>1,318</u>
Total	<u>\$ 17,979</u>

Note 15 Donated Goods and Services

Contributions of nonfinancial assets are recognized as in-kind contributions at their estimated fair market values in the statement of activities in the year they are received and reported as expense when utilized as part of program costs or fundraising events, generally in the same fiscal year.

Contributions of clothing, household goods, books and various other items (“donated goods”) for the years ended June 30, 2022 and 2021 amounted to \$326,509 and \$276,497, respectively.

Contributed 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 consisted of advertising and marketing in the amount of \$44,667 and \$72,084 for the years ended June 30, 2022 and 2021, respectively.

In addition, United Way receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects for which no amounts are recognized in the statements of activities because they do not meet the criteria for recognition under GAAP.

Note 16 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 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.

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.

Note 17 Contingencies

Certain grants received by United Way may be 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 revenue to the funding agency.

Note 18 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 19 Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, October 27, 2022, which is the date the financial statements were available for issuance.