



PragerMetis

**United Way of the
Dutchess - Orange Region, Inc.
Financial Statements
June 30, 2023 and 2022**

United Way of the Dutchess - Orange Region, Inc.

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June 30, 2023 and 2022

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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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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, 2023 and 2022, 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, 2023 and 2022, 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 31, 2023

United Way of the Dutchess - Orange Region, Inc.
 Statements of Financial Position
 June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 81,426	\$ 290,926
Pledges receivable, less provision for uncollectible pledges of \$38,272 and \$53,783, respectively	284,121	418,710
Grants receivable	239,137	75,597
Other receivables	21,662	10,155
Prepaid expenses	16,663	16,215
Other assets	12,416	12,416
Investments, broker held	1,639,211	1,494,497
Pooled endowment investments	2,456,124	2,352,913
Property and equipment, net of accumulated depreciation	283,701	304,640
Operating lease right-of-use assets	14,997	-
Total assets	<u>\$ 5,049,458</u>	<u>\$ 4,976,069</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 240,921	\$ 34,555
Accrued expenses	167,993	169,673
Donor designated organizations payable	74,330	90,017
Deferred revenue	6,000	29,000
Operating lease liabilities	15,115	-
Total liabilities	<u>504,359</u>	<u>323,245</u>
Net assets		
Without donor restrictions		
Operating	2,039,893	2,277,532
Board designated	1,142,613	1,080,926
Total net assets without donor restrictions	<u>3,182,506</u>	<u>3,358,458</u>
With donor restrictions	<u>1,362,593</u>	<u>1,294,366</u>
Total net assets	<u>4,545,099</u>	<u>4,652,824</u>
Total liabilities and net assets	<u>\$ 5,049,458</u>	<u>\$ 4,976,069</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, 2023

	<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	\$ 899,609	\$ -	\$ 899,609
In kind contributions	356,378	-	356,378
Contract, grant and contribution income	840,654	43,655	884,309
Investment return, net of fees	121,436	-	121,436
Special events income	202,451	-	202,451
Other income	7,826	-	7,826
Endowment appropriation to operations	75,735	-	75,735
Net assets released from restriction	34,903	(34,903)	-
Total operating revenue, gains and other support including donor designated amounts	<u>2,538,992</u>	<u>8,752</u>	<u>2,547,744</u>
Less: provision for uncollectible pledges	(46,047)	-	(46,047)
Less: donor designated amounts	<u>(124,925)</u>	<u>-</u>	<u>(124,925)</u>
Net operating revenue, gains and other support	<u>2,368,020</u>	<u>8,752</u>	<u>2,376,772</u>
Expenses			
Grants and program services			
Community fund grants and program expenses	1,051,697	-	1,051,697
Community building services	1,016,251	-	1,016,251
Total grants and program services	<u>2,067,948</u>	<u>-</u>	<u>2,067,948</u>
Supporting services			
Management and general	151,354	-	151,354
Fundraising	386,357	-	386,357
Total supporting services	<u>537,711</u>	<u>-</u>	<u>537,711</u>
Total expenses	<u>2,605,659</u>	<u>-</u>	<u>2,605,659</u>
Change in net assets from operations	<u>(237,639)</u>	<u>8,752</u>	<u>(228,887)</u>
Non-operating activities			
Endowment realized and unrealized gains on investments, net	75,248	89,333	164,581
Endowment investment returns, net of fees	14,835	17,481	32,316
Endowment appropriation to operations	<u>(28,396)</u>	<u>(47,339)</u>	<u>(75,735)</u>
Total non-operating activities	<u>61,687</u>	<u>59,475</u>	<u>121,162</u>
Change in net assets	<u>(175,952)</u>	<u>68,227</u>	<u>(107,725)</u>
Net assets – beginning of year	<u>3,358,458</u>	<u>1,294,366</u>	<u>4,652,824</u>
Net assets – ending of year	<u>\$ 3,182,506</u>	<u>\$ 1,362,593</u>	<u>\$ 4,545,099</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	2,348,242	(50,505)	2,297,737
Less: provision for uncollectible pledges	(60,806)	-	(60,806)
Less: donor designated amounts	(134,750)	-	(134,750)
Net operating revenue, gains and other support	<u>2,152,686</u>	<u>(50,505)</u>	<u>2,102,181</u>
Expenses and losses			
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	2,530,808	-	2,530,808
Loss on disposal of fixed assets	-	-	-
Total expenses and losses	<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	(535,383)	(251,031)	(786,414)
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 Functional Expenses
Year Ended June 30, 2023

	<u>Program</u>	<u>Administrative</u>		
	<u>Community Building Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Staff compensation				
Salaries	\$ 611,609	\$ 103,647	\$ 169,410	\$ 884,666
Payroll taxes	62,304	10,041	17,520	89,865
Temporary staffing	6,720	-	1,071	7,791
Employee benefits	93,189	19,219	20,672	133,080
Total staff compensation	<u>773,822</u>	<u>132,907</u>	<u>208,673</u>	<u>1,115,402</u>
Direct divisional expenses				
Advertising and marketing	43,979	-	3,152	47,131
Supplies	4,468	172	708	5,348
Printing	5,014	444	9,869	15,327
Professional development	1,800	101	258	2,159
Meetings and dues	7,511	367	6,474	14,352
Transportation	6,176	5	614	6,795
Special events	-	-	89,125	89,125
Postage	2,610	47	2,939	5,596
Campaign administrative fees	-	-	3,313	3,313
Total direct divisional expenses	<u>71,558</u>	<u>1,136</u>	<u>116,452</u>	<u>189,146</u>
Central operating services				
Service contracts	35,226	1,657	21,861	58,744
Telephone	15,182	1,184	2,995	19,361
Occupancy	35,054	3,857	9,290	48,201
Depreciation	17,285	2,155	5,499	24,939
Organizational dues	13,828	1,724	4,399	19,951
Insurance	12,663	1,578	4,028	18,269
Payroll, pension and bank fees	12,509	1,559	3,979	18,047
Professional fees	29,124	3,597	9,181	41,902
Total central operating services	<u>170,871</u>	<u>17,311</u>	<u>61,232</u>	<u>249,414</u>
Subtotal	<u>1,016,251</u>	<u>151,354</u>	<u>386,357</u>	<u>1,553,962</u>
Program expenses				
Community fund grants and program expenses	<u>1,051,697</u>	-	-	<u>1,051,697</u>
Total operating expenses	<u>\$ 2,067,948</u>	<u>\$ 151,354</u>	<u>\$ 386,357</u>	<u>\$ 2,605,659</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, 2022

	<u>Program</u>	<u>Administrative</u>		<u>Total</u>
	<u>Community Building Services</u>	<u>Management & General</u>	<u>Fund- Raising</u>	
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	822,578	183,674	428,490	1,434,742
Program expenses				
Community fund grants and program expenses	1,096,066	-	-	1,096,066
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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (107,725)	\$ (786,414)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	24,939	26,263
Realized and unrealized (gains) losses on investments, net	(301,027)	528,930
Donated investments	(10,901)	(10,631)
Proceeds from sale of donated investments	10,953	10,673
Provision for losses on pledges receivable	46,047	60,806
Non-cash operating lease expense	118	-
Changes in operating assets and liabilities		
Pledges receivable	88,542	(8,348)
Grants receivable	(163,540)	30,879
Other receivables	(11,507)	10,137
Prepaid expenses	(448)	4,399
Accounts payable	206,366	(1,756)
Accrued expenses	(1,680)	(2,182)
Donor designated organizations payable	(15,687)	(3,426)
Refundable advances	-	(31,132)
Deferred revenue	(23,000)	15,869
Net cash used in operating activities	<u>(258,550)</u>	<u>(155,933)</u>
Cash flows from investing activities		
Purchase of property and equipment	(4,000)	(15,545)
Proceeds from sale of pooled endowment investments	93,686	89,946
Proceeds from sale of investments	465,623	388,220
Purchases of investments	(506,259)	(406,139)
Net cash provided by investing activities	<u>49,050</u>	<u>56,482</u>
Cash flows from financing activities		
Repayments on capital lease obligations	-	(3,262)
Net decrease in cash and cash equivalents	(209,500)	(102,713)
Cash and cash equivalents – beginning of year	<u>290,926</u>	<u>393,639</u>
Cash and cash equivalents – end of year	<u>\$ 81,426</u>	<u>\$ 290,926</u>
Supplemental disclosure of cash flows information		
Cash paid during the years for interest	<u>\$ -</u>	<u>\$ 73</u>
Supplemental disclosure of non-cash investing activities		
Capitalized operating leases	<u>\$ 19,973</u>	<u>\$ -</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 \$24,939 and \$26,263 for the years ended June 30, 2023 and 2022, 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)

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.

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.

Note 2 Summary of Significant Accounting Policies (continued)

Advertising and Marketing Costs

Advertising and marketing costs are expensed when incurred. Amounts incurred for advertising and marketing were \$47,131 and \$9,046 for the years ended June 30, 2023 and 2022, 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.
- 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.

Note 2 Summary of Significant Accounting Policies (continued)

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, 2023, 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.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), which superseded existing guidance in Topic 840, *Leases*. The FASB subsequently issued additional ASUs which amended and clarified the originally issued guidance. Topic 842 was intended to increase transparency and comparability among reporting entities with respect to leasing transactions. Topic 842 amends both lessor and lessee accounting for periods beginning after December 15, 2021. For lessees the most significant change is the requirement to recognize right-of-use (ROU) assets and lease liabilities on the statement of financial position for operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

United Way adopted ASU 2016-02 and related subsequent clarifying standards as applicable effective July 1, 2022, using a modified retrospective approach. United Way has elected the transition package of practical expedients that permitted it to not reassess its prior conclusions about lease identification, lease classification, and initial direct costs for existing or expired leases. United Way determines if an arrangement is a lease, or contains a lease, at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. United Way has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, rather United Way recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term. In addition, it adopted ongoing accounting policies to not separate lease and non-lease components and to use the risk-free rate as the discount rate for all classes of underlying assets.

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 Summary of Significant Accounting Policies (continued)

As a result of the adoption of ASC 842, on July 1, 2022, United Way recognized operating lease liabilities of \$19,973 for its existing operating leases of office equipment, which represented the present value of the remaining operating lease payments of \$21,136, discounted using the risk-free rate, and operating lease ROU assets of \$19,973. The ROU assets represent United Way's right to use the underlying assets. The adoption of the standard did not have a significant impact on the statements of activities or cash flows. The adoption of ASC 842 had no effect on beginning net assets. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 81,426	\$ 290,926
Pledges receivable, net	284,121	418,710
Grants receivable	239,137	75,597
Other receivables	21,662	10,155
Investments, broker held	1,639,211	1,494,497
Pooled endowment investments	2,456,124	2,352,913
Total financial assets	<u>4,721,681</u>	<u>4,642,798</u>

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

Donor designated organizations payable	(74,330)	(90,017)
Restricted by donors for specified time period or purpose	(1,078,850)	(1,010,623)
Restricted by donors in perpetuity	(283,743)	(283,743)
Board designated endowment, net of board appropriation to next fiscal year	(1,081,143)	(1,022,231)
	<u>(2,518,066)</u>	<u>(2,406,614)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,203,615</u>	<u>\$ 2,236,184</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, 2023 and 2022

Note 4 Cash and Cash Equivalents

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

	<u>2023</u>	<u>2022</u>
Cash in banks	\$ 45,257	\$ 242,100
Money market accounts	<u>36,169</u>	<u>48,826</u>
Total cash and cash equivalents	<u>\$ 81,426</u>	<u>\$ 290,926</u>

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 \$1,639,211 and \$1,494,497 at June 30, 2023 and 2022, 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 \$27,524 and \$26,135 for the years ended June 30, 2023 and 2022, respectively. These expenses are netted against investment return in the accompanying statements of activities.

The following represents the activity by net asset class in the endowment for the year ended June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends, net of investment expenses	\$ 14,835	\$ 17,481	\$ 32,316
Realized gains on investments	57,195	69,238	126,433
Unrealized gains on investments	18,053	20,095	38,148
Grants paid	-	(17,951)	(17,951)
Endowment appropriation to operations	<u>(28,396)</u>	<u>(47,339)</u>	<u>(75,735)</u>
Change in endowment net assets	61,687	41,524	103,211
Endowment assets – beginning of year	<u>1,080,926</u>	<u>1,271,987</u>	<u>2,352,913</u>
Endowment assets – end of year	<u>\$ 1,142,613</u>	<u>\$ 1,313,511</u>	<u>\$ 2,456,124</u>

Note 6 Pooled Investments and Endowment (continued)

The following represents the net asset composition by type of fund as of June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 1,313,511	\$ 1,313,511
Board designated endowment funds	<u>1,142,613</u>	<u>-</u>	<u>1,142,613</u>
	<u>\$ 1,142,613</u>	<u>\$ 1,313,511</u>	<u>\$ 2,456,124</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>(27,375)</u>	<u>(46,045)</u>	<u>(73,420)</u>
Change in endowment net assets	(157,261)	(217,052)	(374,313)
Endowment assets – beginning of year	<u>1,238,187</u>	<u>1,489,039</u>	<u>2,727,226</u>
Endowment assets – end of year	<u>\$ 1,080,926</u>	<u>\$ 1,271,987</u>	<u>\$ 2,352,913</u>

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 restricted 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>

Note 7 Investment Return

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

	<u>2023</u>	<u>2022</u>
Operating investment return – net		
Interest and dividends	\$ 38,340	\$ 38,008
Investment fees	(21,034)	(24,025)
Realized gains on brokerage investments	22,898	74,106
Unrealized gains (losses) on brokerage investments	81,232	(318,669)
Operating investment return – net	<u>121,436</u>	<u>(230,580)</u>
Non-operating investment return – net		
Interest and dividends on endowment	59,840	63,234
Realized gains on endowment	126,433	97,236
Unrealized gains (losses) on endowment	38,148	(418,702)
Investment fees on endowment	(27,524)	(26,135)
Total non-operating investment return – net	<u>196,897</u>	<u>(284,367)</u>
Investment return – net	<u>\$ 318,333</u>	<u>\$ (514,947)</u>

Note 8 Fair Value Measurement

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

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled endowment investments	\$ -	\$ -	\$ 2,456,124	\$ 2,456,124
Investments, broker held				
Government & agency securities	74,765	79,951	-	154,716
Corporate bonds	-	36,715	-	36,715
Equities	1,061,518	-	-	1,061,518
Mutual funds	384,994	-	-	384,994
Accrued interest	1,268	-	-	1,268
Total broker held funds	<u>1,522,545</u>	<u>116,666</u>	<u>-</u>	<u>1,639,211</u>
Total	<u>\$ 1,522,545</u>	<u>\$ 116,666</u>	<u>\$ 2,456,124</u>	<u>\$ 4,095,335</u>

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 8 Fair Value Measurement (continued)

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled endowment investments	\$ -	\$ -	\$ 2,352,913	\$ 2,352,913
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>

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,

	<u>2023</u>	<u>2022</u>
Balance – beginning of year	\$ 2,352,913	\$ 2,727,226
Distributions	(93,686)	(89,946)
Investment performance – net	196,897	(284,367)
Balance – end of year	<u>\$ 2,456,124</u>	<u>\$ 2,352,913</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, 2023 and 2022

Note 9 Property and Equipment, Net

Property and equipment, net consists of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 12,000	\$ 12,000
Building	80,000	80,000
Building improvements	626,679	626,679
Equipment and furniture	<u>44,269</u>	<u>44,909</u>
	762,948	763,588
Accumulated depreciation	<u>(479,247)</u>	<u>(458,948)</u>
Property and equipment – net	<u>\$ 283,701</u>	<u>\$ 304,640</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 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.

During the year ended June 30, 2021, United Way received its second PPP loan of \$183,131. This loan was fully forgiven by the SBA during the year ended June 30, 2022. During the year ended June 30, 2022, the remaining conditions that were not previously met as of June 30, 2021 were met and the remaining balance of \$31,132 was 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, 2023 and 2022

Note 11 Capital Lease Obligations

United Way leased office equipment under capital leases with total capitalized costs of \$21,942 as of the beginning of the year ended June 30, 2022. These capital leases expired during the year ended June 30, 2022. Accumulated depreciation in the statement of financial position at June 30, 2022 includes \$18,852 in relation to the leased assets. Amortization of capital leases in the amount of \$3,090 was included in depreciation expense reported in the statement of functional expenses for the year ended June 30, 2022.

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:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for donor-specified purpose or time period		
No Kid Hungry	\$ 42,477	\$ -
Diaper Drive	2,829	8,450
Children's Corner	1,100	2,317
Vassar College Volunteerism	800	-
Student Emergency Fund	750	750
COVID-19	452	74
Crisis Fund	398	2,865
Day of Sharing	276	500
Not One More	-	6,439
School Readiness	-	984
	<u>49,082</u>	<u>22,379</u>
Endowments to United Way's spending policy and appropriation		
Endowment funds to be held in perpetuity	283,743	283,743
Unappropriated endowment earnings	1,029,768	988,244
	<u>1,313,511</u>	<u>1,271,987</u>
Total endowments subject to United Way's spending policy and appropriation	<u>1,313,511</u>	<u>1,271,987</u>
Total net assets with donor restrictions	<u>\$ 1,362,593</u>	<u>\$ 1,294,366</u>

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 \$49,838 and \$52,914 for the years ended June 30, 2023 and 2022, respectively.

United Way of the Dutchess - Orange Region, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 14 Operating Leases

The United Way has two office equipment leases classified as operating leases. The leases have non-cancellable lease terms which expire in September 2025 and January 2027. Total lease expense related to these leases was \$5,472 and \$3,816 during the years ended June 30, 2023 and 2022, respectively, and is included as a component of postage and telephone on the statements of functional expenses.

The Organization also rented office space on a month-to-month basis during the year ended June 30, 2023. Short-term lease expense for this office space was \$2,400 for the year ended June 30, 2023 and is included in occupancy on the statement of functional expenses.

The future maturities of lease liabilities under the office equipment leases as of June 30, 2023 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, 2023 and 2022 amounted to \$295,925 and \$326,509, 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 \$58,793 and \$44,667 for the years ended June 30, 2023 and 2022, respectively, and facility rental costs of \$1,660 for the year ended June 30, 2023.

Note 15 Donated Goods and Services (continued)

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 31, 2023, which is the date the financial statements were available for issuance.