United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Financial Statements and Independent Auditor's Report

June 30, 2020 and 2019

CohnReznick
ADVISORY • ASSURANCE • TAX

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Index

Independent Auditor's Report

To the Board of Directors
United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

We have audited the accompanying financial statements of United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut, which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Hartford, Connecticut
November 23, 2020

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Financial Position
June 30, 2020
(With comparative totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Total
Assets				
Assets				
Cash and cash equivalents	$ 4,164,410	$ 85,000	$ 4,249,410	$ 3,381,294
Due from (to) other funds	(123,218)	123,218	-	-
Prepaid expenses and other assets	312,511	-	312,511	272,923
Contributions receivable, net	3,884,471	-	3,884,471	5,385,155
Other receivables	294,342	-	294,342	243,209
Investments	15,407,958	1,241,820	16,649,778	16,887,062
Investments held in trust by others	-	6,931,458	6,931,458	6,947,331
Property and equipment, net	856,750	-	856,750	962,421
Total assets	$ 24,797,224	$ 8,381,496	$ 33,178,720	$ 34,079,395
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 2,857,044	$ -	$ 2,857,044	$ 1,599,957
Agency program support payable	6,012,334	-	6,012,334	6,968,510
Donor designations payable	1,946,115	-	1,946,115	2,200,748
Grants payable	2,427,861	-	2,427,861	2,413,085
Refundable advance - PPP	576,506	-	576,506	-
Total liabilities	13,819,860	-	13,819,860	13,182,300
Commitments and contingencies				
Net assets				
Without donor restrictions	10,977,364	-	10,977,364	12,467,982
With donor restrictions	-	8,381,496	8,381,496	8,429,113
Total net assets	10,977,364	8,381,496	19,358,860	20,897,095
Total liabilities and net assets	$ 24,797,224	$ 8,381,496	$ 33,178,720	$ 34,079,395

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Activities
Year Ended June 30, 2020
(With comparative totals for 2019)

	2020			
	Without donor restrictions	With donor restrictions	Total	2019 Total
Public support and revenue				
Campaign amounts raised	$ 14,206,464	$ 135,000	$ 14,341,464	$ 17,717,576
Add				
Contributions from other United Way campaigns, net of donor designations	90,426	-	90,426	206,419
Less				
Uncollectible contributions	(949,730)	-	(949,730)	(549,800)
Amounts designated by donors	(4,361,472)	-	(4,361,472)	(7,188,974)
Net assets released from restrictions	166,744	(166,744)	-	-
Campaign revenue, net	9,152,432	(31,744)	9,120,688	10,185,221
Other revenue				
Investment income, net of fees of $25,000	430,938	-	430,938	544,620
Income from trusts held by others	435,622		435,622	442,944
Community grants, initiatives and service income	1,160,402	-	1,160,402	1,232,611
Administrative fees on amounts raised on behalf of others	249,139	-	249,139	290,718
Rental income	87,428	-	87,428	83,192
Gifts in-kind	154,528	-	154,528	149,411
Miscellaneous/other revenue	645,182	-	645,182	103,114
Total other revenue	3,163,239	-	3,163,239	2,846,610
Total public support and revenue	12,315,671	(31,744)	12,283,927	13,031,831

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Activities
Year Ended June 30, 2020
(With comparative totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Total
Community Investment and program services				
Community support and gross funds distributed	10,361,472	-	10,361,472	13,188,974
Amounts designated by donors	(4,361,472)	-	(4,361,472)	(7,188,974)
Community Investment (program support)	6,000,000	-	6,000,000	6,000,000
Grants and initiatives	1,587,986	-	1,587,986	1,139,812
Community Investment services	1,446,940	-	1,446,940	1,661,507
Total Community Investment and program services	9,034,926	-	9,034,926	8,801,319
Support services				
Resource development	1,986,851	-	1,986,851	2,361,611
Management and general	1,192,151	-	1,192,151	1,523,861
Total support services	3,179,002	-	3,179,002	3,885,472
Total Community Investment and program services and support services	12,213,928	-	12,213,928	12,686,791
Operating income (deficit)	101,743	(31,744)	69,999	345,040
Nonoperating revenue and expenses:				
Realized (loss) gain on sale of investments	(139,801)	-	(139,801)	115,970
Change in unrealized gain on investments	46,578	-	46,578	132,547
Change in investments held in trust by others	-	(15,873)	(15,873)	(23,283)
Pension related changes other than net periodic pension cost	(1,499,138)	-	(1,499,138)	(841,430)
Change in net assets	(1,490,618)	(47,617)	(1,538,235)	(271,156)
Net assets, beginning of year	12,467,982	8,429,113	20,897,095	21,168,251
Net assets, end of year	$ 10,977,364	$ 8,381,496	$ 19,358,860	$ 20,897,095

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Cash Flows
Year Ended June 30, 2020
(With comparative totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (1,538,235)	$ (271,156)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	170,430	171,923
Increase (decrease) in allowance for uncollectible contributions	114,050	(25,069)
Change in unrealized gain on investments	(46,578)	(132,547)
Realized (gain) loss on sale of investments	139,801	(115,970)
Change in investments held in trust by others	15,873	23,283
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(39,588)	(101,011)
Contributions receivable	1,386,634	298,747
Other receivables	(51,133)	292,729
Accounts payable and accrued expenses	1,257,087	494,422
Agency program support payable	(956,176)	(536,608)
Donor designations payable	(254,633)	(260,657)
Grants payable	14,776	278,082
Net cash provided by operating activities	212,308	116,168
Cash flows from investing activities		
Purchases of property and equipment, net	(64,759)	(27,165)
Proceeds from sales of investments	2,369,000	1,412,890
Purchases of investments	(2,224,939)	(1,382,510)
Net cash provided by investing activities	79,302	3,215
Cash flows from financing activities		
Refundable advance - PPP	576,506	-
Net cash provided by financing activities	576,506	-
Net increase in cash and cash equivalents	868,116	119,383
Cash and cash equivalents, beginning	3,381,294	3,261,911
Cash and cash equivalents, end	$ 4,249,410	$ 3,381,294

See Notes to Financial Statements.

United Way, Inc. d/b/a
United Way of Central and Northeastern Connecticut

Statement of Functional Expenses
Year Ended June 30, 2020
(With comparative totals for 2019)

	2020				
		Support Services			
	Community Investment services	Resource development	Management and general	Total	2019 Total
Salaries	$ 834,113	$ 1,375,442	$ 522,083	$ 2,731,638	$ 2,892,625
Employee benefits	(66,591)	(90,642)	3,357	(153,876)	540,541
Temporary help	3,905	22,058	12,168	38,131	68,335
Total salaries and related expenses	771,427	1,306,858	537,608	2,615,893	3,501,501
Promotions	25,167	129,410	-	154,577	128,940
Other professional fees	73,491	166,797	75,596	315,884	369,962
Dues and support to United Way Worldwide	56,726	95,997	61,089	213,812	196,604
Supplies, printing and production	34,320	58,665	31,290	124,275	100,886
Occupancy	172,406	68,234	105,369	346,009	344,659
Depreciation	76,217	29,610	64,603	170,430	171,923
Rental and maintenance of equipment	12,469	21,102	13,658	47,229	45,701
Insurance	23,772	9,236	65,185	98,193	98,324
Equipment, hardware and software	25,434	25,577	62,505	113,516	136,942
Postage and shipping	494	7,652	9,381	17,527	17,260
Meetings, travel and staff development	6,740	11,392	5,386	23,518	33,653
Volunteer and agency development	3,060	4,357	5,467	12,884	9,118
Telephone	7,534	12,750	9,189	29,473	33,438
Dues, subscriptions and publications	5,015	11,978	21,441	38,434	71,722
Accounting fees	2,892	4,894	56,458	64,244	59,610
Legal fees	894	1,513	2,003	4,410	5,768
Management fees	6,251	2,429	3,800	12,480	12,460
Gifts in-kind	140,813	8,715	5,000	154,528	149,411
Miscellaneous and other	1,818	9,685	57,123	68,626	59,097
	675,513	679,993	654,543	2,010,049	2,045,478
Total functional expenses	$ 1,446,940	$ 1,986,851	$ 1,192,151	$ 4,625,942	$ 5,546,979

See Notes to Financial Statements.

Note 1 - Organization and operation

United Way, Inc. d/b/a United Way of Central and Northeastern Connecticut ("United Way") is a separate, independent non-profit organization, governed by a local volunteer board of directors. United Way has been addressing community conditions in 52 towns across central and northeastern Connecticut since 1924. United Way's mission is to engage and bring together people and resources committed to the well-being of children and families in our community. United Way's vision is a community where opportunities are available for every child to succeed in school and for every family to achieve financial security. United Way also connects individuals and families with immediate emergency assistance such as food and shelter.

Through its annual community-wide campaign and other giving options, United Way provides the opportunity for people in the community to support the causes and non-profit organizations important to them. Contributions are obtained primarily from local businesses, charitable foundations and individuals. Contributions to United Way are tax-deductible within the limitations prescribed by law.

Management believes a donation directed to United Way *Community Investment* is the single best way to make a difference in our community. Through United Way *Community Investment*, donors' gifts are invested in programs and initiatives to ensure success for children and youth, financial security for lower income families, and immediate emergency assistance for those in need. Programs funded through *Community Investment* are researched and monitored by knowledgeable staff and volunteers to ensure that donor dollars are invested in programs that produce long-lasting results and that effective non-profit management, governance, and financial accountability standards are upheld.

Note 2 - New accounting pronouncement

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

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

Note 3 - Summary of significant accounting policies

Basis of presentation

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

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

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

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

Contributions

Transactions where the resource providers often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance. Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. Unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

Liquidity information

In order to provide information about liquidity, assets have been sequenced according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their resulting use of cash.

Cash and cash equivalents

United Way considers all short-term, highly liquid investments available for current use with a maturity of three months or less when acquired to be cash equivalents.

Investments

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

Endowment and spending policy

United Way has adopted investment and spending policies for endowment assets that emphasize preservation of capital as the primary objective with a secondary objective being conservative growth. The policy is designed to preserve the real value of the investment reserves over time while providing a modest level of income for current operating needs. Funds are not intended to be used for campaign shortfalls and the spending policy is not mandatory. Endowment assets include those assets of donor-restricted funds that United Way must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

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

The Investment Spending Policy adopted by the Board of Directors allows for the withdrawal of up to 5% of the average investment portfolio balance of the preceding twenty quarters. The authorized withdrawal for the years ended June 30, 2020 and 2019 was $764,000 and $600,000. The actual withdrawal for the years ended June 30, 2020 and 2019 was $600,000 for both years. The volunteer-approved spending policy withdrawal for fiscal year 2021 is $1,145,000.

Campaign results

Campaign results are generally calculated on gross amounts raised for all campaign efforts within the 52-town region. United Way counts all funds generated where it "manages" the workplace campaign and incurs the costs to do so, either from solicitation efforts made to and/or through corporate headquarters and/or branch locations within the central and northeastern Connecticut geographic area.

United Way has the responsibility of processing a number of workplace campaigns of companies having regional and/or national work locations and whose company headquarters is based in the Greater Hartford, Connecticut region. Recognizing that other local United Ways are primarily involved with the direct solicitation of these respective company locations, United Way does not include the campaign results from these locations in the statement of activities. These campaign results are reflected on the local United Way's financial statements.

For the Connecticut State Employees' Campaign, United Way participates as a member federation. Campaign results designated to United Way and to the certified partner agencies, from state facilities based in the Greater Hartford region, have been reflected in campaign amounts raised by United Way in the accompanying statement of activities.

Property and equipment

United Way generally capitalizes expenditures for property and equipment in excess of $2,500 with a useful life of three years or greater. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over their estimated useful lives.

Estimated useful lives for financial reporting purposes are as follows:

Asset	Estimated useful lives
Building	31 years
Tenant improvements	10 - 15 years
Furniture, fixtures and equipment	3 - 5 years
Computer equipment and software	3 - 5 years
Office equipment	3 - 5 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

Donated materials and services

Donated materials and services are recorded at their estimated values at date of receipt. Community volunteers have donated significant amounts of time in assisting United Way with its fundraising efforts and *Community Investment* programs. The dollar value of these contributed services is not reflected in the financial statements because the nature of the services does not meet the specified criteria for recording.

Gifts in-kind

United Way receives in-kind contributions, which are recorded as revenue and related expense when received. In-kind contributions are reported at their estimated fair value and consist primarily of advertising.

Income taxes

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

United Way has no unrecognized tax benefits at June 30, 2020 and 2019. United Way's federal and state information returns prior to fiscal year 2017 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

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

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

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

Functional expenses - United Way categorizes its expenses to one of three functions as follows:

- Community Investment Services are the activities that result in goods and services being distributed to beneficiaries, customers and/or members that fulfill the mission of United Way. This constitutes the total direct and allocable expenses from *Community Investment*, along with administration and support to its three regional advisory boards, community initiatives and volunteer engagement opportunities within our communities.

- Resource Development includes those expenses that are directly attributable to the fundraising efforts, including the marketing of the annual United Way Community Campaign and the administration support and relationship services extended to donors.

- Management and general expenses provide for the overall support of United Way.

Accordingly, certain costs have been allocated by management based on time records and the best available estimate of the percentage of each cost element applicable to each functional area.

Subsequent events
United Way has evaluated events and transactions for potential recognition or disclosure through November 23, 2020, which is the date the financial statements were available to be issued.

Note 4 - Liquidity

United Way regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2020 and 2019, United Way has the following financial assets available to meet annual operating needs for the 2021 and 2020 fiscal years as follows:

	2020	2019
Cash and cash equivalents	$ 4,249,410	$ 3,381,294
Investments	16,649,778	16,887,062
Investments held in trust by others	6,931,458	6,947,331
Pledge receivables, net	3,884,471	5,385,155
Other receivables	294,342	243,209
Financial assets, end of year	32,009,459	32,844,051
Less:		
Assets to be held in perpetuity	(1,241,820)	(1,241,820)
Assets of fiscal intermediary (WFS)	(190,673)	(135,394)
Donor restricted cash	-	(85,000)
Assets held in trust by others	(6,931,458)	(6,947,331)
Board designated for Endowment	(15,407,958)	(15,645,242)
Financial assets available for general expenditure within one year	$ 8,237,550	$ 8,789,264

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

United Way supports its general operations primarily with campaign revenue, contributions and grants.

To deal with unplanned cash requirements that might arise, United Way can draw on its $1,500,000 line of credit.

Note 5 - Concentrations of credit risk

United Way maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. United Way has not experienced any loss in such accounts and believes that they are not exposed to any significant credit risk on cash and cash equivalents. The total uninsured cash balance at June 30, 2020 was approximately $3,450,000.

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

Note 6 - Contributions receivable and estimated allowance for uncollectible contributions

Contributions receivable, which are expected to be collected within one year, and the estimated allowance for uncollectible contributions, as of June 30, 2020 and 2019, are as follows:

	2020	2019
Gross contributions receivable		
2018/19 Campaign	$ 20,217	$ 5,950,982
2019/20 Campaign	4,544,131	-
Gross contributions receivable	4,564,348	5,950,982
Estimated allowance for uncollectible contributions		
2018/19 Campaign	-	565,827
2019/20 Campaign	679,877	-
Total estimated allowance for uncollectible contributions	679,877	565,827
Contributions receivable, net	$ 3,884,471	$ 5,385,155

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

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

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

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

An initial reserve of 3% was established for the 2018 campaign. Actual pledge loss for this campaign, based upon payment information received by United Way inclusive of direct payments by others, was 3%. An initial reserve of 5% has been established for the 2019 campaign. For the 2016 through 2018 campaigns, the average rate of pledge loss was 3%.

Note 7 - Investments

United Way values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

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

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

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

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

In determining fair value, United Way utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used during fiscal years 2020 and 2019.

Financial assets carried at fair value at June 30, 2020 are classified in the table below in one of the three categories described above:

	Total	Level 1	Level 2	Level 3
Mutual funds				
Short-term fixed income	$ 7,879,157	$ 7,879,157	$ -	$ -
Global fixed income	2,185,248	2,185,248	-	-
Alternative investments	3,246,612	3,246,612	-	-
U.S. equities	3,332,361	3,332,361	-	-
Money market fund	6,400	6,400	-	-
Investments held in trust by others	6,931,458	-	-	6,931,458
Total assets at fair value	$ 23,581,236	$ 16,649,778	$ -	$ 6,931,458

Financial assets carried at fair value at June 30, 2019 are classified in the table below in one of the three categories described above:

	Total	Level 1	Level 2	Level 3
Mutual funds				
Short-term fixed income	$ 6,212,512	$ 6,212,512	$ -	$ -
Global fixed income	3,894,172	3,894,172	-	-
Alternative investments	3,366,512	3,366,512	-	-
U.S. equities	3,386,596	3,386,596	-	-
Money market fund	27,270	27,270	-	-
Investments held in trust by others	6,947,331	-	-	6,947,331
Total assets at fair value	$ 23,834,393	$ 16,887,062	$ -	$ 6,947,331

Changes in assets measured at fair value using Level 3 inputs for the year ended June 30, 2020 are as follows:

	June 30, 2019	Net unrealized loss relating to assets held at the end of the year	Net purchases, sales, settlements	Net transfers in (out) of Level 3	June 30, 2020
Investments held in trust by others	$ 6,947,331	$ (15,873)	$ -	$ -	$ 6,931,458

Changes in assets measured at fair value using Level 3 inputs for the year ended June 30, 2019 are as follows:

	June 30, 2018	Net unrealized loss relating to assets held at the end of the year	Net purchases, sales, settlements	Net transfers in (out) of Level 3	June 30, 2019
Investments held in trust by others	$ 6,970,614	$ (23,283)	$ -	$ -	$ 6,947,331

Mutual funds and the money market fund are valued at the daily closing price as reported by the fund. Mutual funds and the money market fund held are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and the money market fund are deemed to be actively traded. Investments held in trust by others are designated as Level 3 instruments primarily because observable inputs are not readily available for their allocated portions of the portfolios, which are held by an unrelated party. The fair value is provided by management of the unrelated party and represents United Way's pro rata share of the fair value of the underlying investments. The unrelated party provides United Way with investment statements and valuations of its portion of the portfolios at year-end. The fair value was obtained from a third-party without adjustments. As such, United Way is not required to provide certain quantitative disclosures regarding the valuation methods used because they were unobtainable.

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

United Way's policy is to recognize transfers in and transfers out of the various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended June 30, 2020 and 2019.

Fair values and unrealized gains and losses of investments are summarized as follows as of June 30, 2020:

	2020		
	Cost	Market	Unrealized gains (losses)
Mutual funds			
Short-term fixed income	$ 7,815,718	$ 7,879,157	$ 63,439
Global fixed income	2,173,554	2,185,248	11,694
Alternative investments	3,138,696	3,246,612	107,916
U.S. equities	2,458,139	3,332,361	874,222
Money market fund	6,400	6,400	-
Total	$ 15,592,507	$ 16,649,778	$ 1,057,271

Fair values and unrealized gains and losses of investments are summarized as follows as of June 30, 2019:

	2019		
	Cost	Market	Unrealized gains (losses)
Mutual funds			
Short-term fixed income	$ 6,191,800	$ 6,212,512	$ 20,712
Global fixed income	4,036,644	3,894,172	(142,472)
Alternative investments	3,098,014	3,366,512	268,498
U.S. equities	2,511,169	3,386,596	875,427
Money market fund	27,270	27,270	-
Total	$ 15,864,897	$ 16,887,062	$ 1,022,165

Investment amounts are summarized in the statement of financial position as follows:

	2020	2019
Without donor restrictions	$ 15,407,958	$ 15,645,242
With donor restrictions	1,241,820	1,241,820
Total	$ 16,649,778	$ 16,887,062

The volunteers who make up the Investment Committee (a sub-committee of the Finance Committee) are charged with the responsibility for the management of the aggregate assets of the endowment of United Way. The majority of these volunteers are professionals within the investment industry. Their primary long-term objective is to preserve the real (i.e. inflation adjusted) purchasing power of all invested funds, while producing a modest income stream for support of operations and programs of United Way. To strengthen its fiduciary role, the Investment Committee utilizes the services of an independent consultant. The safekeeping of assets is maintained by a separate custodian.

Note 8 - Investments held in trust by others

Investments held in trust by others (and administered by a third-party trustee) represent the market values of United Way's rights to split-interest agreements. The interest in these assets is carried as a net asset with donor restriction in the statement of financial position. The distributed income from these investments is recorded as nonoperating revenue when received, as there are no restrictions on the use of these funds. The fair value as of June 30, 2020 and 2019 was $6,931,458 and $6,947,331, respectively. The change in the carrying value of investments held in trust by others during the years ended June 30, 2020 and 2019 was an unrealized loss of $15,873 and $23,283, respectively.

Note 9 - Property and equipment

At June 30, 2020 and 2019, the cost of property and equipment, less accumulated depreciation, is as follows:

	2020	2019
Building and land	$ 3,272,504	$ 3,236,168
Tenant improvements	170,801	170,801
Furniture, fixtures and equipment	152,276	136,910
Computer equipment and software	809,230	796,172
Office equipment	23,777	23,777
	4,428,588	4,363,828
Less accumulated depreciation	(3,571,838)	(3,401,407)
Total	$ 856,750	$ 962,421

Note 10 - Line of credit

On August 18, 2014, United Way entered into a revolving line of credit agreement (the "Line") with Webster Bank in the amount of $1,500,000 to be used as needed for general corporate purposes. This line is renewable annually as of March 31. Interest on advances is due and payable at a rate equal to either the adjusted daily LIBOR rate plus two hundred basis points, or the Base Lending Rate, as defined in the Line. The outstanding balance on the line of credit was $0 as of June 30, 2020 and 2019.

Note 11 - Agency program support

Through United Way's *Community Investment*, donors' gifts are invested by United Way volunteers in programs and initiatives with a proven track record of ensuring children are successful, families are financially stable and that basic needs are available to those in need. *Community Investment* funded programs are monitored by trained volunteers who ensure that dollars are invested in programs to produce real results and that effective non-profit management, governance and financial accountability standards are upheld. During fiscal year 2020, United Way was also able to provide emergency response grants due to the COVID-19 pandemic, which are included in the totals below.

The total agency support expense for the year ended June 30, 2020 was $6,000,000. An additional $397,500 was available from unused funds from previous year's awards due to agency closings or other circumstances Total awards to 65 organizations for 129 programs/initiatives, is summarized below:

Program service category	Amount	Percent
Youth Success	$ 3,020,000	47%
Economic Mobility	1,175,000	18
Basic Needs	1,630,500	26
Other Investments (in development)	572,000	9
	$ 6,397,500	100%

The total agency support expense for the year ended June 30, 2019 was $6,000,000 An additional $593,000 was available from unused funds from previous year's awards due to agency closings or other circumstances. Total awards to 47 organizations for 86 programs/initiatives, is summarized below:

Program service category	Amount	Percent
Ensuring Children are Successful	$ 3,256,000	49%
Family Financial Security	1,231,000	19
Basic Needs	1,717,000	26
Other investment (in development)	389,000	6
	$ 6,593,000	100%

Note 12 - Designations to others

Through the United Way Community Campaign, donors can direct their gifts to any qualified organization in the United States over which United Way exercises/retains no discretion as to use due to donor instruction. In order to qualify, an organization must meet the following three criteria: (1) fully tax exempt, (2) donations are 100% tax deductible, (3) in full compliance with The Federal Patriot Act laws. As a member of United Way Worldwide, United Way adheres to all membership criteria including the requirements for deducting administrative fees from donor-directed contributions.

Note 13 - Grants payable

Grants payable are available for the following initiatives and are as follows as of June 30:

	2020	2019
Metro Hartford Workforce Solutions Collaborative - a public/private partnership of organizations committed to ensuring a competitive, economically self-sufficient workforce with the skills needed by area employers.	$ 1,163,962	$ 1,008,455
Emerging Needs Fund (formally known as Changing Community Conditions) - funds available to invest in strategies to improve lives and change community conditions, and/or respond to emergency needs that are in alignment with United Way's community goals.	170,347	202,847
WLC Family Financial Initiative - funds available to bring adult financial services such as credit and budget workshops, one-on-one financial coaching, matched savings programs and referral services to community schools in Hartford.	578,269	453,488
Generation Work - with support from the Annie E. Casey Foundation, United Way and multiple partners aim to identify and pursue effective strategies to improve employment opportunities for young adults ages 18 to 29 by improving coordination and collaboration among industry-specific approaches and youth initiatives.	126,099	264,449
Coalition for New Britain's Youth - a citywide collaborative committed to improving the lives of New Britain's youth, birth through age 24, and working to ensure they have what they need to be successful in school, career, and life.	159,694	128,471
Working Cities - funds available to support implementation of a cross-sector, collaborative partnership to increase employment among young adults in three Hartford neighborhoods: Frog Hollow, Barry Square and South Green.	24,212	151,948
North Hartford Triple Aim Collaborate is a multi-sector team focused on population health improvement. Residents and partner organizations from the business, non-profit, healthcare and government sectors are working together to design a neighborhood-level health strategy.	94,654	114,000
Other/miscellaneous grant funding	110,624	89,427
Total grants payable	$ 2,427,861	$ 2,413,085

Note 14 - Net asset restrictions

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

	2020	2019
Net assets restricted in perpetuity:		
The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulations	$ 8,173,278	$ 8,189,151

	2020	2019
Net assets restricted to time and purpose:		
Time restrictions	$ 135,000	$ 166,745
Assigned assets - regional service areas	73,218	73,217
Total	$ 208,218	$ 239,962

Note 15 - Contributions from other United Way campaigns

This revenue is recorded on a cash basis in the financial statements, net of any pass-through amounts directed to community agencies. No fees are deducted (by United Way) on any such "donor-restricted gifts."

Note 16 - Operating leases

United Way leases certain equipment under non-cancelable operating leases which expire at various times through September 2024. Monthly aggregate payments are $5,023. United Way is responsible for maintenance, taxes and related insurance costs. Total rental expense under these leases was $47,229 and $45,701 during the years ended June 30, 2020 and 2019, respectively.

Future commitments under these leases in each of the years subsequent to June 30, 2020 are as follows:

2021	$ 22,767
2022	20,911
2023	2,512
2024	1,620
Thereafter	405
Total	$ 48,215

United Way leases portions of its administrative building to unrelated not-for-profit organizations. As of June 30, 2020, three leases were in effect which expire at various dates through December 2020. Rental income for the years ended June 30, 2020 and 2019 was $87,428 and $83,192, respectively.

Note 17 - Employee benefit plans

United Way maintains a contributory defined benefit pension plan, which vests with three years of service, and which covers substantially all of its employees at least 21 years of age with one year of service. It is United Way's policy to fund pension costs as determined by the Board of Directors, subject to the funding limitations of the Employee Retirement Income Security Act of 1974 ("ERISA").

The measurement date of this plan is June 30. The accrued benefit cost is included in accounts payable and accrued expenses in the accompanying statements of financial position:

	2020	2019
Projected benefit obligation at June 30	$ 5,175,237	$ 4,582,342
Fair value of plan assets at June 30	(3,369,474)	(3,468,657)
Under funded status	$ 1,805,763	$ 1,113,685
Accrued benefit cost recognized in the statement of financial position	$ (1,805,763)	$ (1,113,685)
Weighted average assumptions as of June 30		
Discount rate for funded status	2.25%	3.25%
Discount rate for net period benefit cost	3.25%	4.00%
Expected return on plan assets	4.00%	4.00%
Rate of compensation increase	0.00%	0.00%
Post-retirement interest rate	4.50%	5.50%
Net periodic benefit cost	$ 59,370	$ 26,514
Employer contribution	25,000	37,500
Benefits paid	159,938	190,270
Accumulated benefit obligation	5,175,237	4,582,342

The assumed long-term rate of return on assets is developed based on the allocation of the Plan's assets by investment class and the capital market outlook for each investment class. This information is provided by the Plan's investment advisor.

Retiree benefit payments, which reflect expected future service, are anticipated to be paid as follows:

2021	$ 468,000
2022	202,000
2023	370,000
2024	183,000
2025	421,000
2026-2030	944,000

The asset allocations by category as of June 30, 2020 and 2019 are as follows:

	2020	%	2019	%
Equity	$ -	0%	$ -	0%
Fixed income	-	-	-	-
General account*	3,369,474	100	3,468,657	100
	$ 3,369,474	100%	$ 3,468,657	100%

* The general account assets are invested in securities with varied maturities.

United Way sets investment guidelines with the assistance of investment professionals. These guidelines are established on market conditions, risk tolerance, funding requirements and expected benefit payments. The guidelines address the investment allocation process, selection of investment professionals and monitoring of asset performance. As pension liabilities are long-term in nature, United Way employs a long-term total return approach to maximize the long-term rate of return on plan assets for a prudent level of risk. An annual analysis on the risk versus the return of the investment portfolio is conducted to justify the expected long-term rate of return assumption.

Effective June 30, 2017, the Plan was amended to freeze all future benefit accruals under the Plan, whereby no Plan participant will earn any additional benefits and no new employees will become eligible to participate in the Plan. Final average compensation will not include any compensation earned after the effective date, and benefit accrual service will not include any service after the effective date. All participants became 100% vested in their accrued benefit as of June 30, 2017.

Pension plan assets carried at fair value at June 30, 2020 are classified in the table below:

	Level 1	Level 2	Level 3	Total
Guaranteed income fund	$ -	$ -	$ 3,369,474	$ 3,369,474
Total	$ -	$ -	$ 3,369,474	$ 3,369,474

Changes in pension plan assets measured at fair value using Level 3 inputs for the year ended June 30, 2020 are as follows:

	Balance as of June 30, 2019	Interest income	Purchases	Transfers	Sales	Balance as of June 30, 2020
Guaranteed income fund	$ 3,468,657	$ 46,819	$ 25,000	$ -	$ (171,002)	$ 3,369,474

Pension plan assets carried at fair value at June 30, 2019 are classified in the table below:

	Level 1	Level 2	Level 3	Total
Guaranteed income fund	$ -	$ -	$ 3,468,657	$ 3,468,657
Total	$ -	$ -	$ 3,468,657	$ 3,468,657

Changes in pension plan assets measured at fair value using Level 3 inputs for the year ended June 30, 2019 are as follows:

	Balance as of June 30, 2018	Interest income	Purchases	Transfers	Sales	Balance as of June 30, 2019
Guaranteed income fund	$ 3,585,180	$ 47,799	$ 37,500	$ -	$ (201,822)	$ 3,468,657

The following table represents the Plan's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments and the significant unobservable inputs and the ranges of values for those inputs:

	2020 Fair value	2019 Fair value	Valuation technique	Significant unobservable inputs	Range of significant input values	Weighted average
Guaranteed income fund	$ 3,369,474	$ 3,468,657	Discounted cash flow	Current yields of similar instruments	1.00% - 1.75%	1.38%

The guaranteed income fund is valued at fair value by discounting the cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer (Level 3).

A reconciliation of items not yet reflected in net periodic benefit cost and a component of without donor restrictions net assets is as follows for the years ended June 30, 2020 and 2019:

	June 30, 2019	Reclassified as net periodic benefit cost	Amounts arising during period	Effects of curtailment	June 30, 2020
1. Transition obligation (asset)	$ -	$ -	$ -	$ -	$ -
2. Net prior service cost (credit)	-	-	-	-	-
3. Net loss	841,430	-	657,708	-	1,499,138
	$ 841,430	$ -	$ 657,708	$ -	$ 1,499,138

	June 30, 2018	Reclassified as net periodic benefit cost	Amounts arising during period	Effects of curtailment	June 30, 2019
1. Transition obligation (asset)	$ -	$ -	$ -	$ -	$ -
2. Net prior service cost (credit)	-	-	-	-	-
3. Net loss	146,545	-	694,885	-	841,430
	$ 146,545	$ -	$ 694,885	$ -	$ 841,430

The estimated effect in the next fiscal year of items not yet reflected in net periodic benefit cost is as follows:

	July 1, 2020	Estimated amounts to be reclassified as net periodic benefit cost in 2021
1. Transition obligation	$ -	$ -
2. Net prior service cost	-	-
3. Net loss	1,499,138	72,777

No plan assets are expected to be returned to the employer during the next fiscal year.

Based on the facts and circumstances that existed at June 30, 2020, United Way expects to contribute $200,000 to the plan during fiscal year 2021. United Way believes with prudent risk tolerance and asset diversification, the plan should be able to meet its pension obligations in the future.

In addition, United Way maintains a voluntary retirement savings program for its employees. Under this 403(b) Thrift Plan, eligible employees may contribute any amount from pre-tax salary provided that total annual contributions do not exceed the maximum permitted under the Internal Revenue Code. To participate in this plan, employees must complete one year of service.

United Way makes a matching contribution, for employees with less than 20 years of service, equal to 50% of the salary reduction amount contributed during the plan year up to 3% of compensation received during the plan year. For those employees with 20 years or more of service (excluding highly compensated employees), the matching contribution is equal to 75% of the salary reduction amount contributed during the plan year up to 4.5% of compensation received during the plan year. Vesting of these matching contributions is 100% when an employee has completed three years of service. United Way's contributions during the years ended June 30, 2020 and 2019 were $33,812 and $40,306, respectively.

Note 18 - Endowment

United Way's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, United Way classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions to time and purpose until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

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

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,241,820	$ 1,241,820
Board-designated endowment funds	15,407,958	-	15,407,958
Total funds	$ 15,407,958	$ 1,241,820	$ 16,649,778

Endowment net asset composition by type of fund as of June 30, 2019 were as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,241,820	$ 1,241,820
Board-designated endowment funds	15,645,242	-	15,645,242
Total funds	$ 15,645,242	$ 1,241,820	$ 16,887,062

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

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 15,645,242	$ 1,241,820	$ 16,887,062
Investment income	424,022	31,916	455,938
Net realized and unrealized depreciation	(93,222)	-	(93,222)
Amounts appropriated for expenditure	(568,084)	(31,916)	(600,000)
Endowment net assets, end of year	$ 15,407,958	$ 1,241,820	$ 16,649,778

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 15,427,105	$ 1,241,820	$ 16,668,925
Investment income	529,747	39,873	569,620
Net realized and unrealized appreciation	248,517	-	248,517
Amounts appropriated for expenditure	(560,127)	(39,873)	(600,000)
Endowment net assets, end of year	$ 15,645,242	$ 1,241,820	$ 16,887,062

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires United Way to retain as a fund of perpetual duration. As of June 30, 2020 and 2019, there were no deficiencies of this nature.

Note 19 - Refundable advance

In April 2020, United Way received a loan in the amount of $576,506 through their bank to cover eligible costs during a 24-week period. The loan was obtained through the Paycheck Protection Program ("PPP") and is guaranteed by the Small Business Administration. Subject to certain guidelines, some or all of the loan may be forgiven. Interest on the portion of the loan that is not forgiven is charged at 1% and will be paid in 18 monthly installments of $32,282 beginning on November 15, 2020. Interest payments are deferred for the first six months. The proceeds of the loan are recognized as a refundable advance, based on Accounting Standards Codification 958-605, and are included in current liabilities on the United Way's statement of financial position.

Note 20 - Commitments and contingencies

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to the United Way's financial position, results of activities, and cash flows. United Way is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on United Way's operations continue for an extended period of time, United Way may have to seek alternative measures to finance its operations.

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