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2022

DECEMBER 31, 2022 AND 2021
Financial Statements & Independent Auditors' Report



United Way of
Benton & Franklin Counties



INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Benton & Franklin Counties
Kennewick, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Way of Benton & Franklin Counties (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, 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 Benton & Franklin Counties as of December 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of United Way of Benton & Franklin Counties and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Benton & Franklin Counties' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Benton & Franklin Counties' 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 Benton & Franklin Counties' 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.



CliftonLarsonAllen LLP

Tri-Cities, Washington
June 6, 2023

United Way of Benton & Franklin Counties

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,489,012	\$ 1,761,860
Campaign pledges receivable, net	624,882	657,232
Prepaid expenses	36,648	32,238
Grants receivable	25,409	58,705
Other assets	23,731	24,844
Total current assets	<u>2,199,682</u>	<u>2,534,879</u>
Cash value of life insurance	313,349	304,010
Investments	3,576,276	3,936,845
Land, building, and equipment, net	<u>294,931</u>	<u>340,074</u>
TOTAL ASSETS	<u>\$ 6,384,238</u>	<u>\$ 7,115,808</u>
LIABILITIES		
Accounts payable and other accrued liabilities	\$ 141,608	\$ 179,553
Community funding payable	187,500	375,000
Donor designations payable	<u>409,854</u>	<u>502,721</u>
Total liabilities	<u>738,962</u>	<u>1,057,274</u>
NET ASSETS		
Without donor restrictions	4,658,114	5,141,061
With donor restrictions	<u>987,162</u>	<u>917,473</u>
Total net assets	<u>5,645,276</u>	<u>6,058,534</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,384,238</u>	<u>\$ 7,115,808</u>

United Way of Benton & Franklin Counties

Statement of Activities and Changes in Net Assets

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Gross campaign results (2020-21)	\$ 432,203	\$ -	\$ 432,203
Less donor designations	(78,071)	-	(78,071)
Less provision for uncollectible	(17,007)	-	(17,007)
In-kind contributions	15,189	-	15,189
Net campaign revenue	<u>352,314</u>	<u>-</u>	<u>352,314</u>
Gross campaign results (2022)	-	1,219,557	1,219,557
Less donor designations	-	(449,968)	(449,968)
Less provision for uncollectible	-	(66,641)	(66,641)
In-kind contributions	-	90,629	90,629
Net campaign revenue	<u>-</u>	<u>793,577</u>	<u>793,577</u>
Other revenue			
Administrative fees	49,107	-	49,107
Other contributions and grants	338,893	-	338,893
Investment income (loss), net	(374,709)	9,339	(365,370)
Fundraising income	238,785	-	238,785
Miscellaneous income	84,930	-	84,930
Net assets released from restrictions	<u>733,227</u>	<u>(733,227)</u>	<u>-</u>
TOTAL REVENUE	<u>1,422,547</u>	<u>69,689</u>	<u>1,492,236</u>
EXPENSES			
Program services			
Community funding services	224,681	-	224,681
Community impact	377,647	-	377,647
Youth & childhood success	481,345	-	481,345
Total program services	<u>1,083,673</u>	<u>-</u>	<u>1,083,673</u>
Supporting services			
Management and general	412,277	-	412,277
Fundraising	409,544	-	409,544
Total supporting services	<u>821,821</u>	<u>-</u>	<u>821,821</u>
TOTAL EXPENSES	<u>1,905,494</u>	<u>-</u>	<u>1,905,494</u>
CHANGES IN NET ASSETS	(482,947)	69,689	(413,258)
NET ASSETS, BEGINNING OF YEAR	<u>5,141,061</u>	<u>917,473</u>	<u>6,058,534</u>
NET ASSETS, END OF YEAR	<u>\$ 4,658,114</u>	<u>\$ 987,162</u>	<u>\$ 5,645,276</u>

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

United Way of Benton & Franklin Counties

Statement of Activities and Changes in Net Assets

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Gross campaign results (2020-21)	\$ 1,572,602	\$ -	\$ 1,572,602
Less donor designations	(149,520)	-	(149,520)
Less provision for uncollectible	(40,686)	-	(40,686)
In-kind contributions	2,741	-	2,741
Net campaign revenue	<u>1,385,137</u>	<u>-</u>	<u>1,385,137</u>
Gross campaign results (2021-22)	-	1,301,322	1,301,322
Less donor designations	-	(483,583)	(483,583)
Less provision for uncollectible	-	(73,197)	(73,197)
In-kind contributions	-	102,433	102,433
Net campaign revenue	<u>-</u>	<u>846,975</u>	<u>846,975</u>
Other revenue			
Administrative fees	56,655	-	56,655
Paycheck protection program loan forgiveness	348,152	-	348,152
Other contributions and grants	208,692	-	208,692
Investment income, net	323,576	22,262	345,838
Fundraising income	184,417	-	184,417
Miscellaneous income	18,089	-	18,089
Net assets released from restrictions	<u>1,085,217</u>	<u>(1,085,217)</u>	<u>-</u>
TOTAL REVENUE	<u>3,609,935</u>	<u>(215,980)</u>	<u>3,393,955</u>
EXPENSES			
Program services			
Community funding services	596,171	-	596,171
Community impact	315,779	-	315,779
Youth & childhood success	233,435	-	233,435
Total program services	<u>1,145,385</u>	<u>-</u>	<u>1,145,385</u>
Supporting services			
Management and general	428,831	-	428,831
Fundraising	425,773	-	425,773
Total supporting services	<u>854,604</u>	<u>-</u>	<u>854,604</u>
TOTAL EXPENSES	<u>1,999,989</u>	<u>-</u>	<u>1,999,989</u>
CHANGES IN NET ASSETS	1,609,946	(215,980)	1,393,966
NET ASSETS, BEGINNING OF YEAR	<u>3,531,115</u>	<u>1,133,453</u>	<u>4,664,568</u>
NET ASSETS, END OF YEAR	<u>\$ 5,141,061</u>	<u>\$ 917,473</u>	<u>\$ 6,058,534</u>

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

United Way of Benton & Franklin Counties

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services			Total Program Services	Support Services			Total Support Services
	Community Funding Services	Community Impact	Youth & Childhood Success		Management and General	Fundraising	Support Services	
Community funds awarded	\$ 187,500	\$ -	\$ -	\$ 187,500	\$ -	\$ -	\$ -	\$ 187,500
Salaries	14,347	194,895	313,231	522,473	223,151	169,653	392,804	915,277
Employment taxes and benefits	3,927	53,343	51,087	108,357	61,076	45,778	106,854	215,211
Total salaries, taxes and benefits	18,274	248,238	364,318	630,830	284,227	215,431	499,658	1,130,488
Occupancy	834	7,261	592	8,687	1,201	1,581	2,782	11,469
Communication	203	2,756	1,304	4,263	3,156	2,350	5,506	9,769
Insurance	212	2,875	1,298	4,385	3,292	2,451	5,743	10,128
Dues and subscriptions	1,007	2,609	1,334	4,950	9,897	8,831	18,728	23,678
Marketing and advertising	113	3,074	11,976	15,163	563	1,419	1,982	17,145
Printing and supplies	8,104	16,709	32,353	57,166	10,076	12,745	22,821	79,987
Postage	90	938	435	1,463	1,484	2,104	3,588	5,051
Conferences and transportation	175	4,577	19,087	23,839	1,817	2,541	4,358	28,197
Professional fees	1,813	24,632	12,969	39,414	50,355	21,000	71,355	110,769
Repairs and maintenance	856	7,616	781	9,253	1,684	1,934	3,618	12,871
Special events	243	3,340	5,199	8,782	257	64,352	64,609	73,391
Payments to affiliates	916	12,446	5,618	18,980	14,250	10,610	24,860	43,840
Other expenses	-	-	1,147	1,147	165	4,647	4,812	5,959
Total cash expenses	220,340	337,071	458,411	1,015,822	382,424	351,996	734,420	1,750,242
Marketing and advertising	547	7,529	20,241	28,317	-	4,383	4,383	32,700
Printing and supplies	-	-	-	-	651	-	651	651
Professional fees	-	-	-	-	23,738	-	23,738	23,738
Special events	-	-	-	-	-	45,968	45,968	45,968
Total non-cash expenses	547	7,529	20,241	28,317	24,389	50,351	74,740	103,057
Total expenses before depreciation	220,887	344,600	478,652	1,044,139	406,813	402,347	809,160	1,853,299
Depreciation	3,794	33,047	2,693	39,534	5,464	7,197	12,661	52,195
Total functional expenses	\$ 224,681	\$ 377,647	\$ 481,345	\$ 1,083,673	\$ 412,277	\$ 409,544	\$ 821,821	\$ 1,905,494

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

United Way of Benton & Franklin Counties

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services			Support Services		Total
	Community Funding Services	Community Impact	Youth & Childhood Success	Total Program Services	Management and General	
Community funds awarded	\$ 526,143	\$ -	\$ -	\$ 526,143	\$ -	\$ 526,143
Salaries	33,476	154,793	142,411	330,680	244,083	419,390
Employment taxes and benefits	9,760	45,094	25,370	80,224	71,406	121,464
Total salaries, taxes and benefits	43,236	199,887	167,781	410,904	315,489	540,854
Occupancy	804	7,006	571	8,381	1,159	2,685
Communication	420	1,941	795	3,156	3,061	5,187
Insurance	403	1,864	647	2,914	2,939	4,980
Dues and subscriptions	558	1,919	667	3,144	9,763	23,629
Marketing and advertising	74	2,138	3,945	6,157	539	1,845
Printing and supplies	8,873	12,162	18,071	39,106	10,414	19,646
Postage	172	868	258	1,298	1,867	3,875
Conferences and transportation	906	674	3,507	5,087	2,067	4,398
Professional fees	4,617	21,349	14,395	40,361	53,606	76,981
Repairs and maintenance	921	7,681	729	9,331	1,817	3,830
Special events	37	168	59	264	113	48,813
Payments to affiliates	1,866	8,628	2,997	13,491	13,604	23,050
Other expenses	-	-	1,391	1,391	465	4,465
Total cash expenses	589,030	266,285	215,813	1,071,128	416,903	764,238
Marketing and advertising	2,342	10,722	17,611	30,675	-	8,890
Printing and supplies	7	30	11	48	-	25
Professional fees	-	-	-	-	4,687	4,687
Special events	-	-	-	-	-	60,850
Total non-cash expenses	2,349	10,752	17,622	30,723	4,687	74,452
Total expenses before depreciation	591,379	277,037	233,435	1,101,851	421,590	838,690
Depreciation	4,792	38,742	-	43,534	7,241	15,914
Total functional expenses	\$ 596,171	\$ 315,779	\$ 233,435	\$ 1,145,385	\$ 428,831	\$ 854,604
						\$ 1,999,989

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

United Way of Benton & Franklin Counties

Statement of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (413,258)	\$ 1,393,966
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	52,195	59,448
Unrealized (gain) loss on investments	363,737	(223,928)
Realized (gain) loss on investments	85,805	(26,875)
Bad debt expense	83,648	113,883
Net increase in cash value of life insurance	(9,339)	(22,262)
Changes in assets and liabilities:		
Campaign pledges receivable	(51,298)	61,244
Prepaid expenses	(4,410)	1,484
Grants receivable	33,296	(58,469)
Other assets	1,113	(5,064)
Accounts payable and other accrued liabilities	(37,945)	55,473
Allocations payable to community partners	(187,500)	(165)
Donor designations payable	(92,867)	(91,294)
Paycheck protection program loan payable	-	(168,600)
Total adjustments	236,435	(305,125)
Net cash provided (used) by operating activities	(176,823)	1,088,841
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,119,838	143,915
Purchase of investments	(1,208,811)	(309,220)
Purchase of equipment	(7,052)	(13,413)
Net cash used by investing activities	(96,025)	(178,718)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(272,848)	910,123
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,761,860	851,737
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,489,012	\$ 1,761,860

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 1 - ORGANIZATION

The mission of United Way of Benton & Franklin Counties (United Way) is to improve lives and strengthen communities. We build collaborations with individuals, businesses, and nonprofits to address challenges that no one agency can solve alone to provide the building blocks of opportunity - education, income, and health - that every person needs to thrive. Together, we're solving our region's biggest problems and creating lasting change.

Since 1958, our partnerships with donors, nonprofits, businesses, and volunteers have continued to build a stronger community.

84,000 people received services in 2022 because of funds placed by our United Way with local nonprofits. This included our grants to 13 organizations which provided:

- 509 children with support for health and wellness
- 281 parents/caregivers with training and support
- 546 K-12 students with support for their academic success
- 27,082 children and their families with food, shelter, diapers, and basic needs

Our **Attendance Matters**® mentoring program supported 250 chronically absent students in 11 local middle schools in 2022; these students experienced a 54% drop in chronic absenteeism and an increase in grades. This Ameri-Corps supported program operates in six local school districts.

Our United Way facilitated the placement of \$482,000 during 2022 in FEMA Emergency Food and Shelter funds, bringing the total to over \$1 million in these funds we've placed with local nonprofits over the last three years.

In 2022, donors and companies enabled our United Way to provide funds to more than 270 not-for-profit organizations doing work within Benton and Franklin Counties.

Community Impact Funding Process

In the years 2021 and 2020, we updated our region's Community Report Card which tracks the health and safety of our population on 21 key metrics. We augmented this data by conversations with local nonprofit, public safety, and health-related organizations to better understand current pandemic-impacted conditions, particularly service gaps that disproportionately impacted vulnerable populations. The synthesis of this information was provided with an open call for proposals from nonprofits who support children and their parents/caregivers. Volunteers evaluated bids against the published minimum criteria to address our community's areas of greatest need aligned with measurable outcomes, built on a solid foundation of organizational financial accountability, and relevant experience. This process enabled United Way to allocate funds to local health and human service providers who deliver effective and efficient services in Benton and Franklin Counties. Programs report progress against the agreed-upon outcomes every six months.

In 2022, we collected mid-term and year-end reports from our funded agencies. Volunteers evaluated these reports against minimum criteria to ensure progress towards goals agreed upon in the application for funding. We also continued conversations with local nonprofit, public safety, and health-related organizations to better understand community conditions and service gaps in preparation for our next community funding cycle.

United Way Annual Campaign

United Way solicits donations and campaign pledges from businesses and individuals residing primarily in Benton and Franklin Counties of Washington State. The annual fundraising campaign is United Way's principal source of revenue and can be affected by economic conditions. A decrease in contributions could affect the United Way's ability to provide services and allocate resources to the community.

United Way provides a "Donor Choice" program, which was established to meet the changing needs of donors. Donors may designate their pledge to qualified 501(c)(3) not-for-profit agencies.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 1 – ORGANIZATION (Continued)

Grants and Contracts

Serve Washington Grants – In 2021, United Way of Benton & Franklin Counties completed the last five months of its planning grant with AmeriCorps/Serve WA and successfully won an operational grant for \$224,674 to support the launch of a lunchtime mentoring program in local middle schools during the 2021-2022 school year. As a result of the operational grant 15 AmeriCorps members were hired and trained. They connect with an average of 350 students, in 11 middle schools, on a weekly basis.

In 2022, United Way of Benton & Franklin Counties completed the last 7 months of the 2021-2022 operational grant with Serve Washington. We were also awarded a 2022-2023 operational grant from Serve Washington for \$315,434 to hire and supervise 18 AmeriCorps members placed in 11 middle schools.

2020 COVID Response Fund Grant – During 2020, United Way was the recipient of a grant from the Bill & Melinda Gates Foundation. Community review teams evaluated agency proposals and awarded 12 grants to local nonprofits who address critical gaps in mental and behavioral health services and basic needs to support people in our bi-county area as they recover from the impacts of COVID-19. Grantee funding concluded in 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of United Way of Benton & Franklin Counties have been prepared on the accrual basis of accounting.

Financial Statement Presentation

United Way of Benton & Franklin Counties reports information regarding its financial position and activities to two classes of net assets: with donor restrictions and without donor restrictions.

Net assets without donor restrictions – Net assets presently available for use by United Way of Benton & Franklin Counties at the discretion of management and the Board.

Net assets with donor restrictions – Net assets subject to donor restrictions that will be satisfied either by the passage of time or by actions of United Way of Benton & Franklin Counties. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

United Way recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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 upon which they depend have been met. A portion of United Way's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the occurrence of allowable qualifying expenses. Amounts received are recognized as revenue when United Way has incurred expenditures in compliance with specific contract or grant provisions.

United Way recognizes revenue from administrative fees when the services are provided. The performance obligation of delivering this service is simultaneously received and consumed, therefore, the revenue is recognized over time.

United Way records fundraising income equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period, are reported as without donor restrictions.

United Way records the value of contributed goods, services, or equipment when there is an objective basis available to measure their value. Contributed goods, services, or equipment are reflected as in-kind contributions in the accompanying statements of activities and changes in net assets at their estimated fair values at the date for receipt. In-kind contributions are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, United Way reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Total contributed goods, services, or equipment recognized as revenue amounted to \$105,818 and \$105,174 for the years ended December 31, 2022 and 2021, respectively, with no donor-imposed restrictions.

Contributed Services

United Way recognized contributed professional services in the amount of \$23,738 and \$4,687 for the years ended December 31, 2022 and 2021, respectively, with no donor-imposed restrictions. Recognized contributed services were related to financial planning, and audit & accounting services.

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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments and Credit Risk

United Way manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the United Way has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is limited due to high historical collection rates.

Functional Allocation of Expenses

The costs of providing program services and other costs are reported on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support service centers that benefit from such costs. Payroll and related costs are allocated to functional cost centers based upon the time personnel devote to each cost center. Other costs are allocated based on reasonable estimates determined by management. All allocation methods are reviewed and revised when necessary to reflect changes in the nature, level of activities, and the delivery of services.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit, and highly liquid short-term investments with maturity of 90 days or less at the time of acquisition. United Way regularly maintains cash balances in excess of federally insured limits.

Promises to Give

Pledges for contributions are recorded when received and allowances are provided for amounts estimated to be uncollectible (see Note 3).

Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are presented in the financial statements at fair market value, with the resulting realized and unrealized gains and losses included in the statement of activities and changes in net assets. The United Way investment policy identifies an acceptable and appropriate investment strategy. Emphasis is placed on capital growth, preservation of purchasing power and diversification of risk.

Land, Building, and Equipment

Land, building, and equipment with costs of \$1,500 or more are recorded at cost for purchased items and estimated fair market value for assets donated. Depreciation is determined using the straight-line method based on estimated useful lives of 3 to 35 years. Assets received with donor restrictions whose restrictions are met in the same year they are received are reported as without donor restriction. Gifts of long-lived assets or gifts of cash restricted to purchase long-lived assets without stipulations about how long the assets must be used are reported as without donor restriction.

Fair Value of Financial Instruments

United Way categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that United Way can access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

Subsequent to initial recognition, United Way may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. United Way has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future. There have been no changes in the methodologies used on December 31, 2022 and 2021.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Under provisions of Section 501(c)(3) of the Internal Revenue Code, United Way is exempt from federal income taxes, except for net income from unrelated business activities. As of December 31, 2022, and 2021, United Way had no unrelated business activities subject to federal income tax.

Management has evaluated United Way's tax positions and concluded that United Way had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of ASC 740-10.

Advertising

Costs incurred for advertising are expensed when incurred. Advertising costs for the years ending December 31, 2022 and 2021 were \$17,145 and \$8,002, respectively. In-kind advertising costs for the years ended December 31, 2022 and 2021 were \$32,700 and \$39,565, respectively.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as 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 the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. United Way did not have any leases in 2022, however, the standard will be implemented on any future leases.

United Way changed accounting policies related to contributed nonfinancial assets by adopting FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in 2022. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

NOTE 3 - CAMPAIGN PLEDGES RECEIVABLE

Campaign pledges receivable are composed of the following on December 31:

	2022	2021
Campaign pledges receivable	\$ 781,727	\$ 910,817
Less allowance for uncollectible pledges	156,845	253,585
Campaign pledges receivable, net	<u>\$ 624,882</u>	<u>\$ 657,232</u>

The allowance for uncollectible pledges is based upon a historical average pledge loss and is adjusted for current economic factors as determined appropriate by management. The allowance is applied to the gross campaign, including donor designations.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 4 - LAND, BUILDING, AND EQUIPMENT

Land, building, and equipment consisted of the following on December 31:

	2022	2021
Land	\$ 52,000	\$ 52,000
Building	913,785	915,289
Equipment	239,585	240,906
	<u>\$ 1,205,370</u>	<u>\$ 1,208,195</u>
Less accumulated depreciation	910,439	868,121
	<u>\$ 294,931</u>	<u>\$ 340,074</u>

Depreciation expense amounted to \$52,195 and \$59,448 for the years ended December 31, 2022 and 2021, respectively.

NOTE 5 - COMMUNITY FUNDING AND DONOR DESIGNATIONS PAYABLE

Community Funding

United Way of Benton & Franklin Counties' Community Impact funding process includes an open bid invitation. Volunteers evaluate bids against minimum criteria which included, among others, alliance with the Community Impact Strategic Plan, meeting outcomes and prior experience. The open bid process is a multi-year funding cycle. Programs are evaluated to stated outcomes to determine funding continuation year.

Community funding payable consisted of the following on December 31:

	2022	2021
Community Impact funding	<u>\$ 187,500</u>	<u>\$ 375,000</u>

Donor Designations

Cash contributions and pledges designated by donors to specific organizations are considered agency transactions as defined by ASC 958. As such, United Way considers these amounts raised on behalf of others.

Donor designations payable consisted of the following on December 31:

	2022	2021
Community Agencies	\$ 189,180	\$ 310,971
Alexis de Tocqueville	220,674	191,750
	<u>\$ 409,854</u>	<u>\$ 502,721</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN

On April 14, 2020, the United Way received proceeds in the amount of \$168,600 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. As of December 31, 2020, the Organization has not satisfied the performance barriers attributable to the loan proceeds, and this amount is classified as Paycheck Protection Program Loan in the accompanying statements of financial position. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. As of March 9, 2021, the SBA has formally forgiven all of United Way's obligation under this loan.

On February 25, 2021, the United Way received proceeds in the amount of \$179,552 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the second round of the Paycheck Protection Program.

As of September 3, 2021, the SBA has formally forgiven all of the United Way's obligation under these loans. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the United Way's financial position.

United Way recognized \$348,152 as other revenue for the debt forgiven during the year ended December 31, 2021.

NOTE 7 - NET ASSETS

The establishment and maintenance of reserves is a prudent business practice. Adequate reserves without donor restrictions enable United Way to support strategic business practices, and to manage cash flow interruptions due to deficiencies in revenue attainment, larger than expected pledge receivable write-offs, business interruption with a major employer, or community disaster. The Board of Directors has designated net assets without donor restrictions for the following purposes:

Working Capital Fund

The intent of the working capital reserve fund is to effectively manage and address current ongoing financial obligations such as budgeted expenses and agency and community services payments. The Working Capital Fund is fully funded.

Operating Reserve Fund

The intent of the operating reserve is to meet the operating needs of the organization. Funds may also be used for unanticipated, unbudgeted operating needs not covered by annual revenue. The Operating Reserve Fund is fully funded.

Community Investment Reserve Fund

This fund is used to meet strategic or emergent community needs identified by the Board of Directors. The Community Investment Reserve Fund is fully funded.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 7 - NET ASSETS (Continued)

Capital Asset Fund

Amounts have been designated for new and replacement capital purchases as approved by the Board of Directors. In 2018, the Board approved additional funding for a major capital renewal project to renovate United Way's 25-year-old office and training center. The funding basis is \$100,000 and is funded at \$155,332 for the years ended December 31, 2022 and 2021.

New Programs/Emerging Needs

Amounts designated to this fund are for new programs and needs not covered by the current community impact funding process. This fund is not restricted to current United Way service providers. Multi-year provisional grants for a new program are permissible. A process separate from the routine annual allocations process is utilized to request, screen, and evaluate proposals, and recommend funding for new program areas. The funding basis shall be as designated by the Board of Directors.

United Way Quasi Endowment

In 1991, the Board of Directors created a permanent fund where annual investment income from the quasi-endowment funds would be used to underwrite the cost of administration, pledge loss, and fundraising expenses. This would allow the proceeds of an annual fundraising campaign to be utilized for community needs. Investment income from the United Way Endowment should be retained in the fund until the minimum endowment objective is reached. The board-designated endowment funds are included in net assets without donor restrictions. Donor-designated endowment funds are included in net assets with donor restrictions. The Board of Directors determines the funding basis.

Strategic Initiative Fund

The strategic initiative fund was established in 2021 to fund direct community impact initiatives to fill gaps in services needed for long-term change in Benton and Franklin Counties. The strategic initiative fund is fully funded.

Community Impact Endowment Amount Available for Distribution

In 2013, United Way received an endowed gift of \$442,063. Per the Endowment Policy, there were no earnings available for distribution for the year ended December 31, 2022 or 2021.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 7 - NET ASSETS (Continued)

Net assets without donor restrictions are composed of the following on December 31:

	<u>2022</u>	<u>2021</u>
Board Designated:		
Working Capital Fund	\$ 688,529	\$ 572,488
Operating Reserve Fund	447,926	383,665
Community Investment Reserve Fund	54,688	153,458
Capital Asset Fund	155,332	155,332
New Programs/Emerging Needs	73,713	93,974
United Way Quasi Endowment - General	1,631,737	1,885,394
Strategic Impact Fund	802,060	845,916
Supplemental Program Funding	4,962	4,962
Accumulated Reserve Fund	504,236	705,798
Investment in Land, Building, and Equipment (net)	294,931	340,074
	<u>\$ 4,658,114</u>	<u>\$ 5,141,061</u>

Net assets with donor restrictions are restricted for the following purposes on December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose or period:		
Time restricted current year campaign results	\$ 215,624	\$ 154,511
Programmatic support, grant funds received	13,827	14,590
Total subject to expenditure for specific purpose or period	<u>229,451</u>	<u>169,101</u>
Endowments subject to United Way's spending policy:		
Investments in perpetuity to support:		
General Endowment – Cash Value of Life Insurance	313,349	304,010
General Endowment	2,299	2,299
Community Impact Endowment	442,063	442,063
Endowments subject to United Way's spending policy	<u>757,711</u>	<u>748,372</u>
	<u>\$ 987,162</u>	<u>\$ 917,473</u>

Net assets with donor restrictions released on December 31:

	<u>2022</u>	<u>2021</u>
Time restrictions met during campaign	\$ 732,464	\$ 930,807
Programmatic support, grant funds used	763	154,410
	<u>\$ 733,227</u>	<u>\$ 1,085,217</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 8 - RETIREMENT PLAN

On July 1, 2020 United Way adopted the Columbia Basin Non-Profit Association 401(k) Qualified Retirement Multi-Employer Plan to provide employees with the opportunity to save for retirement on a tax-advantaged basis. Prior to July 1, 2020 United Way participated in a tax-deferred annuity retirement plan that was subject to the provisions of Section 403(b) of the Internal Revenue Code.

Employees of United Way meeting the prescribed length of service and age requirements are covered under provisions of the Plan. Nondiscretionary contributions were 5% of qualified compensation. United Way also provided a percentage match not to exceed 7% of qualified compensation. Total retirement plan expense was \$58,290 and \$63,382, respectively, for the years ended December 31, 2022 and 2021.

NOTE 9 - FAIR VALUE DISCLOSURES

United Way uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how United Way measures fair value, refer to Note 2, Summary of Significant Accounting Policies.

Financial Instruments Recorded at Fair Value

The fair values of available-for-sale investments are estimated based on quoted prices in active markets for identical assets. The following tables present the fair value hierarchy for the balance of the assets and liabilities of United Way measured at fair value on a recurring basis as of December 31:

	2022			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Bonds	\$ 16	\$ 16	\$ -	\$ -
Exchange-Traded Funds	564,701	564,701	-	-
Mutual funds	3,011,559	3,011,559	-	-
	<u>\$ 3,576,276</u>	<u>\$ 3,576,276</u>	<u>\$ -</u>	<u>\$ -</u>
	2021			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Bonds	\$ 29	\$ 29	\$ -	\$ -
Mutual funds	3,936,816	3,936,816	-	-
	<u>\$ 3,936,845</u>	<u>\$ 3,936,845</u>	<u>\$ -</u>	<u>\$ -</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 10 - ENDOWMENTS

United Way's endowments consist of mutual funds, bond funds, and capital markets and were established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), 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.

Interpretation of Relevant Law

The Board of Directors of United Way has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 net assets with donor restrictions as (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 as net assets with donor restrictions as is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted Endowment funds:			
Community Impact Endowment funds	\$ -	\$ 442,063	\$ 442,063
General Endowment funds	-	315,648	315,648
Board-designated Endowment funds	1,631,737	-	1,631,737
Total funds	<u>\$ 1,631,737</u>	<u>\$ 757,711</u>	<u>\$ 2,389,448</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 10 - ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted Endowment funds:			
Community Impact Endowment funds	\$ -	\$ 442,063	\$ 442,063
General Endowment funds	-	306,309	306,309
Board-designated Endowment funds	1,885,394	-	1,885,394
Total funds	<u>\$ 1,885,394</u>	<u>\$ 748,372</u>	<u>\$ 2,633,766</u>

Changes in endowment net assets for the year ended December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,885,394	\$ 748,372	\$ 2,633,766
Investment Return:			
Net investment income (Loss)	<u>(253,657)</u>	<u>9,339</u>	<u>(244,318)</u>
Endowment net assets, end of year	<u>\$ 1,631,737</u>	<u>\$ 757,711</u>	<u>\$ 2,389,448</u>

Changes in endowment net assets for the year ended December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,606,236	\$ 726,110	\$ 2,332,346
Investment Return:			
Net investment income (Loss)	<u>279,158</u>	<u>22,262</u>	<u>301,420</u>
Endowment net assets, end of year	<u>\$ 1,885,394</u>	<u>\$ 748,372</u>	<u>\$ 2,633,766</u>

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 10 - ENDOWMENTS (Continued)

Return Objectives and Risk Parameters

United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that provides a balance that will enhance total return while avoiding undue risk concentration in any single asset class or category. The performance goal of the Endowment shall be measured as time-weighted rates of return compared to appropriate capital market indices.

Strategies Employed for Achieving Objectives

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

Spending Policy

It is the policy of United Way to maintain a minimum principal value plus annual contributions adjusted for inflation at the end of each calendar year. This is consistent with United Way's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Once each Endowment goal has been achieved distribution amounts will be calculated annually per the Board Approved Endowment Policy. There is a minimum distribution of \$5,000 to help stabilize endowed funds in the event of weak market results or deflation and will maintain low administration costs. In establishing this policy, United Way considered the long-term expected return on its endowment.

United Way of Benton & Franklin Counties

Notes to Financial Statements

NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES

United Way's financial assets available within one year of the statement of financial position date for general expenditures are as follows on December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalent	\$ 1,489,012	\$ 1,761,860
Campaign pledges receivable, net	624,882	657,232
Grants receivable	25,409	58,705
Investments	3,576,276	3,936,845
Cash value of life insurance	313,349	304,010
Total financial assets available within one year	<u>6,028,928</u>	<u>6,718,652</u>
Less amounts unavailable for general expenditures within one year:		
Time restricted current year campaign results	215,624	154,511
Programmatic support, grant funds received	13,827	14,590
Endowments subject to United Way's spending policy	<u>757,711</u>	<u>748,372</u>
Total amounts unavailable for general expenditures within one year	<u>987,162</u>	<u>917,473</u>
Less amounts unavailable to management without Board approval:		
Board designated less investment in land, building, and equipment (net)	<u>4,363,183</u>	<u>4,800,987</u>
Total amounts available for general expenditures within one year	<u>\$ 678,583</u>	<u>\$ 1,000,192</u>

As part of the United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. United Way invests cash in excess of cash flow requirements in short-term investments.

NOTE 12 - RELATED PARTY TRANSACTIONS

United Way paid dues to the national organization, United Way Worldwide, of \$43,840 and \$36,541, respectively, for the years December 31, 2022 and 2021.

United Way also received campaign contributions from members of its Board of Directors of \$77,029 and \$68,474, respectively, for the years December 31, 2022 and 2021.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 6, 2023, which is the date the financial statements were available to be issued.