

**UNITED WAY OF TUCSON AND
SOUTHERN ARIZONA, INC. AND
UNITED WAY CAPITAL CORPORATION**

YEARS ENDED JUNE 30, 2021 AND 2020

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION
YEARS ENDED JUNE 30, 2021 AND 2020**

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Independent Auditors' Report

Board of Directors and Management
United Way of Tucson and Southern Arizona, Inc.
and United Way Capital Corporation
Tucson, Arizona

We have audited the accompanying consolidated financial statements of United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation (the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation as of June 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 30 through 31 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Beach Fleishman PC

Tucson, Arizona
November 17, 2021

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

| | ASSETS | |
|---|-----------------------------------|---------------|
| | 2021 | 2020 |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,581,278 | \$ 4,828,395 |
| Certificates of deposit | 9,467,033 | 373,225 |
| Short-term investments | 4,900,912 | 3,680,459 |
| Government grants receivable | 1,517,151 | 1,563,953 |
| Pledges receivable, current, net | 2,210,325 | 2,481,954 |
| Other receivables | 44,651 | 28,845 |
| Prepaid expenses and deposits | 117,480 | 99,898 |
| Total current assets | 23,838,830 | 13,056,729 |
| Long-term pledges receivable | 428,884 | 942,906 |
| Long-term investments with donor restrictions | 1,904,504 | 1,683,682 |
| Beneficial interest in funds held by others | - | 168,712 |
| Cash surrender value of life insurance | 17,029 | 16,186 |
| Property and equipment, net | 2,879,193 | 3,167,282 |
| Total assets | \$ 29,068,440 | \$ 19,035,497 |
| | LIABILITIES AND NET ASSETS | |
| Current liabilities: | | |
| Accounts payable | \$ 262,051 | \$ 107,068 |
| Subrecipient awards payable | 560,498 | 572,628 |
| Accrued expenses and other liabilities | 828,214 | 592,572 |
| Custodial and agency liabilities | 544,712 | 660,494 |
| Capital lease obligations, current portion | 5,653 | 5,431 |
| Refundable security deposits | 10,752 | 12,808 |
| Annuity obligations, current portion | 7,853 | 7,390 |
| Deferred revenue and support | 244,842 | 821,920 |
| Total current liabilities | 2,464,575 | 2,780,311 |
| Capital lease obligations, net of current portion | 13,050 | 18,702 |
| Long-term annuity obligations | 53,569 | 61,422 |
| Total liabilities | 2,531,194 | 2,860,435 |
| Commitments and contingencies | | |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 15,418,596 | 4,278,546 |
| Designated for donor advised funds | 1,257,285 | 1,076,257 |
| Board designated reserves | 1,594,721 | 1,721,178 |
| Invested in property and equipment | 2,860,490 | 3,143,149 |
| Total net assets without donor restrictions | 21,131,092 | 10,219,130 |
| With donor restrictions | 5,406,154 | 5,955,932 |
| Total net assets | 26,537,246 | 16,175,062 |
| Total liabilities and net assets | \$ 29,068,440 | \$ 19,035,497 |

See notes to consolidated financial statements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| | Without donor restrictions | With donor restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Revenue, support and gains: | | | |
| Total campaign support | \$ 3,450,299 | \$ 1,699,672 | \$ 5,149,971 |
| Less amounts raised on behalf of others | <u>(687,946)</u> | <u>-</u> | <u>(687,946)</u> |
| | 2,762,353 | 1,699,672 | 4,462,025 |
| Less provision for uncollectible pledges | <u>(178,361)</u> | <u>-</u> | <u>(178,361)</u> |
| Net campaign support | 2,583,992 | 1,699,672 | 4,283,664 |
| Government grants | 375,147 | 6,120,658 | 6,495,805 |
| Other gifts, grants and scholarships | 10,086,207 | 1,149,319 | 11,235,526 |
| Donated rent, materials and services | 112,156 | 9,826 | 121,982 |
| Service fee income | 100,499 | - | 100,499 |
| Rent revenue | 647,083 | - | 647,083 |
| Investment income, net | 853,557 | 169,358 | 1,022,915 |
| Net assets released from restriction | <u>9,711,405</u> | <u>(9,711,405)</u> | <u>-</u> |
| Total revenue, support and gains | 24,470,046 | (562,572) | 23,907,474 |
| Allocations and expenses: | | | |
| Program services: | | | |
| Collective impact: | | | |
| Allocations and grants | 2,531,046 | - | 2,531,046 |
| Less amounts raised on behalf of others | <u>(687,946)</u> | <u>-</u> | <u>(687,946)</u> |
| | 1,843,100 | - | 1,843,100 |
| Subrecipient awards | 4,956,354 | - | 4,956,354 |
| Other collective impact expenses | <u>3,860,944</u> | <u>-</u> | <u>3,860,944</u> |
| | 10,660,398 | - | 10,660,398 |
| Office rental expense to nonprofits | <u>835,762</u> | <u>-</u> | <u>835,762</u> |
| Total program services | 11,496,160 | - | 11,496,160 |
| Fundraising | 1,069,098 | - | 1,069,098 |
| Management and general | <u>980,032</u> | <u>-</u> | <u>980,032</u> |
| Total allocations and expenses | <u>13,545,290</u> | <u>-</u> | <u>13,545,290</u> |
| Change in net assets before fund transfers | 10,924,756 | (562,572) | 10,362,184 |
| Transfers per donor request | <u>(12,794)</u> | <u>12,794</u> | <u>-</u> |
| Change in net assets | 10,911,962 | (549,778) | 10,362,184 |
| Net assets, beginning | <u>10,219,130</u> | <u>5,955,932</u> | <u>16,175,062</u> |
| Net assets, ending | <u>\$ 21,131,092</u> | <u>\$ 5,406,154</u> | <u>\$ 26,537,246</u> |

See notes to consolidated financial statements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Revenue, support and gains: | | | |
| Total campaign support | \$ 3,675,000 | \$ 1,678,668 | \$ 5,353,668 |
| Less amounts raised on behalf of others | <u>(851,145)</u> | <u>-</u> | <u>(851,145)</u> |
| | 2,823,855 | 1,678,668 | 4,502,523 |
| Less provision for uncollectible pledges | <u>(305,115)</u> | <u>-</u> | <u>(305,115)</u> |
| Net campaign support | 2,518,740 | 1,678,668 | 4,197,408 |
| Government grants | 286,153 | 6,271,920 | 6,558,073 |
| Other gifts, grants and scholarships | 67,228 | 2,591,947 | 2,659,175 |
| Donated rent, materials and services | 167,818 | 33,970 | 201,788 |
| Service fee income | 104,572 | - | 104,572 |
| Rent revenue | 645,593 | - | 645,593 |
| Investment income, net | 112,402 | 34,524 | 146,926 |
| Net assets released from restriction | <u>9,669,408</u> | <u>(9,669,408)</u> | <u>-</u> |
| Total revenue, support and gains | 13,571,914 | 941,621 | 14,513,535 |
| Allocations and expenses: | | | |
| Program services: | | | |
| Collective impact: | | | |
| Allocations and grants | 2,094,096 | - | 2,094,096 |
| Less amounts raised on behalf of others | <u>(851,145)</u> | <u>-</u> | <u>(851,145)</u> |
| | 1,242,951 | - | 1,242,951 |
| Subrecipient awards | 5,000,879 | - | 5,000,879 |
| Other collective impact expenses | <u>3,829,809</u> | <u>-</u> | <u>3,829,809</u> |
| | 10,073,639 | - | 10,073,639 |
| Office rental expense to nonprofits | <u>845,857</u> | <u>-</u> | <u>845,857</u> |
| Total program services | 10,919,496 | - | 10,919,496 |
| Fundraising | 1,168,153 | - | 1,168,153 |
| Management and general | <u>953,394</u> | <u>-</u> | <u>953,394</u> |
| Total allocations and expenses | <u>13,041,043</u> | <u>-</u> | <u>13,041,043</u> |
| Change in net assets before fund transfers | 530,871 | 941,621 | 1,472,492 |
| Transfers per donor request | <u>(47,000)</u> | <u>47,000</u> | <u>-</u> |
| Change in net assets | 483,871 | 988,621 | 1,472,492 |
| Net assets, beginning | <u>9,735,259</u> | <u>4,967,311</u> | <u>14,702,570</u> |
| Net assets, ending | <u>\$ 10,219,130</u> | <u>\$ 5,955,932</u> | <u>\$ 16,175,062</u> |

See notes to consolidated financial statements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

| | Program services | | | Supporting services | | | Total expenses |
|---|----------------------|-------------------------------------|------------------------|---------------------|------------------------|---------------------------|----------------------|
| | Collective impact | Office rental expense to nonprofits | Total program services | Fundraising | Management and general | Total supporting services | |
| Allocations and grants | \$ 2,531,046 | \$ - | \$ 2,531,046 | \$ - | \$ - | \$ - | \$ 2,531,046 |
| Less amounts raised on behalf of others | (687,946) | - | (687,946) | - | - | - | (687,946) |
| | 1,843,100 | - | 1,843,100 | - | - | - | 1,843,100 |
| Subrecipient awards | 4,956,354 | - | 4,956,354 | - | - | - | 4,956,354 |
| Net allocations and grants | 6,799,454 | - | 6,799,454 | - | - | - | 6,799,454 |
| Salaries | 2,291,744 | 25,135 | 2,316,879 | 730,301 | 619,255 | 1,349,556 | 3,666,435 |
| Employee benefits | 309,429 | 5,027 | 314,456 | 89,396 | 79,335 | 168,731 | 483,187 |
| Payroll taxes | 181,583 | 1,923 | 183,506 | 50,918 | 44,157 | 95,075 | 278,581 |
| Total personnel expenses | 2,782,756 | 32,085 | 2,814,841 | 870,615 | 742,747 | 1,613,362 | 4,428,203 |
| Advertising | 67,137 | - | 67,137 | 9,331 | 6,355 | 15,686 | 82,823 |
| Bank fees | 23 | 132 | 155 | - | 17,547 | 17,547 | 17,702 |
| Conferences and meetings | 14,862 | - | 14,862 | 795 | 6,211 | 7,006 | 21,868 |
| Donated rent, materials and services | 10,736 | 111,246 | 121,982 | - | - | - | 121,982 |
| Equipment | 89,491 | - | 89,491 | 25,292 | 21,672 | 46,964 | 136,455 |
| Events and promotional supplies | 11,310 | - | 11,310 | 54,076 | 8,333 | 62,409 | 73,719 |
| Insurance | 542 | 21,255 | 21,797 | - | 14,602 | 14,602 | 36,399 |
| Interest | - | - | - | - | 5,152 | 5,152 | 5,152 |
| Miscellaneous | 454 | - | 454 | - | 492 | 492 | 946 |
| Occupancy | 11,934 | 349,856 | 361,790 | 11,456 | 5,336 | 16,792 | 378,582 |
| Office supplies | 12,306 | - | 12,306 | 618 | 1,142 | 1,760 | 14,066 |
| Postage and shipping | 1,602 | - | 1,602 | 5,231 | 1,509 | 6,740 | 8,342 |
| Printing and artwork | 142,134 | - | 142,134 | 14,866 | 2,405 | 17,271 | 159,405 |
| Professional dues | 11,852 | - | 11,852 | 2,558 | 9,417 | 11,975 | 23,827 |
| Professional outside services | 517,868 | 46,085 | 563,953 | 22,258 | 77,342 | 99,600 | 663,553 |
| Subscriptions and publications | 5,399 | - | 5,399 | 3,953 | 1,120 | 5,073 | 10,472 |
| Technical and direct assistance | 30,681 | - | 30,681 | - | - | - | 30,681 |
| Telephone | 23,775 | 1,084 | 24,859 | 4,318 | 4,846 | 9,164 | 34,023 |
| Travel | 1,802 | - | 1,802 | 1,602 | 1,187 | 2,789 | 4,591 |
| United Way Worldwide dues | 124,280 | - | 124,280 | 42,129 | 29,323 | 71,452 | 195,732 |
| | 10,660,398 | 561,743 | 11,222,141 | 1,069,098 | 956,738 | 2,025,836 | 13,247,977 |
| Depreciation | - | 274,019 | 274,019 | - | 23,294 | 23,294 | 297,313 |
| | <u>\$ 10,660,398</u> | <u>\$ 835,762</u> | <u>\$ 11,496,160</u> | <u>\$ 1,069,098</u> | <u>\$ 980,032</u> | <u>\$ 2,049,130</u> | <u>\$ 13,545,290</u> |

See notes to consolidated financial statements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

| | Program services | | | Supporting services | | | Total expenses |
|---|----------------------|-------------------------------------|------------------------|---------------------|------------------------|---------------------------|----------------------|
| | Collective impact | Office rental expense to nonprofits | Total program services | Fundraising | Management and general | Total supporting services | |
| Allocations and grants | \$ 2,094,096 | \$ - | \$ 2,094,096 | \$ - | \$ - | \$ - | \$ 2,094,096 |
| Less amounts raised on behalf of others | (851,145) | - | (851,145) | - | - | - | (851,145) |
| | 1,242,951 | - | 1,242,951 | - | - | - | 1,242,951 |
| Subrecipient awards | 5,000,879 | - | 5,000,879 | - | - | - | 5,000,879 |
| Net allocations and grants | 6,243,830 | - | 6,243,830 | - | - | - | 6,243,830 |
| Salaries | 2,024,249 | 24,403 | 2,048,652 | 778,673 | 586,764 | 1,365,437 | 3,414,089 |
| Employee benefits | 256,004 | 4,881 | 260,885 | 95,943 | 82,314 | 178,257 | 439,142 |
| Payroll taxes | 155,529 | 1,867 | 157,396 | 56,736 | 44,637 | 101,373 | 258,769 |
| Total personnel expenses | 2,435,782 | 31,151 | 2,466,933 | 931,352 | 713,715 | 1,645,067 | 4,112,000 |
| Advertising | 50,831 | 100 | 50,931 | 15,912 | 7,154 | 23,066 | 73,997 |
| Bank fees | - | 132 | 132 | - | 15,916 | 15,916 | 16,048 |
| Conferences and meetings | 53,575 | - | 53,575 | 7,708 | 10,605 | 18,313 | 71,888 |
| Donated rent, materials and services | 61,725 | 140,063 | 201,788 | - | - | - | 201,788 |
| Equipment | 139,637 | - | 139,637 | 38,975 | 25,753 | 64,728 | 204,365 |
| Events and promotional supplies | 69,103 | - | 69,103 | 21,868 | 60 | 21,928 | 91,031 |
| Insurance | 547 | 19,136 | 19,683 | - | 13,791 | 13,791 | 33,474 |
| Interest | - | - | - | - | 5,608 | 5,608 | 5,608 |
| Miscellaneous | - | - | - | - | 4,823 | 4,823 | 4,823 |
| Occupancy | 22,339 | 341,998 | 364,337 | 4,354 | 2,708 | 7,062 | 371,399 |
| Office supplies | 17,623 | - | 17,623 | 2,055 | 3,174 | 5,229 | 22,852 |
| Postage and shipping | 773 | 8 | 781 | 6,490 | 1,462 | 7,952 | 8,733 |
| Printing and artwork | 153,013 | - | 153,013 | 36,753 | 5,287 | 42,040 | 195,053 |
| Professional dues | 12,432 | - | 12,432 | 2,243 | 8,550 | 10,793 | 23,225 |
| Professional outside services | 623,426 | 46,451 | 669,877 | 55,155 | 75,797 | 130,952 | 800,829 |
| Subscriptions and publications | 5,721 | - | 5,721 | 2,162 | 2,762 | 4,924 | 10,645 |
| Technical and direct assistance | 7,786 | - | 7,786 | - | - | - | 7,786 |
| Telephone | 22,517 | 671 | 23,188 | 4,490 | 4,793 | 9,283 | 32,471 |
| Travel | 64,911 | - | 64,911 | 5,073 | 3,946 | 9,019 | 73,930 |
| United Way Worldwide dues | 88,068 | - | 88,068 | 33,563 | 20,780 | 54,343 | 142,411 |
| | 10,073,639 | 579,710 | 10,653,349 | 1,168,153 | 926,684 | 2,094,837 | 12,748,186 |
| Depreciation | - | 266,147 | 266,147 | - | 26,710 | 26,710 | 292,857 |
| | <u>\$ 10,073,639</u> | <u>\$ 845,857</u> | <u>\$ 10,919,496</u> | <u>\$ 1,168,153</u> | <u>\$ 953,394</u> | <u>\$ 2,121,547</u> | <u>\$ 13,041,043</u> |

See notes to consolidated financial statements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 10,362,184 | \$ 1,472,492 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 297,313 | 292,857 |
| Gain on disposal of assets | - | (150) |
| Donated securities | (51,584) | (103,123) |
| Realized (gain) loss on investments | (20,730) | 220,045 |
| Unrealized gain on investments | (860,196) | (230,313) |
| Cash receipts resulting from sale of donated financial assets | 51,404 | 103,173 |
| Provision for allowance on pledges receivable | 178,361 | 305,115 |
| Beneficial interest in funds held by others | 175,223 | (2,889) |
| Changes in operating assets and liabilities: | | |
| Government grants receivable | 46,802 | 360,453 |
| Pledges receivable | 607,290 | (1,601,196) |
| Other receivables | (15,806) | 179,139 |
| Prepaid expenses and deposits | (17,582) | (1,660) |
| Cash surrender value of life insurance | (843) | (1,041) |
| Accounts payable | 154,983 | (37,217) |
| Subrecipient awards payable | (12,130) | 90,522 |
| Accrued expenses and other liabilities | 235,642 | 22,380 |
| Custodial and agency liabilities | (115,782) | (801) |
| Refundable security deposits | (2,056) | - |
| Annuity obligations | (7,390) | (6,955) |
| Deferred revenue and support | (577,078) | 257,739 |
| Total adjustments | 65,841 | (153,922) |
| Net cash provided by operating activities | 10,428,025 | 1,318,570 |
| Cash flows from investing activities: | | |
| Purchases of investments | (1,442,785) | (5,028,488) |
| Purchases of certificates of deposit | (10,391,808) | (373,225) |
| Proceeds from sales or maturities of investments | 876,105 | 5,148,684 |
| Proceeds from maturities of certificates of deposit | 1,298,000 | - |
| Purchases of property and equipment | (9,224) | (198,938) |
| Proceeds from disposal of assets | - | 150 |
| Net cash used in investing activities | (9,669,712) | (451,817) |
| Cash flows from financing activities: | | |
| Principal payments on capital lease obligations | (5,430) | (4,364) |
| Net cash used in financing activities | (5,430) | (4,364) |
| Net increase in cash and cash equivalents | 752,883 | 862,389 |
| Cash and cash equivalents, beginning | 4,828,395 | 3,966,006 |
| Cash and cash equivalents, ending | \$ 5,581,278 | \$ 4,828,395 |

See notes to consolidated financial statements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

1. Description of organization and summary of significant accounting policies:

Nature of Organization:

United Way of Tucson and Southern Arizona, Inc. ("UWTSA") is a nonprofit organization incorporated in Arizona in September 1942 and governed by greater Tucson area community leaders who have been elected to its Board of Directors. UWTSA's mission is building a thriving community by uniting people, ideas and resources. UWTSA responds to our community's needs, transforms individual lives and brings long-lasting, systemic change to our community by focusing on the key, underlying issues. UWTSA convenes people and organizations to find innovative solutions that positively impact more than 180,000 lives in Southern Arizona. UWTSA also conducts an annual fundraising campaign in the greater Tucson area. Pledges are received from corporations, private foundations and individuals and are used to fund organizations assisting children, families and seniors in need and to cover current administrative and fundraising expenses.

United Way Capital Corporation ("UWCC") is a nonprofit organization incorporated in Arizona in April 2001. UWCC was established to conduct nonprofit activities consistent with and in furtherance of the principles and purposes of UWTSA. UWCC owns real estate in Southern Arizona that it rents at below market rates to nonprofit and governmental organizations that provide services which contribute to UWTSA's mission.

UWTSA and UWCC are hereinafter collectively referred to as "United Way" or the "Organization."

The Organization's viability is dependent upon the strength of the national and local economies, the strength and support of the Community, and the Organization's ability to collect on its pledges.

The following are descriptions of program service categories:

Collective impact:

UWTSA's vision is a community where every child receives a high-quality education from birth to career, every adult has the opportunity to thrive financially and, in the workplace, and every older person can retire and age with dignity and independence. We fight for education, financial wellness, equity, and healthy communities for every person in Tucson and Southern Arizona from birth to end of life. Our role as community convener enables us to form strategic partnerships, mobilize the best resources and be the catalyst for needed, positive change.

Office rental expense to nonprofits:

UWCC provides office and program space at below market rates to nonprofit and governmental organizations, which provide services that contribute to UWTSA's mission.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

1. Description of organization and summary of significant accounting policies (continued):

Principles of consolidation:

The consolidated financial statements presented as United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation include all accounts of UW TSA and UWCC, which have been consolidated in accordance with accounting principals generally accepted in the United States of America (GAAP). All significant intercompany accounts and transactions have been eliminated.

Net assets:

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

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates:

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, support and gains and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to inputs used to recognize revenue over time. Actual results could differ materially from such estimates and assumptions.

Adoption of new accounting standard:

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” Topic 606 and all related Accounting Standards Updates supersedes previous revenue recognition requirements and establishes a core principle requiring the recognition of revenue to depict the transfer of promised goods or services to customers (i.e. resource providers) in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. The new rule requires an entity to (1) identify the contract, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue based on a point in time or over time.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

1. Description of organization and summary of significant accounting policies (continued):

Adoption of new accounting standards (continued):

Effective July 1, 2020, the Organization adopted Topic 606 utilizing the full retrospective method. Under the full retrospective method, the standard was applied to each prior reporting period presented. In implementing Topic 606, the Organization was required to recalculate the revenue earned on any exchange transactions that were in process at the implementation date and to restate the revenue and related expenses as if Topic 606 had been followed from the inception of the contract. The Organization's revenue recognition practices for contracts with resource providers under Topic 606 do not differ significantly from prior practices. Since no material differences were calculated, no retrospective analysis of account balance changes was required.

Public support and revenue:

An annual fundraising campaign is conducted to raise support for UW TSA and allocations to other organizations and agencies that provide services that assist children, families and seniors. As described further in these notes, contributions received that are intended to be used in a subsequent year or for a specific purpose are time- and/or purpose- restricted contributions and are recorded as net assets with donor restrictions until the time expires or the purpose is fulfilled.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions are recorded as received and allowances are provided for amounts estimated to be uncollectible. Funds that have been designated by the donor to agencies or collected for others are reported in the consolidated financial statements as custodial and agency liabilities.

Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

United Way receives grants from government agencies, nonprofit organizations and private companies for various programs and projects. All grants are nonexchange transactions. Support derived from cost-reimbursement grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses is recognized when expenditures are incurred in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances and included in deferred revenue and support in the consolidated statement of financial position.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

1. Description of organization and summary of significant accounting policies (continued):

Donated rent, materials and services:

Support arising from donated rent and materials are valued at their fair market value when received.

Donated services are recognized in the consolidated financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills; and
- The services would typically need to be purchased if not donated.

Although United Way may utilize the services of outside volunteers, the fair value of many of these services have not been recognized in the accompanying consolidated financial statements since they do not meet the criteria for recognition under GAAP.

Service fee income:

UWTSA may withhold service fees from donor-designated contributions to cover costs. Service fees are recognized as revenue at a point in time when the designation is paid.

Rent revenue:

Rental revenues are recognized on a straight-line basis over the terms of the related leases.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC and SIPC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Certificates of deposit:

Certificates of deposit are placed with various credit institutions. At times, such amounts may be in excess of the FDIC and SIPC insurance limits; however, management does not believe they are exposed to any significant credit risk on certificates of deposit.

Investments:

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Donated investments are recorded at their fair value at the date of gift. Investment gains and losses are included in the consolidated statements of activities as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or legal requirements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

1. Description of organization and summary of significant accounting policies (continued):

Pledges receivable:

Unconditional pledges receivable are recognized as support or gains at their estimated net realizable value in the period received and as assets, decreases of liabilities or expense depending on the form of the benefits received. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Pledges receivable that are collectible over future periods are discounted to their net present value. The provision for uncollectible pledges is based on management's estimate of current economic factors, applied as a percentage to gross campaign revenues. Pledges are periodically reviewed for collectibility and written off to the provision for uncollectible pledges at the time of such determination.

Property, equipment, depreciation and amortization:

Property and equipment are stated at cost or, if acquired by gift, at estimated fair market value at the date of donation. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 31.5 years. Maintenance, repairs and minor renewals are expensed as incurred while expenditures for additions and improvements with a useful life greater than a year and over \$5,000 are capitalized.

Impairment of long-lived assets:

The Organization reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of the long-lived assets is less than the carrying amount, the asset is considered impaired. Impairment losses would be measured as the amount by which the carrying amount exceeds the fair value of the asset. There was no impairment of long-lived assets recognized for 2021.

Permanent collection:

UWCC owns a mineral deposit on display that it has opted to treat as a permanent collection that is not recorded on the consolidated statements of financial position. Any additional minerals, sculptures or other artwork on display as part of its permanent collection that are purchased will be expensed and, if donated, will not be recorded.

Beneficial interest in trust:

Under remainder trusts, individuals establish and fund trusts with specified distributions to be made to beneficiaries over the trusts' terms. UWTSA records irrevocable remainder trusts for which it is not the trustee at the net present value of the projected cash flows, and these amounts are included in the accompanying consolidated statements of financial position as beneficial interest in funds held by others.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

1. Description of organization and summary of significant accounting policies (continued):

Endowments:

UWTSA's endowments consist of three funds established under donor restriction for charitable purposes. 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 of UWTSA has interpreted the State of Arizona's Management of Institutional Funds Act (the "Act") 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, UWTSA retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by UWTSA in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, UWTSA considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Cost deduction standards:

UWTSA adheres to the following cost deduction standards set by United Way Worldwide on designated contributions (amounts raised on behalf of others):

- Fees charged are based on actual expenses
- Fundraising fees are not deducted from designated gifts originating by or from another United Way

Technical and direct assistance:

Technical and direct assistance is provided directly to intended beneficiaries of a grant and/or program.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

1. Description of organization and summary of significant accounting policies (continued):

Functional expense allocations:

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting services of United Way. Those expenses include the communications and engagement, management information systems, and facilities business units. These costs are allocated based on employee headcount.

Advertising:

Advertising costs are expensed as incurred and totaled \$82,823 and \$73,997 for the years ended June 30, 2021 and 2020.

Tax exempt status:

Both UWTSA and UWCC are exempt from income taxes under both Federal (Internal Revenue Code Section 501(c)(3)) and Arizona income tax laws. They are both classified as other than private foundations under Internal Revenue Code Section 509(a). Income from certain activities not directly related to their tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income.

Subsequent events:

Management has evaluated the events that have occurred subsequent to June 30, 2021 through November 17, 2021, the date that the consolidated financial statements were available to be issued. Management has no responsibility to update these consolidated financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:

The following reflects United Way's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing and for operating and maintenance reserves that could be drawn upon if the governing board approves that action.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

2. Liquidity and availability of financial assets (continued):

| | 2021 | 2020 |
|--|---------------|--------------|
| Cash and cash equivalents | \$ 5,581,278 | \$ 4,828,395 |
| Certificates of deposit | 9,467,033 | 373,225 |
| Investments | 6,805,416 | 5,364,141 |
| Government grants receivable | 1,517,151 | 1,563,953 |
| Pledges receivable, net | 2,639,209 | 3,424,860 |
| Other receivables | 44,651 | 28,845 |
| Beneficial interest in funds held by others | - | 168,712 |
| Total financial assets | 26,054,738 | 15,752,131 |
| Pledges scheduled to be collected in more than one year | (428,884) | (942,906) |
| Contractual or donor-imposed restrictions: | | |
| Endowment funds | (1,904,504) | (1,683,682) |
| Accumulated investment earnings, endowment funds | (212,408) | (151,032) |
| Donor restricted for specific purpose | (3,289,242) | (3,983,289) |
| Beneficial interest in trust | - | (137,929) |
| Board designations: | | |
| Designated for donor-advised funds | (1,257,285) | (1,076,257) |
| Operating reserves | (1,369,530) | (1,261,498) |
| Maintenance reserve | (225,191) | (459,680) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 17,367,694 | \$ 6,055,858 |

As part of 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. In addition, United Way invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, United Way has a committed line of credit in the amount of \$400,000, which it could draw upon. Additionally, United Way has board designated net assets without donor restrictions that, while United Way does not intend to spend these for purposes other than those identified, the amount could be made available for current operations, if necessary.

3. Certificates of deposit:

The certificates bear interest ranging from .01% to .05% at June 30, 2021 and have maturities of one month, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the consolidated financial statements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

4. Investments:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Mutual funds | \$ 2,403,194 | \$ 1,854,315 |
| Equity securities | 742,724 | 576,153 |
| Bond and bond funds | 3,602,088 | 2,852,395 |
| Real estate investment trusts | <u>57,410</u> | <u>81,278</u> |
| | 6,805,416 | 5,364,141 |
| Less investments with donor restrictions | <u>(1,904,504)</u> | <u>(1,683,682)</u> |
| | <u>\$ 4,900,912</u> | <u>\$ 3,680,459</u> |

Investment income for the years ended June 30, 2021 and 2020 was as follows:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|-------------------|
| Dividends and interest | \$ 175,549 | \$ 170,950 |
| Realized gains (losses) on investments | 20,730 | (220,045) |
| Unrealized gains on investments | 860,196 | 230,313 |
| Investment fees | <u>(33,560)</u> | <u>(34,292)</u> |
| | <u>\$ 1,022,915</u> | <u>\$ 146,926</u> |

5. Fair value measurements and investments:

At June 30, 2021, the fair value of assets measured on a recurring basis is as follows:

| | <u>Fair value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-------------------------------|---------------------|---------------------|----------------|----------------|
| U.S. mutual funds | \$ 1,959,015 | \$ 1,959,015 | \$ - | \$ - |
| U.S. equities | 433,285 | 433,285 | - | - |
| International mutual funds | 444,179 | 444,179 | - | - |
| International equities | 309,439 | 309,439 | - | - |
| Bonds and bond funds | 3,602,088 | 3,602,088 | - | - |
| Real estate investment trusts | <u>57,410</u> | <u>57,410</u> | - | - |
| | <u>\$ 6,805,416</u> | <u>\$ 6,805,416</u> | <u>\$ -</u> | <u>\$ -</u> |

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

5. Fair value measurements and investments (continued):

At June 30, 2020, the fair value of assets measured on a recurring basis is as follows:

| | <u>Fair value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|---------------------|---------------------|----------------|-------------------|
| U.S. mutual funds | \$ 1,514,434 | \$ 1,514,434 | \$ - | \$ - |
| U.S. equities | 330,383 | 330,383 | - | - |
| International mutual funds | 339,881 | 339,881 | - | - |
| International equities | 245,770 | 245,770 | - | - |
| Bonds and bond funds | 2,852,395 | 2,852,395 | - | - |
| Real estate investment trusts | <u>81,278</u> | <u>81,278</u> | - | - |
| Total investments | 5,364,141 | 5,364,141 | - | - |
| Beneficial interest in funds held by others | <u>168,712</u> | <u>-</u> | <u>-</u> | <u>168,712</u> |
| | <u>\$ 5,532,853</u> | <u>\$ 5,364,141</u> | <u>\$ -</u> | <u>\$ 168,712</u> |

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that United Way has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets or active markets that United Way does not have access to;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

5. Fair value measurements and investments (continued):

The following is a description of the valuation methodologies used for assets measured at fair value:

The fair value of UW TSA's mutual funds, equity securities, and debt securities are valued at the closing price reported in the active market on which the individual securities are traded (Level 1).

UW TSA's assets held in a charitable trust are valued at the present value of expected future cash receipts adjusted for the actuarial life expectancy of the beneficiary that is receiving payments, including survivors. UW TSA's beneficial interest in funds held by Community Foundation for Southern Arizona represent's UW TSA's ownership units of pooled funds. UW TSA relies on CFSA to provide the value of those funds (Level 3).

At June 30, 2021 and 2020, the fair value of other assets and liabilities measured using Level 3 inputs on a nonrecurring basis consisted of pledges receivable totaling \$2,639,209 and \$3,424,860, and annuity payment obligations totaling \$61,422 and \$68,812.

A reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from July 1, 2019 to June 30, 2021 is as follows:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|-------------------|
| Beginning balance | \$ 168,712 | \$ 165,634 |
| Investment activity | 6,598 | 3,078 |
| Sales | (37,381) | - |
| Proceeds from beneficial interest in trust | <u>(137,929)</u> | <u>-</u> |
| Ending balance | <u>\$ -</u> | <u>\$ 168,712</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

6. Pledges receivable:

Campaign pledges receivable consist of unconditional promises to give from corporations, foundations, corporate employees and individual donors.

Pledges receivable at June 30, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|--------------|--------------|
| Pledges receivable in less than one year | \$ 2,500,495 | \$ 2,850,457 |
| Pledges receivable in one to five years | 428,884 | 942,906 |
| Less allowance for uncollectible pledges | (290,170) | (368,503) |
| Net pledges receivable | \$ 2,639,209 | \$ 3,424,860 |

7. Property and equipment:

| | 2021 | 2020 |
|--|--------------|--------------|
| Land | \$ 102,000 | \$ 102,000 |
| Building and improvements | 7,371,478 | 7,371,478 |
| Computer equipment | 34,377 | 94,045 |
| Construction in progress | 9,225 | - |
| Furniture and fixtures | 443,710 | 443,711 |
| | 7,960,790 | 8,011,234 |
| Less accumulated depreciation and amortization | (5,081,597) | (4,843,952) |
| | \$ 2,879,193 | \$ 3,167,282 |

8. Beneficial interest in funds held by others:

UWTSA was the beneficiary of funds held at Community Foundation for Southern Arizona. CFSA does not have variance power over the funds. The balance in this fund was \$30,783 at June 30, 2020. The funds were withdrawn from CFSA and reinvested at another financial institution during the year ended June 30, 2021.

UWTSA was named as a remainder beneficiary of an irrevocable trust. The recording of this trust was based on several management estimates, including the life expectancy of the current trust recipient, and was based primarily on the fair value of the principal portion of the trust's assets at June 30, 2017. At June 30, 2020, the net present value of UWTSA's interest in this remainder trust was \$137,929. During the year ended June 30, 2021 the trust was disbursed according to the trust agreement.

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YEARS ENDED JUNE 30, 2021 AND 2020

9. Paycheck Protection Program (PPP) loan:

UWTSA obtained a \$661,300 loan from National Bank of Arizona under the Paycheck Protection Program (PPP) in April 2020. Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. UWTSA applied for forgiveness with the lender in March 2021 and received forgiveness of \$661,300 in principal and \$6,214 in interest from the Small Business Administration (SBA) in March 2021.

UWTSA accounts for the PPP loan as a conditional grant in accordance with ASC 958-605. The grant is conditional based on UWTSA incurring covered expenses, maintaining employee count, and limiting salary reductions. For the years ended June 30, 2021 and 2020, UWTSA recorded \$375,147 and \$286,153 as support based on the assessment of conditions that had been substantially met.

10. Line of credit:

UWTSA has an unsecured \$400,000 revolving line of credit from a financial institution. This line of credit expires in April 2022. Interest is payable monthly at the prime rate (3.25% at June 30, 2021 and 2020) with a minimum rate of 4%. At June 30, 2021 and 2020, there was no outstanding balance on this note.

11. Charitable gift annuity agreements:

UWTSA has entered into charitable gift annuity agreements with various individuals. Under the terms of the agreements, UWTSA receives lump sum amounts and agrees to make distributions for a specified period of time to the donor or other beneficiaries. Assets received are recorded at fair value on the date the agreement is executed and a liability equal to the present value of the future distributions is recorded. Payments to annuitants are remitted based on the terms of the agreements and amount to \$11,716 annually. The original contribution and any net investment earnings may not be sufficient to make the required periodic payments for an annuity payment obligation. If any insufficiency results, UWTSA has a continuing financial commitment to each annuitant until his/her death. Management believes that any insufficiency is not material to UWTSA's net assets without donor restrictions.

The charitable gift annuities received by UWTSA are without donor restrictions. Adjustments to the annuity liability to reflect amortization of the discount and revaluations due to changes in life expectancy are reported in the current year as a change in value of split-interest agreements. Discount rates on these obligations ranged from 5.9% to 6.7% for the years ended June 30, 2021 and 2020. At June 30, 2021 and 2020, the net present value of the charitable gift annuity contracts totaled \$61,422 and \$68,812.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

12. Custodial and agency liabilities:

Custodial liabilities represent those funds that UW TSA is holding at the discretion of affiliated and other charitable organizations. Agency liabilities represent funds that have been designated to agencies that UW TSA has not remitted. Custodial and agency liabilities consisted of the following:

| | 2021 | 2020 |
|-------------------------------------|------------|------------|
| Custodial funds: | | |
| United Way of Cochise County | \$ 55,235 | \$ 3,028 |
| United Way of Santa Cruz County | 20,537 | 12,435 |
| Employees Combined Appeal Programs: | | |
| City of Tucson | 33,274 | 34,838 |
| Pima County | 101,157 | 95,740 |
| Total custodial funds | 210,203 | 146,041 |
| Amounts designated to agencies | 334,509 | 514,453 |
| | \$ 544,712 | \$ 660,494 |

13. Board designated reserves:

At June 30, 2021 and 2020, the Board of Directors Designated Reserves consisted of the following:

| | 2021 | 2020 |
|--------------------------|--------------|--------------|
| UW TSA operating reserve | \$ 1,149,305 | \$ 1,045,523 |
| UWCC operating reserve | 220,225 | 215,975 |
| UWCC maintenance reserve | 225,191 | 459,680 |
| | \$ 1,594,721 | \$ 1,721,178 |

In March 2013, the UW TSA Board of Directors approved the Board Designated Operating Reserve Policy (Operating Reserve Policy) to ensure the long-term stability of the Organization and position it to respond to varying economic conditions and changes affecting the Organization's financial position and its ability to continuously carry out its mission.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

13. Board designated reserves (continued):

The Operating Reserve Policy is intended to fulfill the following objectives:

- To promote public and donor confidence in the long-term sustainability of the Organization by preventing chronic cash flow crises that could injure its reputation and force its leaders to make expensive short-term crisis-based decisions;
- To enable the Organization to sustain operations through delays in receipts of committed funding and to accept reimbursable contacts and grants without jeopardizing ongoing operations; and
- To create an internal line of credit to manage cash flow and maintain financial flexibility.

The minimum amount to be designated as operating reserves is an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Board of Directors has established a minimum of three months and a maximum of six months of average unrestricted operating costs as operating reserves.

The UWCC Board of Directors has designated net assets at June 30, 2021 as follows:

Operating Reserve:

The UWCC Board of Directors has adopted an operating reserve policy to ensure that adequate resources are available to maintain operations of the property in the event that a vacancy or other unanticipated operating issue may arise. The operating reserve policy's goal is to retain six months of average operating expenses and is fully funded at June 30, 2021.

Maintenance Reserve:

The UWCC Board of Directors has adopted a maintenance reserve policy to ensure that adequate resources are available for major maintenance and repairs outside the normal course of operations. The maintenance reserve will be calculated at 3% of property balances exclusive of land.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

14. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| Education | \$ 1,242,640 | \$ 1,356,143 |
| Financial Wellness | 249,767 | 123,410 |
| Volunteer Income Tax Assistance | 72,969 | 40,351 |
| Healthy Communities | 1,135,718 | 1,612,379 |
| Days of Caring | 20,000 | 10,000 |
| Volunteer Center | 15,020 | 9,072 |
| Target Areas | 552,781 | 831,586 |
| Various other programs | 347 | 348 |
| | 3,289,242 | 3,983,289 |
| Subject to the passage of time: | | |
| Beneficial interest in trust | - | 137,929 |
| Subject to endowment spending policy and appropriation: | | |
| Original donor restricted endowment gifts required to be maintained by donor: | | |
| General use | 1,750,687 | 1,529,865 |
| Education | 133,817 | 133,817 |
| Volunteer Center | 20,000 | 20,000 |
| | 1,904,504 | 1,683,682 |
| Accumulated investment earnings, expendable to support general operations when appropriated | 212,408 | 151,032 |
| | \$ 5,406,154 | \$ 5,955,932 |

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

15. Endowments:

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Endowment net assets with donor restrictions, beginning | \$ 1,834,714 | \$ 1,873,917 |
| Investment return: | | |
| Interest/dividends | 40,182 | 41,688 |
| Net realized gains (losses) | 5,036 | (113,280) |
| Net unrealized gains | <u>349,682</u> | <u>115,823</u> |
| Total investment return | 394,900 | 44,231 |
| Contributions | 1,000 | - |
| Appropriation of endowment assets for expenditures | (101,384) | (69,294) |
| Investment fees | <u>(12,318)</u> | <u>(14,140)</u> |
| Endowment net assets with donor restrictions, ending | <u>\$ 2,116,912</u> | <u>\$ 1,834,714</u> |

Funds with deficiencies:

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of the Act requires to be retained as a fund of perpetual duration. There were no deficiencies of this nature in net assets with donor restrictions as of June 30, 2021 and 2020.

Investment strategies:

To satisfy its long-term rate-of-return objectives, UWTSA 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). UWTSA 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:

UWTSA has adopted a spending policy that conforms to spending rates or formulas dictated by specific gift instruments or by community foundations. In the absence of donor specifications or for funds not invested in community foundations or similar organizations, endowment funds shall have a spending policy expressed as a maximum of 4% of a three-year moving average of the market value of endowment funds determined on a quarterly basis. Expenditures in excess of the 4% policy or when endowment funds are "underwater" will require the approval of a majority of the board members.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

16. Retirement plan:

UWTSA maintains a 401(k) profit sharing plan (the "Plan") for all employees who meet eligibility requirements. The Plan provides for discretionary nonelective and matching employer contributions as determined by the Board of Directors. For the years ended June 30, 2021 and 2020, the Board of Directors approved a matching contribution of 50% of the first 5% of employees' contributions to the Plan. In addition, the Board of Directors approved a nonelective contribution of \$1,000 per employee for all employees who worked 1,000 hours or more during the years ended June 30, 2021 and 2020. For the years ended June 30, 2021 and 2020, defined contribution plan expense was \$121,030 and \$114,777.

17. Supplemental employee retirement plan:

On July 1, 2013, UWTSA adopted the United Way of Tucson and Southern Arizona Deferred Compensation Plan for the President and CEO. The plan stated that UWTSA will contribute \$8,000 per year to a deferred compensation benefit plan, with three years' payments applied in arrears as of the date of the agreement. On July 1, 2018, this plan was superseded by a new plan under which UWTSA will contribute \$15,000 per year to a deferred compensation benefit plan. The funds in these accounts are considered assets of UWTSA and a liability is accrued to show a corresponding payable to the employee. During the term of the plans, all income received by the plans, net of expenses and taxes, shall be accumulated and reinvested. The plans shall be transferable to the employee upon termination of his employment agreement. Per the first Deferred Compensation Plan agreement, benefits were payable as soon as practicable after June 30, 2019, if the President and CEO was still employed on that date. This requirement was met and the distribution to the President and CEO was made in July 2019.

Investments are valued at fair value as determined by quoted security exchange prices and fluctuate with the market value of the investments which are held in the account and any additional deferrals or payments to the President and CEO. At June 30, 2021 and 2020, assets of the plan were \$57,602 and \$37,885 and primarily held in mutual funds. UWTSA does not bear any of the risk for those market fluctuations. At June 30, 2021 and 2020, a liability of \$57,602 and \$37,885 for the present value of future retirement benefits payable has been reported in accrued expenses in the consolidated statements of financial position.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

18. Donated rent, materials and services:

Donated rent and materials are primarily utilized in program services and were reported in the consolidated statements of functional expenses for the years ended June 30, 2021 and 2020:

| | 2021 | 2020 |
|------------------------|------------|------------|
| Allocations and grants | \$ 10,736 | \$ 61,725 |
| Rent | 111,246 | 140,063 |
| | \$ 121,982 | \$ 201,788 |

19. Rent income:

UWCC rents office space to various nonprofit and governmental entities, including UWTSa, under noncancelable leases with varying terms and expiration dates. Rent paid to UWCC by UWTSa is eliminated in consolidation for financial statement presentation. Rental income, net of elimination, was \$647,083 and \$645,593 for the years ended June 30, 2021 and 2020.

UWCC contracts at rent rates that are below market due to its tenants' nonprofit and governmental status. UWCC records the difference between fair market rent rate and its contracted rent rates as in-kind rent revenue. The in-kind rent revenue was \$111,246 and \$140,063 for the years ended June 30, 2021 and 2020, and is included in donated rent, materials and services.

Future minimum rental income, net of eliminations, to be received at contracted rates under these lease agreements as of June 30, 2021 follow:

| Year ending <u>June 30,</u> | | |
|--------------------------------|----|-----------|
| 2022 | \$ | 619,661 |
| 2023 | | 414,541 |
| 2024 | | 230,795 |
| 2025 | | 235,411 |
| 2026 | | 179,193 |
| | \$ | 1,679,601 |

The cost of leased property at June 30, 2021 and 2020 \$7,670,945 and \$7,661,720. Accumulated depreciation related to this property was \$4,891,707 and \$4,617,688 at June 30, 2021 and 2020. Depreciation expense was \$274,019 and \$266,147 for years ended June 30, 2021 and 2020.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

20. Consolidated statement of cash flows:

Supplemental disclosure of cash flow information:

Cash paid for interest was \$5,152 and \$5,608 for the years ended June 30, 2021 and 2020.

Noncash investing and financing activities:

During the year ended June 30, 2020, UWTSA acquired copiers totaling \$28,497 in exchange for capital leases.

21. Commitments and contingencies:

Property management agreement:

UWCC is party to a property management agreement with an independent outside service agent. The agreement requires monthly payments by UWCC to the agent of \$2,200, which may be increased annually based on the CPI index. The agreement may be canceled by either party following 30 days' notice. The agreement also requires a construction supervision fee in the event any one repair, maintenance or improvement work exceeds \$5,000. The fee is 6% of the dollars spent above \$5,000 and less than \$45,001 and 4% of dollars above \$45,000. Any work above \$750 requires specific approval of UWCC. The contract will expire as of June 30, 2022.

Lease commitments:

UWTSA leases office space in Green Valley under an operating lease through June 2024. The lease requires monthly payments that escalate on an annual basis.

Future minimum lease payments under non-cancelable operating leases are as follows:

For the year ended

June 30,

| | |
|------|------------------|
| 2022 | \$ 21,191 |
| 2023 | 21,827 |
| 2024 | <u>23,156</u> |
| | <u>\$ 66,174</u> |

Contingencies:

UWTSA participates in certain federal, state and local grant programs. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of UWTSA. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2021 AND 2020

21. Commitments and contingencies (continued):

Contingencies (continued):

From time to time, United Way may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on United Way's consolidated financial statements.

22. Concentrations:

For 2021 and 2020, one agency accounted for 87% of government grants and 91% of government grants receivable at June 30, 2021. For 2021, one donor accounted for 89% of other gifts, grants, and scholarships.

23. Reclassifications:

The 2020 consolidated financial statements have been reclassified in order to conform to the 2021 consolidated financial statement presentation. The reclassifications had no effect on net assets at June 30, 2020 or on the change in net assets for the year then ended.

24. Pending pronouncements:

In February 2016, the FASB issued ASU 2016-02 "Leases." ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the effect that these standards will have on the consolidated financial statements.

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2021

| | ASSETS | | | |
|---|----------------------|---------------------|----------------------------|----------------------|
| | <u>UWTSA</u> | <u>UWCC</u> | <u>Eliminating entries</u> | <u>Total</u> |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,508,259 | \$ 1,073,019 | \$ - | \$ 5,581,278 |
| Certificates of deposit | 9,467,033 | - | - | 9,467,033 |
| Short-term investments | 4,900,912 | - | - | 4,900,912 |
| Government grants receivable | 1,517,151 | - | - | 1,517,151 |
| Pledges receivable, current, net | 2,210,325 | - | - | 2,210,325 |
| Other receivables | 36,214 | 8,437 | - | 44,651 |
| Prepaid expenses and deposits | <u>104,656</u> | <u>12,824</u> | <u>-</u> | <u>117,480</u> |
| Total current assets | 22,744,550 | 1,094,280 | - | 23,838,830 |
| Long-term pledges receivable | 428,884 | - | - | 428,884 |
| Long-term investments with donor restrictions | 1,904,504 | - | - | 1,904,504 |
| Cash surrender value of life insurance | 17,029 | - | - | 17,029 |
| Property and equipment, net | <u>99,955</u> | <u>2,779,238</u> | <u>-</u> | <u>2,879,193</u> |
| Total assets | <u>\$ 25,194,922</u> | <u>\$ 3,873,518</u> | <u>\$ -</u> | <u>\$ 29,068,440</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 242,760 | \$ 19,291 | \$ - | \$ 262,051 |
| Subrecipient awards payable | 560,498 | - | - | 560,498 |
| Accrued expenses and other liabilities | 828,214 | - | - | 828,214 |
| Custodial and agency liabilities | 544,712 | - | - | 544,712 |
| Capital lease obligations, current portion | 5,653 | - | - | 5,653 |
| Refundable security deposits | - | 10,752 | - | 10,752 |
| Annuity obligations, current portion | 7,853 | - | - | 7,853 |
| Deferred revenue and support | <u>244,842</u> | <u>-</u> | <u>-</u> | <u>244,842</u> |
| Total current liabilities | 2,434,532 | 30,043 | - | 2,464,575 |
| Capital lease obligations, net of current portion | 13,050 | - | - | 13,050 |
| Long-term annuity obligations | <u>53,569</u> | <u>-</u> | <u>-</u> | <u>53,569</u> |
| Total liabilities | 2,501,151 | 30,043 | - | 2,531,194 |
| Commitments and contingencies | | | | |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Undesignated | 14,799,775 | 618,821 | - | 15,418,596 |
| Designated for donor advised funds | 1,257,285 | - | - | 1,257,285 |
| Board designated reserves | 1,149,305 | 445,416 | - | 1,594,721 |
| Invested in property and equipment | <u>81,252</u> | <u>2,779,238</u> | <u>-</u> | <u>2,860,490</u> |
| | 17,287,617 | 3,843,475 | - | 21,131,092 |
| With donor restrictions | <u>5,406,154</u> | <u>-</u> | <u>-</u> | <u>5,406,154</u> |
| Total net assets | <u>22,693,771</u> | <u>3,843,475</u> | <u>-</u> | <u>26,537,246</u> |
| Total liabilities and net assets | <u>\$ 25,194,922</u> | <u>\$ 3,873,518</u> | <u>\$ -</u> | <u>\$ 29,068,440</u> |

**UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION**

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

| | Without donor restrictions | | | | Total | With donor restrictions | Total |
|---|----------------------------|---------------------|----------------------|---------------------|----------------------|-------------------------|----------------------|
| | UWTSA | UWCC | Total | Eliminating entries | | | |
| Revenue, support and gains: | | | | | | | |
| Total campaign support | \$ 3,450,299 | \$ - | \$ 3,450,299 | \$ - | \$ 3,450,299 | \$ 1,699,672 | \$ 5,149,971 |
| Less amounts raised on behalf of others | <u>(687,946)</u> | <u>-</u> | <u>(687,946)</u> | <u>-</u> | <u>(687,946)</u> | <u>-</u> | <u>(687,946)</u> |
| | 2,762,353 | - | 2,762,353 | - | 2,762,353 | 1,699,672 | 4,462,025 |
| Less provision for uncollectible pledges | <u>(178,361)</u> | <u>-</u> | <u>(178,361)</u> | <u>-</u> | <u>(178,361)</u> | <u>-</u> | <u>(178,361)</u> |
| Net campaign support | 2,583,992 | - | 2,583,992 | - | 2,583,992 | 1,699,672 | 4,283,664 |
| Government grants | 375,147 | - | 375,147 | - | 375,147 | 6,120,658 | 6,495,805 |
| Other gifts, grants and sponsorships | 10,461,207 | - | 10,461,207 | (375,000) | 10,086,207 | 1,149,319 | 11,235,526 |
| Donated rent, materials and services | 258,740 | 369,076 | 627,816 | (515,660) | 112,156 | 9,826 | 121,982 |
| Service fee income | 100,499 | - | 100,499 | - | 100,499 | - | 100,499 |
| Rent revenue | - | 804,485 | 804,485 | (157,402) | 647,083 | - | 647,083 |
| Investment income, net | 852,427 | 1,130 | 853,557 | - | 853,557 | 169,358 | 1,022,915 |
| Net assets released from restriction | <u>9,711,405</u> | <u>-</u> | <u>9,711,405</u> | <u>-</u> | <u>9,711,405</u> | <u>(9,711,405)</u> | <u>-</u> |
| Total revenues, support and gains | 24,343,417 | 1,174,691 | 25,518,108 | (1,048,062) | 24,470,046 | (562,572) | 23,907,474 |
| Allocations and expenses: | | | | | | | |
| Allocations, grants and subrecipient awards | 11,050,818 | 375,000 | 11,425,818 | (765,420) | 10,660,398 | - | 10,660,398 |
| Office rental expense to nonprofits | 32,085 | 1,061,507 | 1,093,592 | (257,830) | 835,762 | - | 835,762 |
| Fundraising | 1,082,043 | - | 1,082,043 | (12,945) | 1,069,098 | - | 1,069,098 |
| Management and general | <u>991,899</u> | <u>-</u> | <u>991,899</u> | <u>(11,867)</u> | <u>980,032</u> | <u>-</u> | <u>980,032</u> |
| Total allocations and expenses | <u>13,156,845</u> | <u>1,436,507</u> | <u>14,593,352</u> | <u>(1,048,062)</u> | <u>13,545,290</u> | <u>-</u> | <u>13,545,290</u> |
| Change in net assets before fund transfers | 11,186,572 | (261,816) | 10,924,756 | - | 10,924,756 | (562,572) | 10,362,184 |
| Transfers per donor request | <u>(12,794)</u> | <u>-</u> | <u>(12,794)</u> | <u>-</u> | <u>(12,794)</u> | <u>12,794</u> | <u>-</u> |
| Change in net assets | 11,173,778 | (261,816) | 10,911,962 | - | 10,911,962 | (549,778) | 10,362,184 |
| Net assets, beginning | <u>6,113,839</u> | <u>4,105,291</u> | <u>10,219,130</u> | <u>-</u> | <u>10,219,130</u> | <u>5,955,932</u> | <u>16,175,062</u> |
| Net assets, ending | <u>\$ 17,287,617</u> | <u>\$ 3,843,475</u> | <u>\$ 21,131,092</u> | <u>\$ -</u> | <u>\$ 21,131,092</u> | <u>\$ 5,406,154</u> | <u>\$ 26,537,246</u> |