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

YEARS ENDED JUNE 30, 2022 AND 2021

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

YEARS ENDED JUNE 30, 2022 AND 2021

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BeachFleischman

Independent Auditors' Report

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

Opinion

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Tucson and Southern Arizona, Inc. and United Way Capital Corporation 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Tucson and Southern Arizona, Inc. and United Way Capital Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Tucson and Southern Arizona, Inc. and United Way Capital Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation's ability to continue as a going concern for a reasonable period of time.

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

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 31 through 32 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations, of the individual entities, 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.

BeachFleischman PLLC

Tucson, Arizona
November 30, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	$ 5,747,099	$ 5,581,278
Certificates of deposit	496,531	9,467,033
Short-term investments	10,007,858	4,900,912
Government grants receivable	1,515,573	1,517,151
Pledges receivable, current, net	3,706,301	2,210,325
Other receivables	62,317	44,651
Prepaid expenses and deposits	82,709	117,480
Total current assets	21,618,388	23,838,830
Long-term pledges receivable	914,586	428,884
Long-term investments with donor restrictions	2,862,032	1,904,504
Cash surrender value of life insurance	17,723	17,029
Property and equipment, net	3,254,832	2,879,193
Total assets	$ 28,667,561	$ 29,068,440

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities:		
Accounts payable	$ 237,640	$ 262,051
Subrecipient awards payable	560,646	560,498
Accrued expenses and other liabilities	682,982	828,214
Custodial and agency liabilities	529,358	544,712
Capital lease obligations, current portion	5,883	5,653
Refundable security deposits	10,752	10,752
Annuity obligations, current portion	8,346	7,853
Deferred revenue and support	125,401	244,842
Total current liabilities	2,161,008	2,464,575
Capital lease obligations, net of current portion	7,167	13,050
Long-term annuity obligations	45,223	53,569
Total liabilities	2,213,398	2,531,194
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Undesignated	13,065,306	15,418,596
Designated for donor advised funds	2,556,375	1,257,285
Board designated reserves	1,705,534	1,594,721
Invested in property and equipment	3,241,782	2,860,490
Total net assets without donor restrictions	20,568,997	21,131,092
With donor restrictions	5,885,166	5,406,154
Total net assets	26,454,163	26,537,246
Total liabilities and net assets	$ 28,667,561	$ 29,068,440

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, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue, support and gains:			
Total campaign support	$ 4,752,860	$ 2,314,468	$ 7,067,328
Less amounts raised on behalf of others	(641,070)	-	(641,070)
	4,111,790	2,314,468	6,426,258
Less provision for uncollectible pledges	(283,353)	-	(283,353)
Net campaign support	3,828,437	2,314,468	6,142,905
Government grants	-	5,845,117	5,845,117
Other gifts, grants and sponsorships	18,102	1,223,246	1,241,348
Donated rent, materials and services	300,527	5,004	305,531
Service fee revenue	86,850	-	86,850
Rent revenue	657,516	-	657,516
Investment loss, net	(788,344)	(79,994)	(868,338)
Net assets released from restriction	8,837,829	(8,837,829)	-
Total revenue, support and gains	12,940,917	470,012	13,410,929
Allocations and expenses:			
Program services:			
Community impact:			
Allocations and grants	1,926,532	-	1,926,532
Less amounts raised on behalf of others	(641,070)	-	(641,070)
	1,285,462	-	1,285,462
Subrecipient awards	5,030,493	-	5,030,493
Other collective impact expenses	4,071,555	-	4,071,555
	10,387,510	-	10,387,510
Office rental expense to nonprofits	724,361	-	724,361
Total program services	11,111,871	-	11,111,871
Fundraising	1,231,292	-	1,231,292
Management and general	1,138,005	-	1,138,005
Total allocations and expenses	13,481,168	-	13,481,168
Loss on disposal of assets	12,844	-	12,844
Change in net assets before fund transfers	(553,095)	470,012	(83,083)
Transfers per donor request	(9,000)	9,000	-
Change in net assets	(562,095)	479,012	(83,083)
Net assets, beginning	21,131,092	5,406,154	26,537,246
Net assets, ending	$ 20,568,997	$ 5,885,166	$ 26,454,163

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	(687,946)	-	(687,946)
	2,762,353	1,699,672	4,462,025
Less provision for uncollectible pledges	(178,361)	-	(178,361)
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 sponsorships	10,086,207	1,149,319	11,235,526
Donated rent, materials and services	112,156	9,826	121,982
Service fee revenue	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	9,711,405	(9,711,405)	-
Total revenue, support and gains	24,470,046	(562,572)	23,907,474
Allocations and expenses:			
Program services:			
Community impact:			
Allocations and grants	2,531,046	-	2,531,046
Less amounts raised on behalf of others	(687,946)	-	(687,946)
	1,843,100	-	1,843,100
Subrecipient awards	4,956,354	-	4,956,354
Other collective impact expenses	3,972,190	-	3,972,190
	10,771,644	-	10,771,644
Office rental expense to nonprofits	724,516	-	724,516
Total program services	11,496,160	-	11,496,160
Fundraising	1,069,098	-	1,069,098
Management and general	980,032	-	980,032
Total allocations and expenses	13,545,290	-	13,545,290
Change in net assets before fund transfers	10,924,756	(562,572)	10,362,184
Transfers per donor request	(12,794)	12,794	-
Change in net assets	10,911,962	(549,778)	10,362,184
Net assets, beginning	10,219,130	5,955,932	16,175,062
Net assets, ending	$ 21,131,092	$ 5,406,154	$ 26,537,246

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, 2022

	Program services			Supporting services			
	Community impact	Office rental expense to nonprofits	Total program services	Fundraising	Management and general	Total supporting services	Total expenses
Allocations and grants	$ 1,926,532	$ -	$ 1,926,532	$ -	$ -	$ -	$ 1,926,532
Less amounts raised on behalf of others	(641,070)	-	(641,070)	-	-	-	(641,070)
	1,285,462	-	1,285,462	-	-	-	1,285,462
Subrecipient awards	5,030,493	-	5,030,493	-	-	-	5,030,493
Net allocations and grants	6,315,955	-	6,315,955	-	-	-	6,315,955
Salaries	2,291,035	25,888	2,316,923	749,845	643,404	1,393,249	3,710,172
Employee benefits	318,282	5,178	323,460	91,731	94,422	186,153	509,613
Payroll taxes	179,333	1,980	181,313	52,377	50,023	102,400	283,713
Total personnel expenses	2,788,650	33,046	2,821,696	893,953	787,849	1,681,802	4,503,498
Advertising	70,727	109	70,836	18,259	10,975	29,234	100,070
Bank fees	3	132	135	-	18,543	18,543	18,678
Conferences and meetings	19,571	-	19,571	13,897	20,513	34,410	53,981
Equipment	149,731	-	149,731	31,871	31,843	63,714	213,445
Events and promotional supplies	39,416	-	39,416	64,148	2,316	66,464	105,880
Insurance	425	21,561	21,986	-	17,776	17,776	39,762
Interest	-	-	-	-	4,465	4,465	4,465
Miscellaneous	-	-	-	-	1,413	1,413	1,413
Occupancy	193,469	326,140	519,609	75,164	48,637	123,801	643,410
Office supplies	12,313	-	12,313	785	1,138	1,923	14,236
Postage and shipping	848	-	848	8,744	1,725	10,469	11,317
Printing and artwork	150,151	-	150,151	31,145	3,707	34,852	185,003
Professional dues	7,266	-	7,266	4,750	8,088	12,838	20,104
Professional outside services	405,379	46,950	452,329	27,645	115,515	143,160	595,489
Subscriptions and publications	5,552	-	5,552	1,822	1,362	3,184	8,736
Technical and direct assistance	26,933	-	26,933	-	-	-	26,933
Telephone	15,985	1,321	17,306	698	1,858	2,556	19,862
Travel	17,265	21	17,286	1,260	633	1,893	19,179
United Way Worldwide dues	167,871	-	167,871	57,151	40,125	97,276	265,147
	10,387,510	429,280	10,816,790	1,231,292	1,118,481	2,349,773	13,166,563
Depreciation and amortization	-	295,081	295,081	-	19,524	19,524	314,605
	$ 10,387,510	$ 724,361	$ 11,111,871	$ 1,231,292	$ 1,138,005	$ 2,369,297	$ 13,481,168

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			
	Community impact	Office rental expense to nonprofits	Total program services	Fundraising	Management and general	Total supporting services	Total expenses
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
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	123,180	349,856	473,036	11,456	5,336	16,792	489,828
Office supplies	23,042	-	23,042	618	1,142	1,760	24,802
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
	10,771,644	450,497	11,222,141	1,069,098	956,738	2,025,836	13,247,977
Depreciation and amortization	-	274,019	274,019	-	23,294	23,294	297,313
	$ 10,771,644	$ 724,516	$ 11,496,160	$ 1,069,098	$ 980,032	$ 2,049,130	$ 13,545,290

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (83,083)	$ 10,362,184
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	314,605	297,313
Loss on disposal of asset	12,844	-
Donated securities	(135,513)	(51,584)
Realized gain on investments	(1,501)	(20,730)
Unrealized loss (gain) on investments	1,015,384	(860,196)
Cash receipts resulting from sale of donated financial assets	134,163	51,404
Provision for allowance on pledges receivable	283,353	178,361
Beneficial interest in funds held by others	-	175,223
Changes in operating assets and liabilities:		
Government grants receivable	1,578	46,802
Pledges receivable	(2,265,031)	607,290
Other receivables	(17,666)	(15,806)
Prepaid expenses and deposits	34,771	(17,582)
Cash surrender value of life insurance	(694)	(843)
Accounts payable	(24,411)	154,983
Subrecipient awards payable	148	(12,130)
Accrued expenses and other liabilities	(145,232)	235,642
Custodial and agency liabilities	(15,354)	(115,782)
Refundable security deposits	-	(2,056)
Annuity obligations	(7,853)	(7,390)
Deferred revenue and support	(119,441)	(577,078)
Total adjustments	(935,850)	65,841
Net cash (used in) provided by operating activities	(1,018,933)	10,428,025
Cash flows from investing activities:		
Purchases of investments	(7,822,518)	(1,442,785)
Purchases of certificates of deposit	(8,762,000)	(10,391,808)
Proceeds from sales or maturities of investments	746,013	876,105
Proceeds from maturities of certificates of deposit	17,732,000	1,298,000
Purchases of property and equipment	(703,088)	(9,224)
Net cash provided by (used in) investing activities	1,190,407	(9,669,712)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(5,653)	(5,430)
Net cash used in financing activities	(5,653)	(5,430)
Net increase in cash and cash equivalents	165,821	752,883
Cash and cash equivalents, beginning	5,581,278	4,828,395
Cash and cash equivalents, ending	$ 5,747,099	$ 5,581,278

See notes to consolidated financial statements.

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 250,000 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 older adults 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:

Community 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.

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 UWTSA 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 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 and assumptions, 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:

The Organization adopted ASU 2020-07 "Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets" to increase the transparency of contributed nonfinancial assets (gifts-in-kind) through enhancements to presentation and disclosure by providing additional qualitative and quantitative disclosures.

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

Public support and revenue:

An annual fundraising campaign is conducted to raise support for UWTSA and allocations to other organizations and agencies that provide services that assist children, families and older adults. 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.

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.

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

Donated rent, materials and services (continued):

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 revenue:

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 revenue is 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.

Fair value measurements:

Fair value is defined as the price to sell an asset between market participants as of the measurement date. Fair value measurements assume the asset is exchanged in an orderly manner; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and that the market participants are independent, knowledgeable, able and willing to transact an exchange. GAAP also clarifies that the reporting entity’s nonperformance risk (credit risk) should be considered in valuing liabilities.

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

Fair value measurements (continued):

GAAP establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value for qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

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 2022 and 2021.

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

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.

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

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

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.

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 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 $100,070 and $82,823 for the years ended June 30, 2022 and 2021.

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.

From time to time, UWTSA and UWCC may be subject to penalties and interest assessed by various taxing authorities, which are classified as management and general expenses, if they occur.

Subsequent events:

Management has evaluated the events that have occurred subsequent to June 30, 2022 through November 30, 2022, 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.

	2022	2021
Cash and cash equivalents	$ 5,747,099	$ 5,581,278
Certificates of deposit	496,531	9,467,033
Investments	12,869,890	6,805,416
Government grants receivable	1,515,573	1,517,151
Pledges receivable, net	4,620,887	2,639,209
Other receivables	62,317	44,651
Total financial assets	25,312,297	26,054,738
Pledges scheduled to be collected in more than one year	(914,586)	(428,884)
Contractual or donor-imposed restrictions:		
Endowment funds	(2,862,032)	(1,904,504)
Accumulated investment earnings, endowment funds	(138,888)	(212,408)
Donor restricted for specific purpose	(2,884,246)	(3,289,242)
Board designations:		
Designated for donor-advised funds	(2,556,375)	(1,257,285)
Operating reserves	(1,378,384)	(1,369,530)
Maintenance reserve	(327,150)	(225,191)
Financial assets available to meet cash needs for general expenditures within one year	$ 14,250,636	$ 17,367,694

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 .85% at June 30, 2022 and 2021 and have maturities of four to six months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the consolidated financial statements.

4. Investments:

	2022	2021
Mutual funds	$ 2,076,685	$ 2,403,194
Equity securities	589,784	742,724
Bond and bond funds	3,176,233	3,602,088
Real estate investment trusts	51,750	57,410
U.S. Treasury notes	6,975,438	-
	12,869,890	6,805,416
Less investments with donor restrictions	(2,862,032)	(1,904,504)
	$ 10,007,858	$ 4,900,912

Investment (loss) income for the years ended June 30, 2022 and 2021 was as follows:

	2022	2021
Dividends and interest	$ 181,248	$ 175,549
Realized gains on investments	1,501	20,730
Unrealized (losses) gains on investments	(1,015,384)	860,196
Investment fees	(35,703)	(33,560)
	$ (868,338)	$ 1,022,915

5. Fair value measurements and investments:

At June 30, 2022, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Level 1	Level 2	Level 3
U.S. mutual funds	$ 1,720,633	$ 1,720,633	$ -	$ -
U.S. equities	316,813	316,813	-	-
International mutual funds	356,052	356,052	-	-
International equities	272,971	272,971	-	-
Bonds and bond funds	3,176,233	3,176,233	-	-
Real estate investment trusts	51,750	51,750	-	-
U.S. Treasury notes	6,975,438	6,975,438	-	-
	$ 12,869,890	$ 12,869,890	$ -	$ -

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

	Fair value	Level 1	Level 2	Level 3
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	57,410	57,410	-	-
	$ 6,805,416	$ 6,805,416	$ -	$ -

5. Fair value measurements and investments (continued):

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.

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

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

UWTSA'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. UWTSA's beneficial interest in funds held by Community Foundation for Southern Arizona represent's UWTSA's ownership units of pooled funds. UWTSA relies on CFSA to provide the value of those funds (Level 3).

5. Fair value measurements and investments (continued):

A reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from July 1, 2020 to June 30, 2021 is as follows:

	2021
Beginning balance	$ 168,712
Investment activity	6,598
Sales	(37,381)
Proceeds from beneficial interest in trust	(137,929)
Ending balance	$ -

At June 30, 2022 and 2021, the fair value of other assets and liabilities measured using Level 3 inputs on a nonrecurring basis consisted of pledges receivable totaling $4,620,887 and $2,639,209, and annuity payment obligations totaling $53,569 and $61,422.

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, 2022 and 2021 are as follows:

	2022	2021
Pledges receivable in less than one year	$ 4,066,966	$ 2,500,495
Pledges receivable in one to five years	1,000,000	428,884
Less unamortized discount to present value	(85,414)	-
Less allowance for uncollectible pledges	(360,665)	(290,170)
	4,620,887	2,639,209
Less current portion	(3,706,301)	(2,210,325)
Noncurrent portion	$ 914,586	$ 428,884

Long-term pledges are discounted to their present value using the five year treasury rate (3.01% at June 30, 2022).

At June 30, 2022, 48% of pledges receivable are from two donors.

7. Property and equipment:

	2022	2021
Land	$ 102,000	$ 102,000
Building and improvements	8,063,267	7,371,478
Computer equipment	34,377	34,377
Construction in progress	-	9,225
Furniture and fixtures	424,296	443,710
	8,623,940	7,960,790
Less accumulated depreciation and amortization	(5,369,108)	(5,081,597)
	$ 3,254,832	$ 2,879,193

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 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. During the year ended June 30, 2021 the trust was disbursed according to the trust agreement.

9. Line of credit:

UWTSA has an unsecured $400,000 revolving line of credit from a financial institution. This line of credit expires in April 2024. Interest is payable monthly at the prime rate (4.75% and 3.25% at June 30, 2022 and 2021) with a minimum rate of 4%. At June 30, 2022 and 2021, there was no outstanding balance on this line of credit.

10. 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, 2022 and 2021. At June 30, 2022 and 2021, the net present value of the charitable gift annuity contracts totaled $53,569 and $61,422.

11. Custodial and agency liabilities:

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

	2022	2021
Custodial funds:		
United Way of Cochise County	$ 6,266	$ 55,235
United Way of Santa Cruz County	64,417	20,537
Employees Combined Appeal Programs:		
City of Tucson	23,558	33,274
Pima County	89,512	101,157
Total custodial funds	183,753	210,203
Amounts designated to agencies	345,605	334,509
	$ 529,358	$ 544,712

12. Board designated net assets:

Net assets without donor restrictions designated for donor advised funds include donor contributions maintained in a separate account. UWTSA has legal control over the funds; however, the donor has advisory privileges with respect to the distribution of funds.

At June 30, 2022 and 2021, the Board of Directors Designated Reserves consisted of the following:

	2022	2021
UWTSA operating reserve	$ 1,155,834	$ 1,149,305
UWCC operating reserve	222,550	220,225
UWCC maintenance reserve	327,150	225,191
	$ 1,705,534	$ 1,594,721

In March 2013, the UWTSA 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.

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, 2022 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, 2022.

12. Board designated net assets (continued):

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 4% of property balances exclusive of land.

13. Net assets with donor restrictions:

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

	2022	2021
Subject to expenditure for specified purpose:		
Education	$ 1,366,344	$ 1,242,640
Financial Wellness	251,682	249,767
Volunteer Income Tax Assistance	76,068	72,969
Healthy Communities	893,242	1,135,718
Days of Caring	10,000	20,000
Volunteer Center	2,659	15,020
Target Areas	283,916	552,781
Various other programs	335	347
	2,884,246	3,289,242
Subject to endowment spending policy and appropriation:		
Original donor restricted endowment gifts required to be maintained by donor:		
General use	2,708,215	1,750,687
Education	133,817	133,817
Volunteer Center	20,000	20,000
	2,862,032	1,904,504
Accumulated investment earnings, expendable to support general operations when appropriated	138,888	212,408
	$ 5,885,166	$ 5,406,154

14. Endowments:

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Endowment net assets with donor restrictions, beginning	$ 2,116,912	$ 1,834,714
Investment return:		
Interest/dividends	40,910	40,182
Net realized gains	-	5,036
Net unrealized (losses) gains	(285,247)	349,682
Total investment return	(244,337)	394,900
Contributions	1,141,865	1,000
Appropriation of endowment assets for expenditures	-	(101,384)
Investment fees	(13,520)	(12,318)
Endowment net assets with donor restrictions, ending	$ 3,000,920	$ 2,116,912

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, 2022 and 2021.

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.

15. 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, 2022 and 2021, 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, 2022 and 2021. For the years ended June 30, 2022 and 2021, defined contribution plan expense was $125,483 and $121,030.

16. Supplemental employee retirement plan:

On July 1, 2018, UWTSA adopted the United Way of Tucson and Southern Arizona 457(b) Nonqualified Deferred Compensation Plan for the President and CEO. The plan requires UWTSA to contribute $15,000 per year to the deferred compensation benefit plan. The funds in the account are considered assets of UWTSA and a liability is accrued to show a corresponding payable to the employee. During the term of the plan, all income received by the plan, net of expenses and taxes, shall be accumulated and reinvested. The plan shall be transferable to the employee upon termination of his employment agreement.

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, 2022 and 2021, assets of the plan were $65,352 and $57,602 and primarily held in mutual funds. UWTSA does not bear any of the risk for those market fluctuations. At June 30, 2022 and 2021, a liability of $65,352 and $57,602 for the present value of future retirement benefits payable has been reported in accrued expenses in the consolidated statements of financial position.

17. Donated rent, materials and services:

The Organization received the following in-kind donations during the years ended June 30, 2022 and 2021:

	2022	2021
Furniture	$ 1,608	$ -
Materials	14,890	10,736
Rent	289,033	111,246
	$ 305,531	$ 121,982

17. Donated rent, materials and services (continued):

The Organization recognized donated rent, furniture and materials within support. Unless otherwise noted, these donations did not have donor-imposed restrictions.

Contributed used furniture was utilized in supporting services. Used furniture is valued based upon estimates of thrift store values that would be paid when purchasing similar items.

Contributed materials of $5,004 were restricted for the Days of Caring program. The remaining donated materials were utilized in supporting services. Materials are valued based upon estimates of retail values that would be paid for purchasing similar products.

Contributed rent is utilized in the programmatic and administrative operations of the Organization. Contributed rent is valued and reported at the difference between the market rate for similar commercial facilities in the Tucson metropolitan area and the rate charged by UWCC.

18. Rent revenue:

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 $657,516 and $647,083 for the years ended June 30, 2022 and 2021.

Future minimum rental income, net of eliminations, to be received at contracted rates under these lease agreements as of June 30, 2022 follow:

Year ending June 30,	
2023	$ 591,500
2024	246,882
2025	235,411
2026	179,193
	$ 1,252,986

The cost of leased property at June 30, 2022 and 2021 $8,334,094 and $7,670,945. Accumulated depreciation related to this property was $5,159,693 and $4,891,707 at June 30, 2022 and 2021. Depreciation and amortization expense was $295,081 and $274,019 for years ended June 30, 2022 and 2021.

19. Consolidated statement of cash flows:

Supplemental disclosure of cash flow information:

Cash paid for interest was $4,465 and $5,152 for the years ended June 30, 2022 and 2021.

20. 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, 2024.

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 noncancelable operating leases are as follows:

For the year ended June 30,	
2023	$ 21,827
2024	23,156
	$ 44,983

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.

20. 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.

21. Concentrations:

For 2022 and 2021, one agency accounted for 95% and 87% of government grants. At June 30, 2022 and 2021, one agency accounted for 99% and 91% of government grants receivable. For 2021, one donor accounted for 89% of other gifts, grants, and sponsorships.

22. Reclassifications:

The 2021 consolidated financial statements have been reclassified in order to conform to the 2022 consolidated financial statement presentation. The reclassifications had no effect on net assets at June 30, 2021 or on the change in net assets for the year then ended.

23. Pending pronouncement:

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 this standard 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, 2022

ASSETS

	UWTSA	UWCC	Eliminating entries	Total
Current assets:				
Cash and cash equivalents	$ 5,095,407	$ 651,692	$ -	$ 5,747,099
Certificates of deposit	496,531	-	-	496,531
Short-term investments	10,007,858	-	-	10,007,858
Government grants receivable	1,515,573	-	-	1,515,573
Pledges receivable, current, net	3,706,301	-	-	3,706,301
Other receivables	44,533	17,784	-	62,317
Prepaid expenses and deposits	68,250	14,459	-	82,709
Total current assets	20,934,453	683,935	-	21,618,388
Long-term pledges receivable	914,586	-	-	914,586
Long-term investments with donor restrictions	2,862,032	-	-	2,862,032
Cash surrender value of life insurance	17,723	-	-	17,723
Property and equipment, net	80,431	3,174,401	-	3,254,832
Total assets	$ 24,809,225	$ 3,858,336	$ -	$ 28,667,561

LIABILITIES AND NET ASSETS

	UWTSA	UWCC	Eliminating entries	Total
Current liabilities:				
Accounts payable	$ 237,640	$ -	$ -	$ 237,640
Subrecipient awards payable	560,646	-	-	560,646
Accrued expenses and other liabilities	682,982	-	-	682,982
Custodial and agency liabilities	529,358	-	-	529,358
Capital lease obligations, current portion	5,883	-	-	5,883
Refundable security deposits	-	10,752	-	10,752
Annuity obligations, current portion	8,346	-	-	8,346
Deferred revenue and support	99,233	26,168	-	125,401
Total current liabilities	2,124,088	36,920	-	2,161,008
Capital lease obligations, net of current portion	7,167	-	-	7,167
Long-term annuity obligations	45,223	-	-	45,223
Total liabilities	2,176,478	36,920	-	2,213,398
Commitments and contingencies				
Net assets:				
Without donor restrictions:				
Undesignated	12,967,991	97,315	-	13,065,306
Designated for donor advised funds	2,556,375	-	-	2,556,375
Board designated reserves	1,155,834	549,700	-	1,705,534
Invested in property and equipment	67,381	3,174,401	-	3,241,782
	16,747,581	3,821,416	-	20,568,997
With donor restrictions	5,885,166	-	-	5,885,166
Total net assets	22,632,747	3,821,416	-	26,454,163
Total liabilities and net assets	$ 24,809,225	$ 3,858,336	$ -	$ 28,667,561

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

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without donor restrictions						
	UWTSA	UWCC	Total	Eliminating entries	Total	With donor restrictions	Total
Revenue, support and gains:							
Total campaign support	$ 4,752,860	$ -	$ 4,752,860	$ -	$ 4,752,860	$ 2,314,468	$ 7,067,328
Less amounts raised on behalf of others	(641,070)	-	(641,070)	-	(641,070)	-	(641,070)
	4,111,790	-	4,111,790	-	4,111,790	2,314,468	6,426,258
Less provision for uncollectible pledges	(283,353)	-	(283,353)	-	(283,353)	-	(283,353)
Net campaign support	3,828,437	-	3,828,437	-	3,828,437	2,314,468	6,142,905
Government grants	-	-	-	-	-	5,845,117	5,845,117
Other gifts, grants and sponsorships	393,102	-	393,102	(375,000)	18,102	1,223,246	1,241,348
Donated rent, materials and services	300,527	-	300,527	-	300,527	5,004	305,531
Service fee revenue	86,850	-	86,850	-	86,850	-	86,850
Rent revenue	-	856,575	856,575	(199,059)	657,516	-	657,516
Investment income (loss), net	(788,869)	525	(788,344)	-	(788,344)	(79,994)	(868,338)
Net assets released from restriction	8,837,829	-	8,837,829	-	8,837,829	(8,837,829)	-
Total revenues, support and gains	12,657,876	857,100	13,514,976	(574,059)	12,940,917	470,012	13,410,929
Allocations and expenses:							
Allocations, grants and subrecipient awards	10,387,510	375,000	10,762,510	(375,000)	10,387,510	-	10,387,510
Office rental expense to nonprofits	232,105	691,315	923,420	(199,059)	724,361	-	724,361
Fundraising	1,231,292	-	1,231,292	-	1,231,292	-	1,231,292
Management and general	1,138,005	-	1,138,005	-	1,138,005	-	1,138,005
Total allocations and expenses	12,988,912	1,066,315	14,055,227	(574,059)	13,481,168	-	13,481,168
Loss on disposal of assets	-	12,844	12,844	-	12,844	-	12,844
Change in net assets before fund transfers	(331,036)	(222,059)	(553,095)	-	(553,095)	470,012	(83,083)
Interorganizational transfers	(200,000)	200,000	-	-	-	-	-
Transfers per donor request	(9,000)	-	(9,000)	-	(9,000)	9,000	-
Change in net assets	(540,036)	(22,059)	(562,095)	-	(562,095)	479,012	(83,083)
Net assets, beginning	17,287,617	3,843,475	21,131,092	-	21,131,092	5,406,154	26,537,246
Net assets, ending	$ 16,747,581	$ 3,821,416	$ 20,568,997	$ -	$ 20,568,997	$ 5,885,166	$ 26,454,163