



FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

UNITED WAY OF TRI-COUNTY, INC.

Contents
June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
United Way of Tri-County, Inc.:

Opinion

We have audited the financial statements of United Way of Tri-County, Inc. (a Massachusetts nonprofit corporation) (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Way of Tri-County, Inc. 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

AAFCPA, Inc.

Boston, Massachusetts
November 16, 2022

UNITED WAY OF TRI-COUNTY, INC.Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash	\$ 1,258,665	\$ 1,439,948
Pledges receivable, net of allowances for uncollectible pledges of approximately \$13,000 and \$105,000 at June 30, 2022 and 2021, respectively	642,248	497,518
Designations receivable, net of allowances for uncollectible designations of approximately \$368,000 and \$22,000 at June 30, 2022 and 2021, respectively	829,904	16,119
Accounts receivable	103,398	41,110
Grants receivable	66,666	436,786
Current portion of contribution receivable - charitable lead trust	25,000	25,000
Inventory, net	6,623	8,463
Prepaid expenses	19,726	15,452
Total current assets	<u>2,952,230</u>	<u>2,480,396</u>
Investments	480,743	581,762
Contribution Receivable - Charitable Lead Trust, net of current portion	103,346	146,447
Property and Equipment, net	2,766,438	2,717,037
Security Deposits	12,115	12,115
Total assets	<u>\$ 6,314,872</u>	<u>\$ 5,937,757</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	\$ 60,287	\$ 68,522
Current portion of deferred revenue	21,500	21,500
Accounts payable, accrued expenses and other	159,118	177,857
Accrued designations	829,904	16,119
Designations payable	293,702	37,728
Total current liabilities	<u>1,364,511</u>	<u>321,726</u>
Conditional Grant Advance	-	100,000
Long-Term Debt, net of current portion	897,390	1,144,075
Deferred Revenue, net of current portion	64,500	86,000
Total liabilities	<u>2,326,401</u>	<u>1,651,801</u>
Net Assets:		
Without donor restrictions:		
Operating	1,937,499	2,573,471
Property and equipment	1,722,761	1,296,940
Board designated	84,817	91,817
Total without donor restrictions	<u>3,745,077</u>	<u>3,962,228</u>
With donor restrictions	243,394	323,728
Total net assets	<u>3,988,471</u>	<u>4,285,956</u>
Total liabilities and net assets	<u>\$ 6,314,872</u>	<u>\$ 5,937,757</u>

UNITED WAY OF TRI-COUNTY, INC.

 Statement of Activities
 For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Gross campaign results	\$ 2,786,639	\$ -	\$ 2,786,639
Less - donor designations, net of service fees of \$309,135	1,123,606	-	1,123,606
Less - provision for uncollectible pledges and designations	381,247	-	381,247
Net campaign revenue	1,281,786	-	1,281,786
 Product Philanthropy:			
Donated products	951,527	-	951,527
Less - cost of goods donated to the community	953,367	-	953,367
	(1,840)	-	(1,840)
Portage fees and other sales	327,970	-	327,970
Net product philanthropy	326,130	-	326,130
 Other public support and revenues:			
Donated goods and services	4,574,640	-	4,574,640
Management fees	1,352,843	-	1,352,843
Grants and contributions	1,285,098	591	1,285,689
Service fees	309,135	-	309,135
Special events	193,446	-	193,446
Miscellaneous income	68,015	-	68,015
Investment earnings used for operations under the spending policy	6,326	-	6,326
Net assets released from program restrictions	95	(95)	-
Net assets released from time restrictions	25,000	(25,000)	-
Total other public support and revenues	7,814,598	(24,504)	7,790,094
 Total public support and revenues	9,422,514	(24,504)	9,398,010
 Operating Expenses:			
Program services:			
Allocations	213,440	-	213,440
United Way distribution services	1,244,171	-	1,244,171
Call center	1,442,842	-	1,442,842
Food security	5,204,567	-	5,204,567
Other program services	502,949	-	502,949
Total program services	8,607,969	-	8,607,969
 Supporting services:			
General and administrative	430,800	-	430,800
Fundraising	622,089	-	622,089
Total supporting services	1,052,889	-	1,052,889
 Total operating expenses	9,660,858	-	9,660,858
 Changes in net assets from operations	(238,344)	(24,504)	(262,848)
 Non-Operating Revenue (Expenses):			
Capital grants	100,000	-	100,000
Investment earnings used for operations under the spending policy	-	(6,326)	(6,326)
Change in value of charitable lead trust	-	(18,101)	(18,101)
Investment return, net	(78,807)	(31,403)	(110,210)
 Changes in net assets	\$ (217,151)	\$ (80,334)	\$ (297,485)

The accompanying notes are an integral part of these statements.

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UNITED WAY OF TRI-COUNTY, INC.

 Statement of Activities
 For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Gross campaign results	\$ 1,355,070	\$ -	\$ 1,355,070
Less - donor designations, net of service fees of \$17,832	53,847	-	53,847
Less - provision for uncollectible pledges and designations	126,723	-	126,723
Net campaign revenue	1,174,500	-	1,174,500
 Product Philanthropy:			
Donated products	799,093	-	799,093
Less - cost of goods donated to the community	803,353	-	803,353
	(4,260)	-	(4,260)
Portage fees and other sales	266,691	-	266,691
Net product philanthropy	262,431	-	262,431
 Other public support and revenues:			
Donated goods and services	3,766,772	-	3,766,772
Management fees	1,945,549	-	1,945,549
Grants and contributions	3,140,473	3,113	3,143,586
Service fees	17,832	-	17,832
Special events	70,299	-	70,299
Miscellaneous income	69,492	-	69,492
Investment earnings used for operations under the spending policy	8,515	-	8,515
Net assets released from program restrictions	28,759	(28,759)	-
Net assets released from time restrictions	25,000	(25,000)	-
Total other public support and revenues	9,072,691	(50,646)	9,022,045
 Total public support and revenues	10,509,622	(50,646)	10,458,976
 Operating Expenses:			
Program services:			
Allocations	229,964	-	229,964
United Way distribution services	1,089,026	-	1,089,026
Call center	1,857,049	-	1,857,049
Food security	4,305,380	-	4,305,380
Other program services	612,724	-	612,724
Total program services	8,094,143	-	8,094,143
 Supporting services:			
General and administrative	490,825	-	490,825
Fundraising	441,488	-	441,488
Total supporting services	932,313	-	932,313
 Total operating expenses	9,026,456	-	9,026,456
 Changes in net assets from operations	1,483,166	(50,646)	1,432,520
 Non-Operating Revenue (Expenses):			
Capital grants	597,404	-	597,404
Investment earnings used for operations under the spending policy	-	(8,515)	(8,515)
Change in value of charitable lead trust	-	32,813	32,813
Investment return, net	97,961	29,823	127,784
 Changes in net assets	\$ 2,178,531	\$ 3,475	\$ 2,182,006

The accompanying notes are an integral part of these statements.

UNITED WAY OF TRI-COUNTY, INC.

Statements of Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2020	\$ 1,783,697	\$ 320,253	\$ 2,103,950
Changes in net assets	<u>2,178,531</u>	<u>3,475</u>	<u>2,182,006</u>
Balance, June 30, 2021	3,962,228	323,728	4,285,956
Changes in net assets	<u>(217,151)</u>	<u>(80,334)</u>	<u>(297,485)</u>
Balance, June 30, 2022	<u><u>\$ 3,745,077</u></u>	<u><u>\$ 243,394</u></u>	<u><u>\$ 3,988,471</u></u>

UNITED WAY OF TRI-COUNTY, INC.
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	\$ (297,485)	\$ 2,182,006
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Provision for uncollectible pledges and designations	381,247	126,723
Depreciation	203,745	137,548
Capital grants	(100,000)	(597,404)
Investment return, net	110,210	(127,784)
Deferred revenue	(21,500)	(21,500)
Change in value of charitable lead trust	18,101	(32,813)
Changes in operating assets and liabilities:		
Pledges receivable	(158,227)	(27,593)
Designations receivable	(1,181,535)	500,462
Accounts receivable	(62,288)	(22,653)
Grants receivable	370,120	(294,826)
Contribution receivable - charitable lead trust	25,000	25,000
Inventory	1,840	4,260
Prepaid expenses	(4,274)	(1,621)
Accounts payable, accrued expenses and other	(18,739)	(42,852)
Accrued designations	813,785	(522,634)
Designations payable	255,974	(220,210)
Conditional grant advance	(100,000)	(377,752)
Net cash provided by operating activities	<u>235,974</u>	<u>686,357</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	117,468	104,635
Purchase of investments	(126,659)	(112,543)
Purchase of property and equipment	(253,146)	(656,343)
Net cash used in investing activities	<u>(262,337)</u>	<u>(664,251)</u>
Cash Flows from Financing Activities:		
Capital grants	100,000	455,444
Principal payments on long-term debt	(254,920)	(208,041)
Principal payments on capital lease obligation	-	(12,553)
Net cash provided by (used in) financing activities	<u>(154,920)</u>	<u>234,850</u>
Net Change in Cash	(181,283)	256,956
Cash:		
Beginning of year	<u>1,439,948</u>	<u>1,182,992</u>
End of year	<u>\$ 1,258,665</u>	<u>\$ 1,439,948</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 52,798</u>	<u>\$ 66,477</u>
Unrealized gain (loss) on investments	<u>\$ (118,102)</u>	<u>\$ 93,745</u>

UNITED WAY OF TRI-COUNTY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022									2021
	Program Services					Supporting Services				Total
	Allocations	United Way Distribution Services	Call Center	Food Security	Other Program Services	Total Program Services	General and Adminis- trative	Fundraising	Total Supporting Services	
Allocations:										
Designations to nonprofits and United Ways	\$ 128,623	\$ -	\$ -	\$ -	\$ -	\$ 128,623	\$ -	\$ -	\$ -	\$ 128,623
Allocations to agencies	84,817	-	-	-	-	84,817	-	-	-	84,817
Total allocations	213,440	-	-	-	-	213,440	-	-	-	213,440
Personnel and Related Costs:										
Salaries and wages	-	666,357	1,003,123	404,916	101,563	2,175,959	47,451	193,947	241,398	2,417,357
Fringe benefits	-	67,670	107,582	86,553	37,754	299,559	31,342	52,457	83,799	383,358
Payroll taxes	-	62,532	79,559	36,060	12,832	190,983	2,977	19,804	22,781	213,764
Total personnel and related costs	-	796,559	1,190,264	527,529	152,149	2,666,501	81,770	266,208	347,978	3,014,479
Other:										
Donated goods and services	-	-	-	4,252,461	172,179	4,424,640	-	-	-	4,424,640
Occupancy	-	213,987	41,014	75,877	7,477	338,355	82,792	10,304	93,096	431,451
Donated advertising	-	-	-	-	120,000	120,000	-	30,000	30,000	150,000
Supplies	-	12,688	4,081	39,042	282	56,093	36,158	48,902	85,060	141,153
Travel and conferences	-	5,710	-	106,506	2,966	115,182	12,046	12,572	24,618	139,800
Food	-	18,351	16	85,321	647	104,335	3,433	29,843	33,276	137,611
Professional fees and temporary labor	-	1,625	55,103	-	1,800	58,528	74,673	-	74,673	133,201
Campaign expenses	-	-	-	-	-	-	-	114,933	114,933	114,933
Miscellaneous	-	46,194	9,225	3,183	13,402	72,004	29,400	11,522	40,922	112,926
Computer/hosting fees	-	5,833	51,048	5,025	5,074	66,980	29,571	4,008	33,579	100,559
Telephone	-	12,497	24,524	7,112	2,122	46,255	9,290	14,465	23,755	70,010
Insurance	-	19,778	18,941	20,598	360	59,677	6,066	2,860	8,926	68,603
Interest	-	-	29,305	11,721	7,386	48,412	-	4,386	4,386	52,798
United Way dues	-	-	-	-	-	-	39,631	-	39,631	39,631
Special events	-	-	-	-	-	-	-	39,426	39,426	39,426
Equipment rental	-	8,821	6,413	4,512	5,460	25,206	703	8,876	9,579	34,785
Postage and printing	-	209	70	792	740	1,811	10,748	13,092	23,840	25,651
Grant expense	-	12,016	-	-	-	12,016	-	-	-	12,016
Total other	-	357,709	239,740	4,612,150	339,895	5,549,494	334,511	345,189	679,700	6,229,194
Depreciation	-	89,903	12,838	64,888	10,905	178,534	14,519	10,692	25,211	203,745
Total expenses	\$ 213,440	\$ 1,244,171	\$ 1,442,842	\$ 5,204,567	\$ 502,949	\$ 8,607,969	\$ 430,800	\$ 622,089	\$ 1,052,889	\$ 9,660,858

The accompanying notes are an integral part of these statements.

UNITED WAY OF TRI-COUNTY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services					Supporting Services				
	Allocations	United Way Distribution Services	Call Center	Food Security	Other Program Services	Total Program Services	General and Adminis- trative	Fundraising	Total Supporting Services	Total
Allocations:										
Designations to nonprofits and United Ways	\$ 138,147	\$ -	\$ -	\$ -	\$ -	\$ 138,147	\$ -	\$ -	\$ -	\$ 138,147
Allocation to agencies	91,817	-	-	-	-	91,817	-	-	-	91,817
Total allocations	229,964	-	-	-	-	229,964	-	-	-	229,964
Personnel and Related Costs:										
Salaries and wages	-	534,192	1,146,428	396,292	134,138	2,211,050	110,899	234,440	345,339	2,556,389
Fringe benefits	-	63,663	78,629	79,335	44,174	265,801	23,899	54,847	78,746	344,547
Payroll taxes	-	54,774	110,776	36,405	13,070	215,025	4,779	19,080	23,859	238,884
Total personnel and related costs	-	652,629	1,335,833	512,032	191,382	2,691,876	139,577	308,367	447,944	3,139,820
Other:										
Donated goods and services	-	-	-	3,437,285	179,487	3,616,772	-	-	-	3,616,772
Occupancy	-	203,252	31,955	69,773	2,733	307,713	83,705	3,975	87,680	395,393
Donated advertising	-	-	-	-	120,000	120,000	-	30,000	30,000	150,000
Supplies	-	19,291	4,893	48,561	932	73,677	44,628	1,184	45,812	119,489
Travel and conferences	-	9,438	-	65,233	1,720	76,391	14,617	19,539	34,156	110,547
Food	-	14,525	123	65,015	8,373	88,036	706	-	706	88,742
Professional fees and temporary labor	-	-	81,339	-	8,400	89,739	62,650	-	62,650	152,389
Campaign expenses	-	-	-	-	-	-	-	6,435	6,435	6,435
Miscellaneous	-	19,244	1,203	1,607	47,599	69,653	12,541	2,777	15,318	84,971
Computer/hosting fees	-	5,838	77,576	5,173	8,025	96,612	22,062	4,485	26,547	123,159
Telephone	-	11,456	233,715	10,082	1,594	256,847	18,903	11,633	30,536	287,383
Insurance	-	8,151	23,978	16,302	16,778	65,209	8,151	8,151	16,302	81,511
Interest	-	2	36,757	15,014	7,353	59,126	-	7,351	7,351	66,477
United Way dues	-	-	-	-	-	-	55,268	-	55,268	55,268
Special events	-	-	-	-	-	-	-	7,079	7,079	7,079
Equipment rental	-	3,903	9,893	4,470	5,460	23,726	1,321	7,301	8,622	32,348
Postage and printing	-	-	3,865	44	1,983	5,892	9,178	12,519	21,697	27,589
Grant expense	-	113,572	-	-	-	113,572	-	-	-	113,572
Total other	-	408,672	505,297	3,738,559	410,437	5,062,965	333,730	122,429	456,159	5,519,124
Depreciation	-	27,725	15,919	54,789	10,905	109,338	17,518	10,692	28,210	137,548
Total expenses	\$ 229,964	\$ 1,089,026	\$ 1,857,049	\$ 4,305,380	\$ 612,724	\$ 8,094,143	\$ 490,825	\$ 441,488	\$ 932,313	\$ 9,026,456

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

United Way of Tri-County, Inc. (the Organization) was incorporated through the merging of five United Way organizations: the United Way of Assabet Valley, United Way of Neponset Valley, the United Way of Metro-West, the Westborough United Way, and the Clinton Community United Way. The Organization is one of 1,340 locally managed and operated United Way organizations in America. Today the Organization provides services to thousands of our neighbors and friends in thirty-four communities throughout Norfolk, Middlesex, and Worcester Counties, better known as the Metro-West/495 Corridor. Community investment is made through the funding of trusted community partner agencies and through direct service programming in the areas of Food Security, Information and Referral, Product Philanthropy, and Call2Talk, our Mental Health and Suicide and Prevention program. Specifically, the Organization operates three food pantries and two congregate meal programs in Framingham, Marlborough and Clinton, Massachusetts; operates the state-wide Mass 2-1-1 Information and Referral Hotline for the Commonwealth of Massachusetts (the Commonwealth), and operates the United Way Distribution Services Product warehouse in Framingham, Massachusetts. Day-to-day management of the Organization is the responsibility of the President and Chief Professional Officer who reports directly to the Board of Directors.

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standard

During fiscal year 2022, the Organization adopted FASB's Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended June 30, 2022. This ASU has been applied retrospectively to all periods presented.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Organization considers all cash balances not included in its investment portfolio to be cash for purposes of the statements of cash flows.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants receivable are reviewed by management and an allowance for doubtful accounts is established based on management's analysis of specific grants and their estimate of amounts that may become uncollectible, if any. There was no allowance for uncollectable grants recorded as of June 30, 2022 or 2021.

Inventory

The United Way Distribution Services program links Product Philanthropy (see Note 7) (office furniture, computers, supplies, etc.) donors, including Gifts In-Kind International and local companies and institutions throughout Central New England, to community partner agencies of the Organization who are in need of these supplies. At the time of the distribution of the goods, each distribution is recognized as a donation to the partner agency for the total fair market value of the distribution. Partner agencies pay a membership fee for participation in the program. In addition, each distribution is assessed a portage fee of 15% based on the fair market value of the total order. These fees are included in portage fees and other sales in the accompanying statements of activities.

Inventory consists of Product Philanthropy items received that have not been distributed to community partner agencies. This inventory is accounted for at the lower of donation value (see Note 7) (as determined by the first-in, first-out (FIFO) method) or market.

Inventory reserve is recorded in an amount that would bring the net inventory amount down to the expected sales price (portage fees). The inventory reserve was \$37,801 and \$48,230 as of June 30, 2022 and 2021, respectively.

Investments

Interest and dividends are recorded as investment return when earned. Gains and losses are recognized as incurred or based on fair value changes during the period.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the time of donation (see Note 4). Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Building	40 years
Leasehold improvements	10 years or life of lease
Furniture and equipment	3 - 7 years
Vehicles	5 years
Website development	3 years

Grants and Allocations Payable

The Organization reserves the right to exercise variance authority over all grants and, as such, has no legal liability to pay the balance of any grant. Accordingly, grants and allocations are expensed based on predetermined payment schedules. Any grants and allocations that are due and not paid as of year-end in accordance with the predetermined payment schedule are recorded as a liability by the Organization.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its net assets without donor restrictions into the following categories:

Operating - represents funds available to carry on the operations of the Organization.

Property and Equipment - represents the net book value of the Organization's property and equipment, net of related debt.

Board Designated - represents funds set aside by the Board of Directors for future allocations. These funds may only be used with the approval of the Board of Directors.

Net Assets With Donor Restrictions

The Organization receives contributions and grants that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity and only the investment income can be spent. Perpetually restricted net assets consist of donor contributions to the Success by Six Endowment Fund.

Net assets with donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 128,346	\$ 171,446
Perpetually restricted	115,338	115,338
Purpose restricted	3,608	3,113
Appreciation (depreciation) on endowment	<u>(3,898)</u>	<u>33,831</u>
	<u>\$ 243,394</u>	<u>\$ 323,728</u>

Endowment Investment Spending Policy

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Subject to the intent of a donor, the Organization may appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization.

The Board of Directors is in the process of implementing an investment policy to address specific returns and risk parameters as well as a spending policy to allow the Organization to designate a portion of the Organization's cumulative investment return for support of operations. Under the Organization's proposed spending policy, the Board of Directors may appropriate up to 5.40% of the fair value of the endowment to support operations. The Board of Directors has made appropriations totaling \$6,326 and \$8,515 to support operations for the years ended June 30, 2022 and 2021, respectively, based on the proposed spending policy.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition, Pledges and Designations Receivable/Payable

The Organization generally measures earned revenue based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers (i.e., management and service fee contracts) based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Management fees are recognized by the Organization for services provided (see Note 11), which consist of comprehensive operational and management services. Services are generally provided on an annual basis and the agreements specify the compensation arrangements for each annual period. Each service is considered a single performance obligation as each service is distinct. The performance obligations under these agreements are satisfied evenly over the year as the respective parties receive the benefits provided as the Organization performs. Management fees are generally recognized in one fiscal year.

Portage fees and other sales are recognized at the time of product distribution. Service fees are recognized by the Organization based on a percentage of campaigns outside of the Organization's service area for services provided around managing these campaigns during the fiscal year. Service fees of \$309,135 and \$17,832 were deducted from donor designations to cover the costs incurred by the Organization in raising and processing them for the years ended June 30, 2022 and 2021, respectively. Donor designations include \$128,623 and \$138,147 in donor contributions from campaigns managed by the Organization that were designated to specific agencies and paid directly to third parties for the years ended June 30, 2022 and 2021, respectively. The Organization does not earn service fees on contributions that are paid in this manner. All other revenue is recognized as earned.

Contributed income may include gifts of cash or promises to give. Grants and contributions, including unconditional promises to give, are recognized as revenues in the period received and recorded in the appropriate net asset category in accordance with donor-imposed restrictions. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions are substantially met. When considered material, grants and contributions to be received after one (1) year are discounted at an appropriate discount rate commensurate with the risk involved. Multi-year commitments are recorded during the year of the initial pledge.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met (see Note 17).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition, Pledges and Designations Receivable/Payable (Continued)

Grants and contributions, including gross campaign results and donated products, goods and services, are recorded when received or unconditionally committed. Unconditional grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the grant and contribution is recognized. All other donor restricted grants and contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions. Special event revenue is recognized in the period in which the event takes place.

Pledges and designations receivable are recorded at their net present value when unconditionally committed (see Note 3). Collectability of pledges and designations receivable is analyzed by management based on the history of collections and management's judgment. The risk of not collecting the pledges and designations is mitigated by the Organization's policy to reduce payments of donor designations and allocations in the event that actual collections are lower than estimated amounts. Accordingly, accrued designations have been reduced by the same amount as the reserve amount on the designations receivable.

Donors to the campaign may designate all or part of their contributions to specific agencies. Such amounts made within the Organization's service area are not included as allocations to agencies and are recorded as designations to nonprofits and United Ways in the accompanying statements of functional expenses. Designations made by donors outside of the Organization's service area are recorded as a deduction from gross campaign results in the accompanying statements of activities as donor designations, net of service fees. The balances of donor designations to specific agencies that remain unpaid at year-end are reflected as designations payable in the accompanying statements of financial position.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, which are allocated on the basis of estimates of time and effort; occupancy and depreciation, which are allocated on a square footage basis; and certain other costs, which are allocated based on usage studies conducted annually.

Grant Expense

Grant expense is recorded when awarded by the Organization as the conditions of the grant are met by the grantee.

Allocations to Agencies

Non-designated Community Care contributions are allocated to community partner agencies after completion of the fundraising campaign and upon approval of the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Investments are valued using Level 1 inputs as of June 30, 2022 and 2021.

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities, including contribution receivable - charitable lead trust and long-term debt, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as public support and revenues and operating expenses in the accompanying statements of activities. Non-operating revenue (expenses) includes capital and investment activity.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2022 and 2021. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 16, 2022, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the accompanying financial statements.

3. PLEDGES AND DESIGNATIONS RECEIVABLE

Pledges and designations receivable were comprised of the following as of June 30:

	2022	
	<u>Pledges</u>	<u>Designations</u>
Pledges and designations receivable	\$ 655,745	\$ 1,197,654
Less - allowance for uncollectible accounts	<u>13,497</u>	<u>367,750</u>
Pledges and designations receivable, net	<u>\$ 642,248</u>	<u>\$ 829,904</u>
	2021	
	<u>Pledges</u>	<u>Designations</u>
Pledges and designations receivable	\$ 602,069	\$ 38,291
Less - allowance for uncollectible accounts	<u>104,551</u>	<u>22,172</u>
Pledges and designations receivable, net	<u>\$ 497,518</u>	<u>\$ 16,119</u>

All pledges and designations receivable are expected to be collected within one year.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 342,520	\$ 215,000
Building	2,036,593	2,036,593
Leasehold improvements	408,990	323,514
Furniture and equipment	776,816	740,168
Vehicles	410,270	410,270
Website development	43,239	39,737
	<u>4,018,428</u>	<u>3,765,282</u>
Less - accumulated depreciation	<u>1,251,990</u>	<u>1,048,245</u>
	<u>\$ 2,766,438</u>	<u>\$ 2,717,037</u>

On June 29, 2016, the Organization purchased the building it had previously leased for programmatic and administrative space. As part of completing this deal, the Organization purchased the building at a discount of \$215,000 and entered into a ten-year lease agreement with its former landlord to leaseback office space in the Organization's facility at a discounted price of \$100 per month (see Note 10). The property was recorded at fair value and the difference between fair value and the property's purchase price is recorded as deferred revenue in the accompanying statements of financial position. The Organization records rental income at fair value and amortizes the deferred revenue over the life of the lease. The Organization recognized \$21,500 of related rental income for the years ended June 30, 2022 and 2021, which is included in miscellaneous income in the accompanying statements of activities.

5. INVESTMENTS

Investments consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash and money market funds	\$ 3,747	\$ 4,996
Mutual funds:		
Bond funds	116,317	164,276
Global markets - equity	157,387	132,284
Domestic markets - equity	<u>203,292</u>	<u>280,206</u>
	<u>\$ 480,743</u>	<u>\$ 581,762</u>

Investments have been classified as non-current assets as it is management's intent to invest these funds for long-term purposes. Investments are not insured and are subject to market fluctuations.

6. DONATED GOODS AND SERVICES

Donated services are recognized if the services create or enhance non-financial assets or require specialized skills that would typically need to be purchased if not provided by donation.

The financial statements do not include amounts for donated services for which an objective basis of measurement of the value of such services is not available, and these services are not specialized as defined in the standard for *Contributions Received* under U.S. GAAP. However, volunteers have donated significant amounts of their time and energy to the Organization. Based on management's estimate, volunteers donated approximately 109,000 and 106,800 hours to the Organization during the years ended June 30, 2022 and 2021, respectively.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

6. DONATED GOODS AND SERVICES (Continued)

Those goods and services that are able to be valued are reflected in the accompanying financial statements based upon the estimated value (donation value) assigned to them by the donating agencies or by management. Donated services and assets were utilized by the Organization's programs services and fundraising operations. There were no donor-imposed restrictions associated with the donated services and assets.

The value of donated goods and services was as follows for the years ended June 30:

	2022		2021	
	Donated Goods	Donated Services	Donated Goods	Donated Services
Food security	\$ 4,252,461	\$ -	\$ 3,437,285	\$ -
Other program services	172,179	120,000	179,487	120,000
Fundraising	-	30,000	-	30,000
	<u>\$ 4,424,640</u>	<u>\$ 150,000</u>	<u>\$ 3,616,772</u>	<u>\$ 150,000</u>

7. PRODUCT PHILANTHROPY

Product Philanthropy represents donated goods received by the Organization for its United Way Distribution Services (see Note 2). Of the Product Philanthropy goods received, \$810,362 and \$682,850 were distributed to community partner agencies during fiscal years 2022 and 2021, respectively. These amounts are included in cost of goods donated to the community in the accompanying statements of activities. The balance of these goods (\$6,623 and \$8,463) is shown as inventory, net in the accompanying statements of financial position as of June 30, 2022 and 2021, respectively, and reflect goods to be distributed in a future period.

8. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	2022	2021
5% note payable to a realty trust (seller-financed note), due in monthly installments of principal and interest of \$9,000. This note matures on April 1, 2034. This note is secured by a second mortgage on the property.	\$ 957,677	\$ 1,016,162
Note payable to Avidia Bank, due in monthly installments of principal and interest of \$2,388 through maturity in June 2041. This note accrued interest at 4.75% and was fully repaid during fiscal year 2022.	-	196,435
	<u>957,677</u>	<u>1,212,597</u>
Less - current portion	<u>60,287</u>	<u>68,522</u>
	<u>\$ 897,390</u>	<u>\$ 1,144,075</u>

Maturities of long-term debt over the next five years are as follows:

2023	\$ 60,287
2024	\$ 63,415
2025	\$ 66,705
2026	\$ 70,167
2027	\$ 73,808

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

9. RETIREMENT PLANS

The Organization sponsors an employee pension plan for all full-time employees. For the years ended June 30, 2022 and 2021, the Organization's contributions based on a percentage of employee salaries totaled \$148,509 and \$122,455, respectively, and are included in fringe benefits in the accompanying statements of functional expenses.

The Organization also maintains an IRC Section 403(b) Tax-Deferred Annuity Plan. The Tax-Deferred Annuity Plan covers all eligible employees as defined in the plan. The Organization does not contribute to this plan.

10. LEASE AGREEMENTS

The Organization maintains an agreement to lease programmatic space through April 30, 2026. Monthly payments under this agreement range between \$6,615 and \$7,560.

In addition, the Organization leases additional program space under several tenant-at-will agreements for aggregate payments ranging between approximately \$500 and \$5,900 per month. Facility rent expense for the years ended June 30, 2022 and 2021, was \$149,796 and \$124,027, respectively, and is included in occupancy in the accompanying statements of functional expenses.

The Organization also leases various equipment under operating lease agreements that expire through July 2027. The leases require aggregate monthly payments of approximately \$1,900. Total lease expense on all equipment was \$34,785 and \$32,348 for the years ended June 30, 2022 and 2021, respectively, and is included in equipment rental in the accompanying statements of functional expenses.

Future minimum lease payments for the next five years are as follows:

	<u>Facility</u>	<u>Equipment</u>
2023	\$ 83,570	\$ 22,401
2024	\$ 86,050	\$ 19,101
2025	\$ 88,620	\$ 2,601
2026	\$ 75,600	\$ 2,601
2027	\$ -	\$ 2,601

Rental Income

The Organization maintains a ten-year lease agreement with its former landlord to lease office space in the Organization's facility. Monthly payments of \$100 are due through June 30, 2026.

Future minimum rental receipts are as follows:

2023	\$ 1,200
2024	\$ 1,200
2025	\$ 1,200
2026	\$ 1,200

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

11. COMMITMENTS

The Organization entered into an agreement to provide comprehensive operational and management services on behalf of Mass211, Inc. (Mass211) through June 30, 2019, at a management fee equal to the direct costs incurred to carry out the services required by Mass211's grants and contracts. The Organization is currently negotiating a new agreement with Mass211, and the old agreement stays in effect until the new agreement is finalized. During fiscal years 2022 and 2021, the Organization incurred direct costs of approximately \$1,233,000 and \$1,826,000, respectively, which were billed to Mass211 for the years ended June 30, 2022 and 2021. These fees are included in management fees in the accompanying statements of activities. These fees comprised 13% and 17% of total public support and revenues for the years ended June 30, 2022 and 2021, respectively.

The Organization entered into an agreement to provide comprehensive operational and management services to the United Way of Pioneer Valley, Inc. effective October 1, 2018, through April 1, 2021, at a management fee equal to 10% of gross revenues as defined in the agreement. The Organization is currently negotiating a new agreement with the United Way of Pioneer Valley, Inc., and the old agreement stays in effect until the new agreement is finalized. The Organization recognized \$120,000 of management fee revenue for each of the fiscal years 2022 and 2021, which is included in management fees in the accompanying statements of activities. Either party can terminate this agreement without cause within 120 days prior written notice of termination.

12. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in multiple banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts at certain banks. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

13. ENDOWMENT

A reconciliation of endowment activities for fiscal years 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 149,169	\$ 127,861
Investment return, net	(31,403)	29,823
Appropriations to operations	<u>(6,326)</u>	<u>(8,515)</u>
Endowment net assets, end of year	<u>\$ 111,440</u>	<u>\$ 149,169</u>

14. ALLOCATIONS

Allocations to agencies consist of the following for the years ended June 30:

<u>Agency</u>	<u>2022</u>	<u>2021</u>
Boys & Girls Clubs of MetroWest	\$ 60,000	\$ 60,000
Mass 211, Inc.	19,817	19,817
Framingham Public Schools	5,000	7,000
Provision Ministry, Inc.	<u>-</u>	<u>5,000</u>
Total allocation to agencies	<u>\$ 84,817</u>	<u>\$ 91,817</u>

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

15. CHARITABLE LEAD TRUST

The Organization is a beneficiary of a charitable lead annuity trust. The Organization is entitled to one-third of the fair value of the trust. The Organization received distributions of \$25,000 during fiscal years 2022 and 2021 and will receive annual distributions of \$25,000 until the trust is exhausted. The Organization's share of the trust of \$128,346 and \$171,447 is included in net assets with donor restrictions and contribution receivable - charitable lead trust in the accompanying statements of financial position as of June 30, 2022 and 2021, respectively. The Organization recorded a change in value of charitable lead trust of \$(18,101) and \$32,813 in the accompanying statements of activities for the years ended June 30, 2022 and 2021, respectively.

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for use by the Organization within one year from the statements of financial position date as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,258,665	\$ 1,439,948
Pledges receivable, net	642,248	497,518
Accounts receivable	103,398	41,110
Grants receivable	66,666	436,786
Current portion of contribution receivable - charitable lead trust	25,000	25,000
Investment return appropriation	6,300	8,500
Less - Board designated funds	(84,817)	(91,817)
Less - donor contributions restricted for specific purposes	<u>(3,608)</u>	<u>(3,113)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,013,852</u>	<u>\$ 2,353,932</u>

The Organization holds funds enough to meet daily operating needs in cash. In the event of an unanticipated liquidity need, management could utilize non-endowment investments which totaled \$369,303 and \$432,593 at June 30, 2022 and 2021, respectively. In addition, the Organization's governing board has designated a portion of its unrestricted resources for making allocations to other agencies (see page 11 and Note 14). Those amounts are identified as Board designated funds in the table above and are generally not available for liquidity purposes. These funds may be spent at the discretion of the Board.

17. CONDITIONAL GRANTS

A foundation awarded the Organization a \$100,000 grant, which is conditional upon the Organization meeting goals and certain criteria and is to be paid in four equal installments of \$25,000 over four years. The Organization earned and received the second installment of the grant during fiscal year 2022 and, accordingly, \$25,000 is included in grants and contributions without donor restrictions in the accompanying statement of activities. The remaining conditions have not been met as of June 30, 2022, and therefore, the \$50,000 remaining balance of the grant is not reflected in the accompanying financial statements.

During fiscal year 2021, a foundation awarded and advanced the Organization a \$100,000 grant, which was conditional upon the Organization using the grant to acquire land or a new building. If the funds were not used in the acquisition of land or a new building, they were required to be returned to the donor. During fiscal year 2022, the Organization purchased land and met the requirement. Accordingly, the full amount is shown as a capital grant in the accompanying fiscal year 2022 statement of activities. The full amount was shown as a conditional grant advance in the accompanying June 30, 2021 statement of financial position.

UNITED WAY OF TRI-COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

17. **CONDITIONAL GRANTS** (Continued)

During fiscal year 2021, the Organization was awarded a \$50,000 conditional grant. Payment of this grant was conditional upon the Organization meeting certain requirements and incurring costs as defined in the agreement. The Organization met the conditions of the grant during fiscal years 2022 and 2021 and, accordingly, \$34,006 and \$15,994, respectively, are included in grants and contributions without donor restrictions in the accompanying statements of activities.

During fiscal years 2020 and 2021, the Organization applied for, and was awarded, loans of \$477,752 and \$498,750, respectively, from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits as well as rent and utilities during a covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a certain period from the end of the covered period as determined by the Small Business Administration (SBA). The balance of the note that was not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations are subject to review and approval by the lending bank and the SBA. The Organization accounted for these funds as conditional grants under ASC Subtopic 958-605, *Revenue Recognition*. It was determined that these grants were conditional upon certain performance requirements and the incurrence of eligible expenses. During fiscal year 2021, the Organization recognized both the \$477,752 and \$498,750 PPP awards as grant revenue upon meeting the conditions of the awards. In addition, the Organization received notification from the bank that these funds were legally released from the obligation.

18. **EMPLOYEE RETENTION TAX CREDIT**

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and December 31, 2021 (2021 ERTC). To be eligible, the Organization must meet certain conditions as described in applicable laws and regulations.

The Organization determined that it qualified for the 2021 ERTC, and therefore, accounted for it as conditional grants under ASC Subtopic 958-605. These grants were conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of June 30, 2021, and therefore, the entire refund of \$294,826 was included in grants receivable in the accompanying fiscal year 2021 statement of financial position. The funds were received during fiscal year 2022. Eligibility for the credit and the credit calculations is subject to review and approval by the Federal government. In the opinion of management, the result of such reviews and audit will not have a material effect on the financial position of the Organization as of June 30, 2021, and on the changes in its net assets for the year then ended.