

Butler County United Way
Financial Statements
Years Ended June 30, 2022 and 2021

**Butler County United Way
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Years Ended June 30, 2022 and 2021**

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Independent Auditor's Report

To the Board of Trustees
Butler County United Way

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Butler County United Way (a "not-for-profit corporation"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows 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 Butler County United Way, 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 Butler County United Way, 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 Butler County United Way's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Independent Auditor's Report (Continued)

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.

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 Butler County United Way'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 Butler County United Way'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.

MCM CPAs & Advisors LLP

Cincinnati, Ohio
December 15, 2022

**Butler County United Way
Statements of Financial Position
June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 496,711	\$ 222,234
Pledges receivable, net	<u>522,012</u>	<u>593,826</u>
Total current assets	1,018,723	816,060
Property and equipment, net	6,623	10,150
Noncurrent assets		
Investments, at fair value	518,723	527,140
Beneficial interest in assets held by others	820,407	127,367
Restricted cash - fiscal agent	49,187	30,014
Board designated investments	<u>213,238</u>	<u>213,242</u>
Total noncurrent assets	<u>1,601,555</u>	<u>897,763</u>
Total assets	<u><u>\$ 2,626,901</u></u>	<u><u>\$ 1,723,973</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 15,187	\$ 15,890
Allocations and designations payable	988,826	787,073
Designations payable to other United Way organizations	<u>80,924</u>	<u>61,686</u>
Total current liabilities	1,084,937	864,649
Due to others - fiscal agent	<u>49,187</u>	<u>30,014</u>
Total long-term liabilities	49,187	30,014
Net assets		
Board designated - required operating reserve	213,238	213,242
Undesignated	<u>509,206</u>	<u>566,068</u>
Total without donor restrictions	722,444	779,310
With donor restrictions	<u>770,333</u>	<u>50,000</u>
Total net assets	<u>1,492,777</u>	<u>829,310</u>
Total liabilities and net assets	<u><u>\$ 2,626,901</u></u>	<u><u>\$ 1,723,973</u></u>

See accompanying notes.

**Butler County United Way
Statement of Activities
Year Ended June 30, 2022**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Public support			
Gross campaign results	\$ 1,578,036	\$ 7,500	\$ 1,585,536
Less donor designations	260,903	-	260,903
Less provision for uncollectible pledges receivable	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net campaign revenue	1,267,133	7,500	1,274,633
Other revenue			
Net realized and unrealized loss on investments	(56,494)	-	(56,494)
Interest and dividends	13,721	-	13,721
Change in fair value of beneficial interest in assets held by others	(19,793)	(133,236)	(153,029)
Contribution - Middletown Endowment	-	846,069	846,069
Other revenue	229	-	229
Special events, net	24,060	-	24,060
Contributed nonfinancial assets	<u>79,978</u>	<u>-</u>	<u>79,978</u>
Total other revenue	41,701	712,833	754,534
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and other revenue	1,308,834	720,333	2,029,167
Expenses			
Program services	1,038,669	-	1,038,669
Supporting services			
Management and general	65,702	-	65,702
Resource development	237,662	-	237,662
United Way Worldwide dues	<u>23,667</u>	<u>-</u>	<u>23,667</u>
Total supporting services	<u>327,031</u>	<u>-</u>	<u>327,031</u>
Total expenses	<u>1,365,700</u>	<u>-</u>	<u>1,365,700</u>
Change in net assets	(56,866)	720,333	663,467
Net assets, beginning of year	<u>779,310</u>	<u>50,000</u>	<u>829,310</u>
Net assets, end of year	<u>\$ 722,444</u>	<u>\$ 770,333</u>	<u>\$ 1,492,777</u>

See accompanying notes.

**Butler County United Way
Statement of Activities
Year Ended June 30, 2021**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Public support			
Gross campaign results	\$ 1,422,519	\$ -	\$ 1,422,519
Less donor designations	312,894	-	312,894
Less provision for uncollectible pledges receivable	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Net campaign revenue	1,029,625	-	1,029,625
Other revenue			
Net realized and unrealized gain on investments	86,714	-	86,714
Interest and dividends	10,787	-	10,787
Change in fair value of beneficial interest in assets held by others	26,733	-	26,733
Other revenue	900	-	900
Forgiveness of PPP loan	70,795	-	70,795
Special events, net	(1,862)	-	(1,862)
Contributed nonfinancial assets	<u>192,330</u>	<u>-</u>	<u>192,330</u>
Total other revenue	386,397	-	386,397
Net assets released from restrictions	<u>10,750</u>	<u>(10,750)</u>	<u>-</u>
Total public support and other revenue	1,426,772	(10,750)	1,416,022
Expenses			
Program services	959,911	-	959,911
Supporting services			
Management and general	67,323	-	67,323
Resource development	209,236	-	209,236
United Way Worldwide dues	<u>23,656</u>	<u>-</u>	<u>23,656</u>
Total supporting services	<u>300,215</u>	<u>-</u>	<u>300,215</u>
Total expenses	<u>1,260,126</u>	<u>-</u>	<u>1,260,126</u>
Change in net assets	166,646	(10,750)	155,896
Net assets, beginning of year	<u>612,664</u>	<u>60,750</u>	<u>673,414</u>
Net assets, end of year	<u>\$ 779,310</u>	<u>\$ 50,000</u>	<u>\$ 829,310</u>

See accompanying notes.

**Butler County United Way
Statement of Functional Expenses
Year Ended June 30, 2022**

	Program services			Supporting services				Total expenses
	Allocations	Community impact	Total	Management and general	Resource development	UWW dues	Total	
Compensation	\$ -	\$ 134,581	\$ 134,581	\$ 27,838	\$ 137,550	\$ -	\$ 165,388	\$ 299,969
Employer payroll taxes	-	10,110	10,110	2,223	10,390	-	12,613	22,723
Employee benefits	-	29,169	29,169	4,282	21,063	-	25,345	54,514
Total personnel expenses	-	173,860	173,860	34,343	169,003	-	203,346	377,206
Allocations to agencies	728,022	-	728,022	-	-	-	-	728,022
Awards/incentives	-	779	779	1,590	377	-	1,967	2,746
Bank fees	-	-	-	3,334	-	-	3,334	3,334
Conference and meeting	-	1,553	1,553	83	1,223	-	1,306	2,859
Depreciation	-	1,552	1,552	529	1,446	-	1,975	3,527
Equipment maintenance and rental	-	20,356	20,356	3,140	14,688	-	17,828	38,184
Contributed nonfinancial assets	-	58,228	58,228	6,430	15,320	-	21,750	79,978
Marketing/campaign expense	-	8,765	8,765	952	7,013	-	7,965	16,730
Membership dues	-	1,030	1,030	395	490	23,667	24,552	25,582
Occupancy	-	20,802	20,802	2,613	13,081	-	15,694	36,496
Postage	-	608	608	90	438	-	528	1,136
Professional/consultant fees	-	14,362	14,362	7,306	10,442	-	17,748	32,110
Special events	-	-	-	42,034	-	-	42,034	42,034
Supplies	-	2,292	2,292	328	1,602	-	1,930	4,222
Telephone	-	4,734	4,734	3,930	2,445	-	6,375	11,109
Travel	-	1,726	1,726	639	94	-	733	2,459
Total expenses before special events	728,022	310,647	1,038,669	107,736	237,662	23,667	369,065	1,407,734
Less: special events netted with revenues	-	-	-	42,034	-	-	42,034	42,034
Total expenses	\$ 728,022	\$ 310,647	\$ 1,038,669	\$ 65,702	\$ 237,662	\$ 23,667	\$ 327,031	\$ 1,365,700

See accompanying notes.

**Butler County United Way
Statement of Functional Expenses
Year Ended June 30, 2021**

	Program services			Supporting services				Total expenses
	Allocations	Community impact	Total	Management and general	Resource development	UWW dues	Total	
Compensation	\$ -	\$ 164,342	\$ 164,342	\$ 27,560	\$ 125,382	\$ -	\$ 152,942	\$ 317,284
Employer payroll taxes	-	12,760	12,760	1,832	9,724	-	11,556	24,316
Employee benefits	-	27,402	27,402	3,488	18,747	-	22,235	49,637
Total personnel expenses	-	204,504	204,504	32,880	153,853	-	186,733	391,237
Allocations to agencies	527,320	-	527,320	-	-	-	-	527,320
Awards/incentives	-	260	260	1,500	131	-	1,631	1,891
Bank fees	-	-	-	1,522	-	-	1,522	1,522
Conference and meeting	-	301	301	234	696	-	930	1,231
Depreciation	-	1,552	1,552	529	1,446	-	1,975	3,527
Equipment maintenance and rental	-	19,603	19,603	2,922	14,144	-	17,066	36,669
Contributed nonfinancial assets	-	169,930	169,930	7,080	15,320	-	22,400	192,330
Marketing/campaign expense	-	6,325	6,325	1,571	3,575	-	5,146	11,471
Membership dues	-	1,014	1,014	445	731	23,656	24,832	25,846
Occupancy	-	11,786	11,786	1,632	8,504	-	10,136	21,922
Postage	-	1,371	1,371	214	990	-	1,204	2,575
Professional/consultant fees	-	11,655	11,655	15,837	8,469	-	24,306	35,961
Special events	-	-	-	2,885	-	-	2,885	2,885
Supplies	-	1,460	1,460	-	778	-	778	2,238
Telephone	-	2,441	2,441	905	566	-	1,471	3,912
Travel	-	389	389	52	33	-	85	474
Total expenses before special events	527,320	432,591	959,911	70,208	209,236	23,656	303,100	1,263,011
Less: special events netted with revenues	-	-	-	2,885	-	-	2,885	2,885
Total expenses	\$ 527,320	\$ 432,591	\$ 959,911	\$ 67,323	\$ 209,236	\$ 23,656	\$ 300,215	\$ 1,260,126

See accompanying notes.

Butler County United Way
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Change in net assets	\$ 663,467	\$ 155,896
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities		
Depreciation	3,527	3,527
Net realized and unrealized losses (gains) on investments	56,494	(86,714)
Provision for uncollectible pledges and other receivables	50,000	80,000
Contribution - Middletown Endowment	(846,069)	-
Change in fair value of beneficial interest in assets held by others	153,029	(26,733)
Forgiveness of PPP loan	-	(70,795)
Pledges receivable	21,814	17,331
Accounts payable	(703)	(3,617)
Allocations and designations payable	201,753	(50,828)
Designations payable to other United Way organizations	19,238	12,333
Due to others - fiscal agent	19,173	(32,341)
	<u>341,723</u>	<u>(1,941)</u>
Net cash flows provided by (used in) operating activities	341,723	(1,941)
Investing activities		
Purchase of investment securities	(48,073)	(77,240)
Proceeds from sales of investments	-	16,450
	<u>(48,073)</u>	<u>(60,790)</u>
Net cash flows used in investing activities	(48,073)	(60,790)
Net change in cash and cash equivalents	293,650	(62,731)
Cash, cash equivalents and restricted cash, beginning of year	<u>252,248</u>	<u>314,979</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 545,898</u>	<u>\$ 252,248</u>
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 496,711	\$ 222,234
Restricted cash - fiscal agent	<u>49,187</u>	<u>30,014</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 545,898</u>	<u>\$ 252,248</u>

See accompanying notes.

Butler County United Way
Notes to Financial Statements
Years Ended June 30, 2022 and 2021

Note A - Nature of Organization and Operations

The Butler County United Way (the "Organization") is a nonprofit organization that generates resources from the Butler County community for the purpose of helping all individuals and families achieve their potential through education, income stability and healthy lives. The Organization, whose mission is to connect resources to important community needs, is a member in good standing with the United Way Worldwide and is governed by a local volunteer board of trustees.

In the fall of 2021, the United Way Worldwide reassigned zip codes from the City of Middletown area from United Way of Greater Cincinnati to the Organization. The Organization recognized a contribution of assets as part of this reassignment. The Organization will be responsible for the 2021-22 campaign year. The United Way of Greater Cincinnati will be responsible for the previous campaign collections and related agency allocations.

The Organization leverages resources from multiple sources. Three distinct types of resources are leveraged. They are in the form of money, volunteer time/in-kind donations, and people's voice - advocacy. Resources are garnered primarily from local corporations, foundations, government entities, employees, community citizens, and special events. These secured resources are invested in local community needs through a network of providers. The selected network of providers delivers outcome-based services that are aligned with the United Way purpose. United Way's business is to connect and mobilize resources to improve lives.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative accounting technical literature.
2. Financial Statement Presentation: The Organization follows the guidance of the Financial Accounting Standards Board ("FASB") Topic 958, *Not-for-Profit Entities*. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.
 - *Net Assets Without Donor Restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
 - *Net Assets with Donor Restrictions*: Net assets 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.
3. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
4. Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains at various financial institutions cash accounts which may exceed federally insured amounts at times.

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

5. Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investments are comprised of equity securities, bond funds and mutual funds. Realized and unrealized gains and losses are included in the statements of activities. Interest and dividends are recognized when earned.
6. Board Designated Investments: Board designated investments have been established for the purpose of maintaining approximately two months of reserves for future allocations to supported agencies and programs and for internal expenses.
7. Restricted Cash-fiscal Agent: The Organization acts as a fiscal agent for other nonprofit agencies. The Organization maintains separate ledger and self-balancing accounts for restricted cash and the related amounts due to other nonprofit agencies.
8. In-kind Donated Materials, Facilities, and Services: The Organization adopted ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets to be shown separate from contributions of cash and other financial assets and provides for qualitative disclosure regarding valuation techniques, categories of contributed nonfinancial assets, and their use.

Certain contributed materials, facilities, and services are recorded as support and expense, at fair value when determinable, otherwise at values indicated by the donor. The Organization received \$79,978 and \$192,330 during the years ended June 30, 2022 and 2021, respectively. Additional information can be found in Note K.

9. Fair Value of Financial Instruments: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The three levels of the fair value hierarchy are described below:
 - Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
 - Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.
 - Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The fair value of the Organization's investments as of June 30, 2022 and 2021 was determined using Level 1 inputs for common stock, money market funds, US treasury obligations and mutual funds and using Level 2 inputs for beneficial interest in assets held by others.

The carrying value of the cash and cash equivalents, pledges receivable, accounts payable and other current liabilities approximate fair value due to the short-term nature of these instruments.

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

10. Beneficial Interest in Assets Held by Others: In 1990, an anonymous donor donated \$50,000 to the Hamilton Community Foundation but designated Butler County United Way as the beneficiary. As the donor did not grant the Hamilton Community Foundation the right to redirect the funds to another beneficiary, GAAP requires an asset to be recognized. The investment income is available for distribution and the initial \$50,000 contribution requires approval of the Hamilton Community Foundation Board of Trustees for payout. The balance of the assets held in beneficial interest classified as net assets with donor restrictions is \$50,000.

In 2021, as part of the reassignment of the City of Middletown campaign, the Organization recognized \$846,069 as a contribution. These amounts are held at the Middletown Community Foundation through various vehicles, including agency endowment funds, and are designated for the Butler County United Way. These funds are classified as net assets with donor restrictions.

In addition, the Organization established funds at various community foundations, designating the Organization as beneficiary.

The beneficial interest in assets held by others was \$820,407 and \$127,367 as of June 30, 2022 and 2021, respectively.

11. Property and Equipment: Property and equipment are stated at cost less accumulated depreciation. Property and equipment additions in excess of \$1,000 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the change in net assets for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The general range of useful lives for depreciation is three to twenty years. The useful lives for leasehold improvements are the lesser of the life of the lease or the useful estimated life of the related asset.
12. Allocations and Designations Payable: Allocations to supported member agencies' programs and services are approved in the spring and disbursed for the most part in the following fiscal year. Allocations made by the Organization are recognized as expense in the period the commitment is made. As of June 30, 2022 and 2021 the allocations and designations payable were \$988,826 and \$787,073.
13. Designations Payable to Other United Way Organizations: Funds received or receivable that must be distributed to other United Way agencies are classified as an asset and a corresponding liability in the accompanying statements of financial position. Since the Organization acts as the custodial agent of these funds, no amounts are recognized in net campaign revenue in the accompanying statements of activities. As of June 30, 2022 and 2021, the Organization owed \$80,924 and \$61,686 to other United Way agencies.
14. Revenue Recognition: On July 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). The standard was adopted using the modified retrospective method. Topic 606 creates a single framework for recognizing revenue from contracts with customers that fall within its scope and supersedes nearly all existing U.S. GAAP for revenue recognition guidance. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The majority of the Organization's revenues, including contributions and investment income are not covered by Topic 606, resulting in no material impact to the financial statements.

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

14. Revenue Recognition (Continued): Pledges and contributions that are restricted by the donor are reported as revenue without restrictions if the restriction expires in the reporting period in which the pledge is recognized. All other donor-restricted pledges are reported as an increase in net assets with donor restrictions, depending on the nature of the 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.

Pledges received in the current fiscal year to support the fall campaign of the following fiscal year are subject to a time restriction and are included in net assets with donor restrictions.

Pledges received with a donor designation to a specific agency are agency transactions and are therefore deducted from the gross campaign results and are also excluded from allocations to agencies expense.

15. Functional Allocation of Expenses: The costs of supporting various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and general and administrative categories. Salaries and payroll taxes are allocated based on time and effort. All other expenses are recorded based on their functional purpose.
16. Marketing and Campaign Expense: Marketing and campaign costs are expensed as incurred. For the years ended June 30, 2022 and 2021 marketing and campaign expense totaled \$16,730 and \$11,471, respectively.
17. Tax Status: The Organization is exempt from federal, state and local income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code ("IRC"). The Organization is not considered a private foundation within the meaning of the IRC. The Organization recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.
18. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the year ending June 30, 2023. The Organization has commenced its analysis of the impact of adopting ASU 2016-02 and believes that ASU 2016-02 will have a minimal impact on the financial statements.
19. Reclassifications: Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. The reclassification had no impact on net assets or the change in net assets.
20. Subsequent Events: The Organization has evaluated subsequent events for potential recognition and disclosure through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

Note C - Programs and Activities

The Organization focuses on connecting resources to important community needs while brokering solutions to the most urgent human needs facing the community. A variety of methods are deployed to communicate with community members in order to prioritize the issues and determine the proper solutions to these problems. Whether this means grant writing, fundraising, or collaborating with community partners, the Organization uses community input to solve community issues.

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note C - Programs and Activities (Continued)

The Organization's primary programs and activities are as follows:

- *Community Impact:* The Organization connects resources to community needs that are identified by the community as most critical. The resources may include fundraising, grant writing, volunteer recruitment, or developing collaborations that best address the identified issues. Community Impact involves developing community solutions and investing resources to effectively address health and human service needs. This includes outcome measurement, planning and problem-solving. Strategic initiatives promote collaborative problem solving and community development with community stakeholders and non-profit agencies to create long-term success in the three pillars of focus: Health, Education and Income.
- *Resource Development:* This division focuses on revenue that is secured from direct donor solicitation, corporate investments, sponsorship opportunities, and fundraising events. During the 2021 campaign year, volunteers from the community led the annual campaign which generated more than \$1,580,000 in pledged gifts from individuals and corporations. An additional 300 volunteers logged in over 27,000 hours to support the fundraising events and day to day details, so as to keep overhead costs low and directly benefit the award process.

Note D - Pledges Receivable, net

Pledges receivable consist of:

	<u>2022</u>		<u>2021</u>	
Pledges receivable				
2021 campaign pledges	\$ 667,430		\$ -	
2020 campaign pledges	46,278		700,044	
2019 campaign pledges	-		137,662	
	<u>\$ 713,708</u>		<u>\$ 837,706</u>	
		<u>% of respective</u>		<u>% of respective</u>
		<u>campaign year</u>		<u>campaign year</u>
Less allowance for uncollectable receivables				
2021 campaign pledges	\$ (145,418)	21.79%	\$ -	
2020 campaign pledges	(46,278)	100.00%	(106,218)	15.17%
2019 campaign pledges	-		(137,662)	100.00%
	<u>(191,696)</u>		<u>(243,880)</u>	
Pledges receivable, net	<u>\$ 522,012</u>		<u>\$ 593,826</u>	

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note D - Pledges Receivable, net (Continued)

Pledges are reported as a receivable for one year or until paid. Historically, the allowance for uncollectible pledges is calculated to be approximately 8% - 10% of the total amount raised for the current year fundraising campaign, which is based on the Organization's actual past collection experience. Due to the impact of COVID-19, the Organization adjusted the allowance on current pledges to approximately 22%. Any unpaid pledge greater than twelve months is considered uncollectible and is written off to the allowance for uncollectible receivables.

Note E - Investments

The investment balance (also known as the Legacy Fund) is comprised of long-term investments. The Legacy Fund requires approval by the Chief Executive Officer for disbursements, which are primarily used to purchase equipment and/or make building improvements. The Finance Committee makes recommendations to the Chief Executive Officer for approval.

Investments consist of:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Investments				
Common stock	\$ 236,194	\$ 337,556	\$ 236,256	\$ 374,899
Money market funds, cash and cash equivalents	272,596	272,596	224,290	224,290
Mutual funds				
Fixed income	106,970	93,776	106,970	107,797
Alternative investments	32,298	28,033	32,298	33,396
	<u>\$ 648,058</u>	<u>\$ 731,961</u>	<u>\$ 599,814</u>	<u>\$ 740,382</u>

Amounts are identified on the statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
Investments, at fair value	\$ 518,723	\$ 527,140
Board designated investments	213,238	213,242
	<u>\$ 731,961</u>	<u>\$ 740,382</u>

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note E - Investments (Continued)

Investment income consists of the following:

	<u>2022</u>	<u>2021</u>
Realized gains (losses)	\$ 4,606	\$ (135)
Unrealized (losses) gains	(56,665)	91,633
Investment advisory expenses	<u>(4,435)</u>	<u>(4,784)</u>
Net realized and unrealized gains (losses)	(56,494)	86,714
Interest and dividends	<u>13,721</u>	<u>10,787</u>
	<u>\$ (42,773)</u>	<u>\$ 97,501</u>

Note F - Property and Equipment

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 127,204	\$ 127,204
Leasehold improvements	<u>389,356</u>	<u>389,356</u>
	516,560	516,560
Less accumulated depreciation	<u>509,937</u>	<u>506,410</u>
	<u>\$ 6,623</u>	<u>\$ 10,150</u>

Depreciation expense totaled \$3,527 for both the years ended June 30, 2022 and 2021.

Note G - Paycheck Protection Program ("PPP") Loan

As a result of the initial uncertainty surrounding the COVID-19 pandemic, in May 2020, the Organization applied for and received a Paycheck Protection Program ("PPP") loan through the United States Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of \$70,795.

The loan charged interest at approximately 1% and was payable over a 24-month period and was unsecured. Under the CARES Act, and subject to certain limitations as defined under the PPP loan program, the loan could be partially or fully forgiven if the proceeds were used for actual payroll and other qualified costs during the 24-week period following receipt of the loan proceeds.

In October 2020, the Organization submitted documentation to the lender and the SBA seeking full forgiveness of the PPP loan, as having satisfied the criteria as set forth in the program. In December 2020, the Organization was notified by the lender via formal approval by the SBA that the PPP loan had been satisfied in full, as the Organization met the criteria for forgiveness by expending the proceeds on qualifying costs during the stipulated time period under the provisions of the program.

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note G - Paycheck Protection Program ("PPP") Loan (Continued)

The Organization elected to account for the loan forgiveness by recording it as other income as permitted by ASC 470 - Debt, and the income derived from the forgiveness is shown as "Paycheck Protection Program loan Forgiveness" in the accompanying 2021 statement of activities.

Note H - Net Assets with Donor Restrictions

Net assets with donor restrictions represent restricted contributions received for future allocation periods. The balances were:

	<u>2022</u>	<u>2021</u>
Hamilton Community Foundation fund	\$ 50,000	\$ 50,000
Middletown Community Foundation funds	712,833	-
Time restriction - campaign revenues for future periods	<u>7,500</u>	<u>-</u>
	<u><u>\$ 770,333</u></u>	<u><u>\$ 50,000</u></u>

During the years ended June 30, 2022 and 2021, net assets of \$0 and \$10,750, respectively, were released from donor time restrictions.

Note I - Special Events

Special events provided revenues and expenses as follows:

	<u>2022</u>	<u>2021</u>
Gross revenues	\$ 66,094	\$ 1,023
Direct expenses	<u>(42,034)</u>	<u>(2,885)</u>
Special events, net	<u><u>\$ 24,060</u></u>	<u><u>\$ (1,862)</u></u>

Note J - Operating Lease

The Organization leases office space from the Hamilton Community Foundation at one dollar per year. The lease is a year-to-year agreement that expires on March 31, 2023, but with an automatic renewal feature with the same pre-established conditions unless 30 days' notice is given.

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note K - Contribution of Nonfinancial Assets

The Organization recognized the following contributions of nonfinancial assets to program and supporting services:

2022

<u>Program or supporting service</u>	<u>Donated space</u>	<u>Donated goods</u>	<u>Donated services</u>	<u>Total</u>
Community impact	\$ 20,400	\$ 37,828	\$ -	\$ 58,228
Management and general	4,280	-	2,150	6,430
Resource devolpment	15,320	-	-	15,320
Total contributed nonfinancial assets	<u>\$ 40,000</u>	<u>\$ 37,828</u>	<u>\$ 2,150</u>	<u>\$ 79,978</u>

2021

<u>Program or supporting service</u>	<u>Donated space</u>	<u>Donated goods</u>	<u>Donated services</u>	<u>Total</u>
Community impact	\$ 20,400	\$ 149,530	\$ -	\$ 169,930
Management and general	4,280	-	2,800	7,080
Resource devolpment	15,320	-	-	15,320
Total contributed nonfinancial assets	<u>\$ 40,000</u>	<u>\$ 149,530</u>	<u>\$ 2,800</u>	<u>\$ 192,330</u>

Donated Space

The contributed office space is used for both program and supporting services and is allocated based upon square footage used by each program and supporting service. As identified in Note J - Operating Lease, the Organization entered into a lease agreement for office space for which the rental payments stated in the agreement are less than the amount that would be charged for similar space that is rented under similar terms. Using publicly available commercial real estate rental listings, the Organization has estimated the market price of the annual rental payment to be \$40,000. The lease is expensed annually as contributed nonfinancial assets on the statements of activities and included in contributed nonfinancial assets on the statements of functional expenses.

Donated Goods

The organization utilized three inventory valuation methods during the year ended June 30, 2022 and 2021. These methods include (1) current price located on a publicly available website if the items are a match for the website item when donated; (2) percentage of the price located on a publicly available website if the item donated has been used but the item located online is new; (3) the current average price located on a publicly available website for similar items if a group of items are donated and the items range in price depending on model, size, etc.

Donated Services

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Organization receives contributed accounting and legal services that are reported using current rates for similar services.

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note K - Contribution of Nonfinancial Assets (Continued)

Many individuals volunteer their time and talent to perform a variety of tasks without which the United Way could not successfully conduct its programs. However, only services that meet the criteria for recognition under GAAP are recorded in the financial statements.

Note L - Concentrations

The Organization operates principally in the Butler County, Ohio, geographic area. The Organization's investments are not insured and are subject to market value fluctuation. The Organization's financial instruments that are potentially exposed to concentrations of credit risk are primarily cash and pledges receivable.

The Organization's pledges receivable are primarily pledges made by businesses and their employees, and, accordingly, the collection is subject to the economic stability of the supporting businesses and on the overall economic environment of the area.

For the years ended June 30, 2022 and 2021, the Organization received approximately 37% and 27% of its supports from three and two companies, respectively, on behalf of their employees who participate in the payroll deduction campaign and corporate contributions.

Note M - Retirement Plan

The Organization maintains a 403(b) retirement plan that covers substantially all full-time employees. The Organization contributes 5% of each employee's qualifying compensation into the plan. For the years ended June 30, 2022 and 2021 the Organization contributed \$13,066 and \$14,460, respectively.

Note N - Risks and Uncertainties

The Organization self-insures for state unemployment purposes. In management's judgment, no material exposure exists related to the self-insurance and, accordingly, no provision has been made in the accompanying financial statements.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect net asset balances and the amounts reported in the statements of financial position.

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note O - Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Common stock	\$ 337,556	\$ -	\$ -	\$ 337,556
Money market funds, cash and cash equivalents	272,596	-	-	272,596
Mutual funds				
Fixed income	93,776	-	-	93,776
Alternative investments	28,033	-	-	28,033
	<u>\$ 731,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 731,961</u>
Beneficial interest in assets held by community foundations	<u>\$ -</u>	<u>\$ 820,407</u>	<u>\$ -</u>	<u>\$ 820,407</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Common stock	\$ 374,899	\$ -	\$ -	\$ 374,899
Money market funds, cash and cash equivalents	224,290	-	-	224,290
Mutual funds				
Fixed income	107,797	-	-	107,797
Alternative investments	33,396	-	-	33,396
	<u>\$ 740,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,382</u>
Beneficial interest in assets held by community foundations	<u>\$ -</u>	<u>\$ 127,367</u>	<u>\$ -</u>	<u>\$ 127,367</u>

Butler County United Way
Notes to Financial Statements (Continued)
Years Ended June 30, 2022 and 2021

Note O - Fair Value Measurements (Continued)

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

Common stock: Valued at the closing price posted on the active market on which the individual securities are traded.

US treasuries obligations: Valued based on amortized cost which equates to fair value.

Money market funds, cash and cash equivalents: Valued based on amortized cost which equates to fair value.

Mutual funds: Valued at the published net asset value of shares held at year-end.

Assets held by community foundations: Values provided by community foundations based upon market value of underlying assets.

Note P - Liquidity and Availability

As part of the Organization'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.

The Organization is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 496,711	\$ 222,234
Pledges receivable, net	522,012	593,826
Investments, at fair value	518,723	527,140
Beneficial interest in assets held by others	820,407	127,367
Board designated investments	<u>213,238</u>	<u>213,242</u>
Total financial assets	2,571,091	1,683,809
Less those unavailable for general expenditures within one year, due to		
Allocations	(988,826)	(787,073)
Designations to other United Ways	(80,924)	(61,686)
Restricted by donor with time or purpose restrictions	(770,333)	(50,000)
Board designations		
Required operating reserve	<u>(213,238)</u>	<u>(213,242)</u>
	<u>\$ 517,770</u>	<u>\$ 571,808</u>