



Indiana United Ways

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Indiana Association of United Ways, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Indiana Association of United Ways, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Indiana Association of United Ways, Inc. as of December 31, 2020 and 2019, and its changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Alending CPA Group

June 3, 2021

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 1,502,367	\$ 8,651,322
SECC cash	488,128	542,508
Investments	11,942,682	6,291,444
Accounts receivable, net of allowance	231,560	169,781
Prepaid expenses	56,338	74,447
Property and equipment, net	590,104	737,564
Total assets	<u>\$ 14,811,179</u>	<u>\$ 16,467,066</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 72,666	\$ 130,159
Accrued expenses	124,924	76,263
Grants payable	78	99,889
SECC funds to be distributed	488,128	542,508
Deferred revenue	8,935	-0-
Total liabilities	<u>694,731</u>	<u>848,819</u>
Net Assets:		
Without donor restrictions	3,697,873	2,825,031
With donor restrictions	10,418,575	12,793,216
Total net assets	<u>14,116,448</u>	<u>15,618,247</u>
Total liabilities and net assets	<u>\$ 14,811,179</u>	<u>\$ 16,467,066</u>

See accompanying Notes to Financial Statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019 <u>Total</u>
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Contract revenue:				
UniFi Solutions	\$ 1,013,968	\$ -0-	\$ 1,013,968	\$ 984,804
Membership Services	273,671	-0-	273,671	323,740
Digital Services	<u>344,874</u>	<u>-0-</u>	<u>344,874</u>	<u>267,250</u>
Total contract revenues	<u>1,632,513</u>	<u>-0-</u>	<u>1,632,513</u>	<u>1,575,794</u>
Non-contract revenues:				
Grants and contributions	29,808,869	1,561,071	31,369,940	7,532,170
In-kind contributions	18,895	-0-	18,895	-0-
Paycheck Protection Program	438,487	-0-	438,487	-0-
Program services	<u>9,609</u>	<u>-0-</u>	<u>9,609</u>	<u>90,258</u>
	30,275,860	1,561,071	31,836,931	7,622,428
Loss on disposition of equipment	(61,245)	-0-	(61,245)	-0-
Interest income	<u>1,093</u>	<u>-0-</u>	<u>1,093</u>	<u>54,539</u>
Total non-contract revenues	<u>30,215,708</u>	<u>1,561,071</u>	<u>31,776,779</u>	<u>7,676,967</u>
Total revenue and support	31,848,221	1,561,071	33,409,292	9,252,761
Net Assets Released From Donor Restrictions	<u>3,935,712</u>	<u>(3,935,712)</u>	<u>-0-</u>	<u>-0-</u>
	<u>35,783,933</u>	<u>(2,374,641)</u>	<u>33,409,292</u>	<u>9,252,761</u>
Expenses:				
Program services:				
Grants to members	31,891,582	-0-	31,891,582	3,667,341
Membership and Digital Services	1,453,475	-0-	1,453,475	1,904,850
UniFi Solutions	<u>1,310,264</u>	<u>-0-</u>	<u>1,310,264</u>	<u>1,287,148</u>
Total program services	34,655,321	-0-	34,655,321	6,859,339
Management and general	<u>377,870</u>	<u>-0-</u>	<u>377,870</u>	<u>453,938</u>
Total expenses	<u>35,033,191</u>	<u>-0-</u>	<u>35,033,191</u>	<u>7,313,277</u>
Change in net assets from operations	750,742	(2,374,641)	(1,623,899)	1,939,484
Investment Income, Net	<u>122,100</u>	<u>-0-</u>	<u>122,100</u>	<u>275,965</u>
Change in net assets	872,842	(2,374,641)	(1,501,799)	2,215,449
Net Assets, Beginning of Year	<u>2,825,031</u>	<u>12,793,216</u>	<u>15,618,247</u>	<u>13,402,798</u>
Net Assets, End of Year	<u>\$ 3,697,873</u>	<u>\$ 10,418,575</u>	<u>\$ 14,116,448</u>	<u>\$ 15,618,247</u>

See accompanying Notes to Financial Statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contract revenue:			
UniFi Solutions	\$ 984,804	\$ -0-	\$ 984,804
Membership Services	323,740	-0-	323,740
Digital Services	<u>267,250</u>	<u>-0-</u>	<u>267,250</u>
Total contract revenues	<u>1,575,794</u>	<u>-0-</u>	<u>1,575,794</u>
Non-contract revenues:			
Grants and contributions	99,593	7,432,577	7,532,170
Program services	<u>90,258</u>	<u>-0-</u>	<u>90,258</u>
	189,851	7,432,577	7,622,428
Interest income	<u>54,539</u>	<u>-0-</u>	<u>54,539</u>
Total non-contract revenues	<u>244,390</u>	<u>7,432,577</u>	<u>7,676,967</u>
Total revenue and support	1,820,184	7,432,577	9,252,761
Net Assets Released From Donor Restrictions	<u>5,073,413</u>	<u>(5,073,413)</u>	<u>-0-</u>
	<u>6,893,597</u>	<u>2,359,164</u>	<u>9,252,761</u>
Expenses:			
Program services:			
Grants to members	3,667,341	-0-	3,667,341
Membership and Digital Services	1,904,850	-0-	1,904,850
UniFi Solutions	<u>1,287,148</u>	<u>-0-</u>	<u>1,287,148</u>
Total program services	6,859,339	-0-	6,859,339
Management and general	<u>453,938</u>	<u>-0-</u>	<u>453,938</u>
Total expenses	<u>7,313,277</u>	<u>-0-</u>	<u>7,313,277</u>
Change in net assets from operations	(419,680)	2,359,164	1,939,484
Investment Income, Net	<u>275,965</u>	<u>-0-</u>	<u>275,965</u>
Change in net assets	(143,715)	2,359,164	2,215,449
Net Assets, Beginning of Year	3,394,707	10,008,091	13,402,798
Interfund Transfer	<u>(425,961)</u>	<u>425,961</u>	<u>-0-</u>
Net Assets, End of Year	<u>\$ 2,825,031</u>	<u>\$ 12,793,216</u>	<u>\$ 15,618,247</u>

See accompanying Notes to Financial Statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	Program Expenses				2020 Total	2019 Total
	Grants to Members	Membership and Digital Services	UniFi Solution	Management and General		
Labor and Benefits:						
Salaries	\$ -0-	\$ 904,934	\$ 666,820	\$ 128,803	\$ 1,700,557	\$ 1,687,145
Employee benefits	-0-	167,769	196,476	41,187	405,432	519,302
Payroll taxes and expense	-0-	66,004	54,092	13,117	133,213	128,709
Total labor and benefits	-0-	1,138,707	917,388	183,107	2,239,202	2,335,156
Other Expenses:						
Grants	31,891,582	-0-	-0-	-0-	31,891,582	3,667,341
Professional services	-0-	61,339	31,688	114,894	207,921	442,993
Technology	-0-	51,085	155,199	20,178	226,462	231,130
Occupancy	-0-	90,682	74,987	8,719	174,388	174,317
Depreciation	-0-	52,174	41,367	5,152	98,693	100,760
Travel	-0-	8,760	1,029	2,922	12,711	103,755
Training and conferences	-0-	10,105	8,137	2,886	21,128	60,834
Miscellaneous	-0-	12,344	8,117	1,639	22,100	50,289
Temporary labor	-0-	-0-	43,552	-0-	43,552	34,729
Office supplies and expenses	-0-	9,059	7,529	14,356	30,944	31,846
Marketing and recognition	-0-	3,056	4,005	1,849	8,910	18,336
Telephone	-0-	5,261	5,713	4,444	15,418	15,178
Insurance	-0-	750	788	9,601	11,139	11,530
Postage and shipping	-0-	494	7,456	735	8,685	10,783
Printing and publications	-0-	9,659	846	2,020	12,525	9,025
Bank and credit card charges	-0-	-0-	2,463	5,368	7,831	7,675
Bad debt	-0-	-0-	-0-	-0-	-0-	7,600
Total expenses	<u>\$ 31,891,582</u>	<u>\$ 1,453,475</u>	<u>\$ 1,310,264</u>	<u>\$ 377,870</u>	<u>\$ 35,033,191</u>	<u>\$ 7,313,277</u>

91%

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See accompanying Notes to Financial Statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program Expenses				Total
	Grants to Members	Membership and Digital Services	UniFi Solution	Management and General	
Labor and Benefits:					
Salaries	\$ -0-	\$ 904,463	\$ 641,180	\$ 141,502	\$ 1,687,145
Employee benefits	-0-	241,268	215,185	62,849	519,302
Payroll taxes and expense	-0-	64,686	54,303	9,720	128,709
Total labor and benefits	-0-	1,210,417	910,668	214,071	2,335,156
Other Expenses:					
Grants	3,667,341	-0-	-0-	-0-	3,667,341
Professional services	-0-	364,395	11,826	66,772	442,993
Technology	-0-	19,274	184,166	27,690	231,130
Occupancy	-0-	104,632	43,597	26,088	174,317
Depreciation	-0-	58,852	24,522	17,386	100,760
Travel	-0-	79,568	10,221	13,966	103,755
Training and conferences	-0-	26,685	6,002	28,147	60,834
Miscellaneous	-0-	13,765	382	36,142	50,289
Temporary labor	-0-	1,081	33,648	-0-	34,729
Office supplies and expenses	-0-	4,889	10,977	15,980	31,846
Marketing and recognition	-0-	333	10,486	7,517	18,336
Telephone	-0-	8,315	4,029	2,834	15,178
Insurance	-0-	6,603	2,751	2,176	11,530
Postage and shipping	-0-	-0-	10,582	201	10,783
Printing and publications	-0-	4,356	2,920	1,749	9,025
Bank and credit card charges	-0-	1,685	4,941	1,049	7,675
Bad debt	-0-	-0-	15,430	(7,830)	7,600
Total expenses	<u>\$ 3,667,341</u>	<u>\$ 1,904,850</u>	<u>\$ 1,287,148</u>	<u>\$ 453,938</u>	<u>\$ 7,313,277</u>

See accompanying Notes to Financial Statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,501,799)	\$ 2,215,449
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	98,693	100,760
Loss on disposition of property and equipment	61,245	-0-
Net unrealized gain (loss) on investments	(137,133)	(70,926)
Allowance for doubtful accounts	-0-	(7,840)
Changes in operating assets and liabilities:		
Accounts receivable	(61,779)	32,158
Prepaid expenses	18,109	36,385
Accounts payable	(57,493)	47,243
Accrued expenses	48,661	43,297
Grants payable	(99,811)	48,345
Deferred revenue	8,935	-0-
Net cash provided by (used in) operating activities	<u>(1,622,372)</u>	<u>2,444,871</u>
Cash Flows From Investing Activities:		
Proceeds on sale of property and equipment	450	-0-
Purchase of property and equipment	(12,928)	(76,751)
Purchase of investments	(10,298,725)	(720,703)
Proceeds received from sale of investments	<u>4,784,620</u>	<u>3,585,216</u>
Net cash provided by (used in) investing activities	<u>(5,526,583)</u>	<u>2,787,762</u>
Net increase (decrease) in cash and cash equivalents	(7,148,955)	5,232,633
Cash and Cash Equivalents, Beginning of Year	<u>8,651,322</u>	<u>3,418,689</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,502,367</u>	<u>\$ 8,651,322</u>

See accompanying Notes to Financial Statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The Indiana Association of United Ways, Inc. (“IUW”) is a statewide organization that helps local United Ways to thrive. With 55 members and a staff of 27, IUW supports United Ways, who fight for the health, education and financial stability of every individual in every community in Indiana and throughout the country in partnership with United Way Worldwide (“UWW”). IUW’s mission is to be the leading voice to advocate, engage and partner with a strong United Way Network and key stakeholders to advance human well-being throughout Indiana.

IUW’s primary programs include the following:

UniFi Solutions

UniFi Solutions provides services to more than 43 local United Ways throughout the country who are interested in consolidating their backroom services in order to focus on fundraising, donor relationship cultivation, and putting systems in place to meet urgent community health and human service needs. UniFi’s backroom services include cloud hosting, accounting, payroll, and pledge processing.

Membership Services

Membership Services directly support the Indiana based local United Ways, and fund members, through the newly adopted Modern United Way framework. Products provided include:

- Supporting functional mobilization teams;
- Executing a comprehensive Board and Governance training regionally;
- Coaching and training new executives through an on-boarding two-year program;
- Grant procurement and management overseeing campaign match dollars for local United Ways, the Indiana Natural Disaster (“IND”) Fund, and AmeriCorps grant;
- Significant merger support;
- Key individualized coaching and training that supports both small and large United Ways; and
- Active public policy work promoting statewide issues such as quality childcare, predatory lending, and the Asset Limited Income Constrained Employed (“ALICE”) report.

Digital Services

Digital Services provides support to 14 local United Ways in Indiana through a UWW Anchor Model. Digital Services contracts with UWW for digital access to several different salesforce and other top-shelf tools and manages the technical aspects of the digital marketing, virtual advocacy and fundraising efforts. Digital Services has generated high performance results recognized throughout the UWW network.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

IUW operates all of its programs and services through the lens of the following guiding principles:

- We're not a one size fits all state and IUW must adapt and be nimble.
- We're learning and growing alongside our members and the United Way Network.
- We're committed to be a transformational leader for the United Way Network.
- United Way believes that Equity is the just inclusion of everyone in society. Equity is achieved when race/ethnicity, gender, sexual orientation and other identities no longer determine socioeconomic, education, and health outcomes. We recognize structural racism has contributed to the persistent disparities which United Way seeks to dismantle. Our network strives to engage community residents to create solutions that ensure everyone has the resources, support, opportunities and networks they need to thrive.

The significant accounting policies followed by IUW in the preparation of its financial statements are summarized below:

Basis of Presentation

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net asset funds to protect IUW's long-term viability due to volatility in funding resources.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires Management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Primary estimates made in the preparation of IUW's financial statements include the collectability of accounts receivable, allowance for doubtful accounts, useful lives of property and equipment, and the classification of functional expenses.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Cash and Cash Equivalents

Cash and cash equivalents represent amounts held in checking, savings, and money market accounts measured by a Level 1 input in accordance with U.S. GAAP. IUW considers cash on hand and other high liquid assets at financial institutions with an original maturity of three months or less when purchased to be cash equivalents.

Revenue and Support Recognition

IUW derives its revenues primarily from providing shared services to member associations through Membership Services and UniFi Solutions. Revenues from these services are recognized within the month services are performed. Revenues from Digital Services are recognized over the life of the service contract. Contract revenues are recognized in an amount that reflects the consideration IUW expects to be entitled to in exchange for the services. Incidental items that are immaterial in the context of the contract are recognized as expense. IUW does not have any significant financing components as payment is received at or shortly after member associations are invoiced. Costs incurred to obtain a contract are expensed as incurred.

Non-contract revenues include revenue and support as increases in net assets with or without donor restrictions based upon whether the donor has imposed any restrictions. Contributions are recognized when the donor makes an unconditional promise to give to IUW either in writing or verbally or expenses are incurred for grants under a conditional cost reimbursement basis. Government grants under a cost reimbursement arrangement are considered contributions and not a contract with a customer as there is not a direct reciprocation of benefits to the grantor in exchange for the contributions.

Revenues are reported with donor restrictions if the donor stipulates specific limitations as to the use of the gift, pledge or contributions, including passage of time or other terms limiting its uses. Donor-imposed restrictions are released from restriction and transferred to net assets without donor restrictions in the reporting period the restriction is satisfied or expires. IUW reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are satisfied in the same reporting period in which the revenue is recognized.

Disaggregation of Revenues from Contracts with Customers

The following table disaggregates IUW's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	\$ 1,287,639	\$ 1,308,544
Performance obligations satisfied over time	<u>344,874</u>	<u>267,250</u>
	<u>\$ 1,632,513</u>	<u>\$ 1,575,794</u>

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Performance Obligations

Revenues from performance obligations satisfied at a point in time consist primarily of services performed for UniFi Solutions and Membership Services as services are performed for the member associations.

Revenue from performance obligations satisfied over time consist primarily of Digital Services through service contracts. Revenue is recorded on a straight-line basis over the term of the related contracts.

Variable Consideration

The nature of IUW's business and customer contracts does not give rise to significant variables of the total amount of the contract price. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

The primary variable consideration for all contracts IUW enters is the potential for allowances that generally decrease the transaction price which reduces revenue. Although contract consideration adjustments historically have been insignificant, variable amounts are generally credited to the member associations through billing adjustments.

Accounts Receivable

Accounts receivable are reported at the amount invoiced. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

IUW, on a periodic basis, evaluates its accounts receivable and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions. Account balances with invoices dated over 90 days old are considered delinquent. Due to the nature of the receivables, the balances are unsecured, interest is not charged, and accounts are not turned over to collections.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Details of the allowance for doubtful accounts and bad debt expense for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Allowance for doubtful accounts, beginning of year	\$ 15,000	\$ 22,840
Provisions for bad debts	-0-	7,600
Write-offs	-0-	(15,440)
Allowance for doubtful accounts, end of year	<u>\$ 15,000</u>	<u>\$ 15,000</u>

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated are recorded at the fair market value as of the date of donation. Cost of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets or life of the lease, which range from three (3) to ten (10) years, utilizing the straight-line method.

Functional Expenses

Expenses are functionally classified as Program Services and Management and General. Classifications are based on actual direct expenditures and costs allocations determined by estimates of time spent by IUW personnel or other rational basis of allocation. IUW does not incur fundraising expense.

Income Taxes

IUW is organized as a not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under section 501(c)(3) of the Internal Revenue Code.

Management of IUW evaluates all significant tax positions to ensure compliance with the exempt purpose of IUW as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2020, Management does not believe IUW has taken any tax positions that are not in compliance with its exempt purpose. IUW's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2017.

Subsequent Events

Subsequent events have been evaluated through June 3, 2021, which is the date the financial statements were available for issuance (Note 13).

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. LIQUIDITY AND AVAILABILITY

At December 31, 2020 and 2019 financial assets available for future general expenditures within one year from the Statements of Financial Position comprise the following:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,502,367	\$ 8,651,322
SECC cash	488,128	542,508
Investments	11,942,682	6,291,444
Accounts receivable, net of allowance	<u>231,560</u>	<u>169,781</u>
	<u>14,164,737</u>	<u>15,655,055</u>
Less amounts not available to be used for general expenditures within one year:		
Donor restricted net assets	(10,418,575)	(12,793,216)
Board designated net assets	(1,100,656)	(1,240,706)
SECC funds to be distributed	<u>(488,128)</u>	<u>(542,508)</u>
	<u>(12,007,359)</u>	<u>(14,576,430)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,157,378</u>	<u>\$ 1,078,625</u>

IUW is supported by restricted grants and contributions. Donor restrictions require resources to be used in a particular manner or in a future period and IUW must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of IUW's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due.

IUW's investment portfolio consists of highly liquid investments.

IUW's liquidity objective is to maintain adequate liquid assets to fund near-term operating needs and maintain sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. IUW's board designated net assets may be utilized to meet current obligations at the discretion of the Board of Directors.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

3. CONTRACT ASSETS

IUW's contract assets consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accounts receivable:		
Beginning of year	\$ 169,781	\$ 183,157
End of year	\$ 231,560	\$ 169,781

4. STATE EMPLOYEES COMMUNITY CAMPAIGN

IUW has an agreement with the State of Indiana to act as a fiscal agent and campaign manager for the proceeds of the State Employees Community Campaign ("SECC"). IUW is to distribute these funds to recipient charitable associations based on an approved distribution system. Cash held by IUW, to be distributed on behalf of the SECC, was \$488,128 and \$542,508 at December 31, 2020 and 2019, respectively.

The following is a summary of cash activity for the SECC for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
SECC cash, beginning of year	\$ <u>542,508</u>	\$ <u>631,797</u>
Cash received:		
SECC pledges	1,381,060	1,429,572
Interest income	<u>918</u>	<u>1,628</u>
	<u>1,381,978</u>	<u>1,431,200</u>
Cash disbursed:		
Charitable associations	(1,327,588)	(1,417,781)
Management fees	<u>(108,770)</u>	<u>(102,708)</u>
	<u>(1,436,358)</u>	<u>(1,520,489)</u>
SECC cash, end of year	<u>\$ 488,128</u>	<u>\$ 542,508</u>

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5. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value 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. U.S. GAAP also establishes a fair value hierarchy, which requires IUW to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels are defined by U.S. GAAP as a means of measuring fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

The following is a description of the valuation methodology used for IUW's investments measured at fair value as of December 31, 2020 and 2019. There has been no change in the methodology used as of December 31, 2020.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by IUW are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by IUW are deemed to be actively traded. A money market fund is an open-ended mutual fund that invests in short-term debt securities and commercial paper.

IUW's mutual fund accounts of \$11,942,682 and \$6,291,444 as of December 31, 2020 and 2019, respectively, are measured at fair value by Level 1 input criteria on a recurring basis within the fair value hierarchy.

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Investment income includes the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend	\$ 298,725	\$ 226,703
Investment fees	(39,492)	(21,664)
Net unrealized gains (losses)	<u>(137,133)</u>	<u>70,926</u>
	<u>\$ 122,100</u>	<u>\$ 275,965</u>

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 627,067	\$ 687,631
Leasehold improvements	<u>374,089</u>	<u>374,089</u>
	1,001,156	1,061,720
Accumulated depreciation	<u>(411,052)</u>	<u>(324,156)</u>
	<u>\$ 590,104</u>	<u>\$ 737,564</u>

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

IUW's governing board has designated net assets without donor restrictions for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Liquidity reserve	\$ 850,656	\$ 990,706
Member association merger funds	<u>250,000</u>	<u>250,000</u>
	<u>\$ 1,100,656</u>	<u>\$ 1,240,706</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Matching Grant Program	\$ 5,606,199	\$ 7,913,344
IND Fund	2,855,943	3,204,872
Special Initiatives	<u>911,433</u>	<u>630,000</u>
	<u>9,373,575</u>	<u>11,748,216</u>
Subject to passage of time:		
Time restricted for future years	<u>1,045,000</u>	<u>1,045,000</u>
	<u>\$ 10,418,575</u>	<u>\$ 12,793,216</u>

Net assets released from donor restrictions, due to the satisfaction of donor-imposed restrictions, for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Matching Grant Program	\$ 2,307,145	\$ 3,457,341
Time restricted for future years	1,140,000	1,140,000
IND Fund	350,000	78,623
Special Initiatives	<u>138,567</u>	<u>397,449</u>
	<u>\$ 3,935,712</u>	<u>\$ 5,073,413</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

9. LEASES

IUW leases office space under the terms of an operating lease. The lease requires monthly payments ranging from \$14,829 to \$16,173 through December 2027. IUW also leases office equipment requiring monthly payments of \$653 through February 2023.

Future minimum annual lease payments due under the terms of the leases are as follows:

Year Ending <u>December 31,</u>		
2021	\$	156,353
2022		186,939
2023		184,039
2024		186,234
2025		172,973
Thereafter		<u>385,459</u>
		<u>\$ 1,271,997</u>

Total operating lease expense was \$188,211 and \$184,067 for the years ended December 31, 2020 and 2019, respectively.

10. EMPLOYEE BENEFITS

IUW has a 403(b) Thrift Plan covering all eligible employees. An employee's contribution may not exceed the maximum amount allowed as determined by the Internal Revenue Code. The employer matching contribution is equal to 50% of the first 4% of employee contributions. IUW also provides an employer base contribution in which IUW contributes 10% of employee compensation for employees hired prior to January 1, 2018 (5% for employees hired on or after January 1, 2018). Employer matching and base contributions become fully vested after three years of service. Employer matching and base contributions were \$96,219 and \$177,417 for the years ended December 31, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

11. RELATED PARTY TRANSACTIONS

IUW regularly conducts business with member associations. During 2020 and 2019, three (3) and nine (9) members, respectively, of the Board of Directors also serve as Board Members of a member association. During 2020 and 2019, three (3) and two (2) members, respectively, of the Board of Directors are Executive Directors of a member association.

The following are the membership association transactions and balances for the years ended December 31, 2020 and 2019:

	2020					
	Membership Services	Digital Services	UniFi Solutions	Grants to Members	Accounts Receivable	Accounts Payable
Board Members	\$ 53,100	\$ 132,500	\$ 93,500	\$ (6,358,800)	\$ 30,700	\$ 100
Executive Directors	12,400	25,500	51,800	(1,426,100)	7,200	-0-
	<u>\$ 65,500</u>	<u>\$ 158,000</u>	<u>\$ 145,300</u>	<u>\$ (7,784,900)</u>	<u>\$ 37,900</u>	<u>\$ 100</u>
	2019					
	Membership Services	Digital Services	UniFi Solutions	Grants to Members	Accounts Receivable	Accounts Payable
Board Members	\$ 167,300	\$ 62,500	\$ 212,800	\$ (1,635,800)	\$ 89,500	\$ (700)
Executive Directors	9,100	17,000	29,300	(57,500)	9,500	(11,600)
	<u>\$ 176,400</u>	<u>\$ 79,500</u>	<u>\$ 242,100</u>	<u>\$ (1,693,300)</u>	<u>\$ 99,000</u>	<u>\$ (12,300)</u>

12. CONCENTRATIONS

Cash and cash equivalents

IUW maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally insured limits. IUW has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Grants and Contributions Revenue

As of and for the year ended December 31, 2020, one (1) member association represented 11% of IUW's accounts receivable, SECC management fees represented 33% of IUW's accounts receivable, and approximately 99% of grants and contributions revenue were from one (1) donor.

As of and for the year ended December 31, 2019, two (2) member associations represented 40% of IUW's accounts receivable, SECC management fees represented 15% of IUW's accounts receivable, and 99% of grants and contributions revenue were from one (1) donor.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

13. SUBSEQUENT EVENTS

During May 2020, IUW borrowed \$434,600 from a bank under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Under the terms of the program, a portion or all of the loan is forgivable if IUW maintains certain criteria. On March 29, 2021, IUW was notified the SBA approved full forgiveness for the principal loan amount of \$434,600 plus accrued interest of \$3,887. This transaction has been recognized as of December 31, 2020 and is reflected in the accompanying financial statements. IUW recorded \$438,487 as a component of revenue and support for the year ended December 31, 2020.