

UNITED WAY OF THE NATIONAL CAPITAL AREA

FINANCIAL STATEMENTS
June 30, 2022 and 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

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**Management's Certification On
Internal Controls Over Financial Reporting**

United Way of the National Capital Area's internal controls over financial reporting are designed to provide reasonable assurance that its financial statements are reliable and prepared in accordance with accounting principles generally accepted in the United States of America. Maintaining appropriate internal controls over financial reporting is the responsibility of those persons charged with governance and management; and other designated persons.

An entity's internal controls over financial reporting include those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (iii) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal controls over financial reporting. Management assessed the effectiveness of United Way of the National Capital Area's internal controls over financial reporting as of June 30, 2022, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on that assessment, Management concluded that, as of June 30, 2022, United Way of the National Capital Area's internal controls over financial reporting are effective based on the criteria established in *Internal Control - Integrated Framework*.



Rosie Allen-Herring, President & Chief Executive Officer



Kevin Smith, Chief Financial Officer



INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of the National Capital Area
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Way of the National Capital Area, 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 financial statements referred to above present fairly, in all material respects, the financial position of United Way of the National Capital Area as of June 30, 2022 and 2021, and change in 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of the National Capital Area 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 United Way of the National Capital Area's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 United Way of the National Capital Area'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 United Way of the National Capital Area'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.

Board of Directors
United Way National Capital Area

Other Matters

Adoption of Accounting Standards

As discussed in Note 1 to the financial statements, management has adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* and 2016-02: *Leases*. Our opinion is not modified with regards to this matter.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Greenbelt, Maryland
November 22, 2022

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 973,070	\$ 2,347,193
Investments (Notes 2)	39,072,051	44,901,213
Promises to Give, Net (Notes 3)	8,008,845	8,459,861
Accounts Receivable, Prepaid and Other Assets	427,465	256,856
Property and Equipment, Net (Note 5)	119,530	152,362
Right-of-Use Asset (Note 14)	3,196,128	-
Investments Held for Deferred Compensation Plan (Note 2)	213,267	187,831
	<u>\$ 52,010,356</u>	<u>\$ 56,305,316</u>
Total Assets		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,058,650	\$ 1,319,711
Deferred Revenue and Other Liabilities (Note 17)	282,043	170,930
Contributor Designations Payable (Note 7)	6,318,683	6,860,600
Grants Payable (Note 11)	853,996	1,055,350
Deferred Compensation (Note 2 and 15)	213,267	187,831
Loan Payable (Note 9)	-	943,531
Operating Lease Liability (Note 14)	3,329,084	-
Line of Credit (Note 8)	750,000	-
	<u>12,805,723</u>	<u>10,537,953</u>
Total Liabilities		
COMMITMENTS AND CONTINGENCIES (Notes 14, 16, and 20)		
NET ASSETS		
Without Donor Restriction:		
Operating	6,675,451	13,265,130
Board-Designated (Note 1 and 19)	30,085,019	29,811,618
Total Without Donor Restriction	<u>36,760,470</u>	<u>43,076,748</u>
With Donor Restriction:		
Purpose Restricted (Note 19)	2,269,163	2,515,615
Held in Perpetuity (Note 19)	175,000	175,000
Total With Donor Restriction	<u>2,444,163</u>	<u>2,690,615</u>
Total Net Assets	<u>39,204,633</u>	<u>45,767,363</u>
Total Liabilities And Net Assets	<u>\$ 52,010,356</u>	<u>\$ 56,305,316</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	2022 Total	
Campaign Results and Other Support:				
Campaign Results:				
Amounts Raised from UWNCA Campaigns	\$ 8,966,716	\$ 753,826	\$ 9,720,542	\$ 11,035,561
Amounts Raised by Combined Federal Campaign	7,440,991	-	7,440,991	8,381,302
Fee Revenue from Fundraising Campaigns	1,120,076	-	1,120,076	1,348,617
Campaign Results	<u>17,527,783</u>	<u>753,826</u>	<u>18,281,609</u>	<u>20,765,480</u>
Provisions for Cancellations and Uncollectible				
Promises to Give	(694,988)	-	(694,988)	(11,106)
Net Campaign Results Before Designations Honored	<u>16,832,795</u>	<u>753,826</u>	<u>17,586,621</u>	<u>20,754,374</u>
Campaign Designations Honored:				
Contributor Designations to Participating Agencies	(11,089,589)	-	(11,089,589)	(13,283,680)
Third-Party Processing and Other Fees	(1,968,892)	-	(1,968,892)	(1,864,109)
Net Contributors' Designations Honored	<u>(13,058,481)</u>	<u>-</u>	<u>(13,058,481)</u>	<u>(15,147,789)</u>
Net Campaign Results	<u>3,774,314</u>	<u>753,826</u>	<u>4,528,140</u>	<u>5,606,585</u>
Noncampaign Contributions, Grants and Contracts	2,072,184	1,621,225	3,693,409	23,906,156
Investment Income	(5,066,942)	(23,409)	(5,090,351)	3,434,283
Contributed Non-financial Assets and Contributed Services	219,538	-	219,538	494,661
Other Revenue	182,310	78,500	260,810	502,609
Net Assets Released from Restrictions	2,676,594	(2,676,594)	-	-
Net Campaign Results and Other Support	<u>3,857,998</u>	<u>(246,452)</u>	<u>3,611,546</u>	<u>33,944,294</u>
EXPENSES				
Program Services:				
Program Grants	2,193,396	-	2,193,396	2,260,740
Program Initiatives	3,460,342	-	3,460,342	3,770,823
Total Program Services	<u>5,653,738</u>	<u>-</u>	<u>5,653,738</u>	<u>6,031,563</u>
Supporting Services:				
Fundraising	3,635,311	-	3,635,311	3,154,676
Management and General	1,828,758	-	1,828,758	1,425,362
Total Supporting Services	<u>5,464,069</u>	<u>-</u>	<u>5,464,069</u>	<u>4,580,038</u>
Total Expenses	<u>11,117,807</u>	<u>-</u>	<u>11,117,807</u>	<u>10,611,601</u>
GAIN ON EXTINGUISHMENT OF DEBT	<u>943,531</u>	<u>-</u>	<u>943,531</u>	<u>940,913</u>
CHANGE IN NET ASSETS	<u>(6,316,278)</u>	<u>(246,452)</u>	<u>(6,562,730)</u>	<u>24,273,606</u>
Net Assets - Beginning of Year	<u>43,076,748</u>	<u>2,690,615</u>	<u>45,767,363</u>	<u>21,493,757</u>
NET ASSETS - END OF YEAR	<u>\$ 36,760,470</u>	<u>\$ 2,444,163</u>	<u>\$ 39,204,633</u>	<u>\$ 45,767,363</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	2021		2021 Total
	Without Donor Restrictions	With Donor Restrictions	
Campaign Results and Other Support:			
Campaign Results:			
Amounts Raised from UWNCA Campaigns	\$ 10,339,603	\$ 695,958	\$ 11,035,561
Amounts Raised by Combined Federal Campaign	8,381,302	-	8,381,302
Fee Revenue from Fundraising Campaigns	1,348,617	-	1,348,617
Campaign Results	<u>20,069,522</u>	<u>695,958</u>	<u>20,765,480</u>
Provisions for Cancellations and Uncollectible			
Promises to Give	(11,106)	-	(11,106)
Net Campaign Results Before Designations Honored	<u>20,058,416</u>	<u>695,958</u>	<u>20,754,374</u>
Campaign Designations Honored:			
Contributor Designations to Participating Agencies	(13,283,680)	-	(13,283,680)
Third-Party Processing and Other Fees	(1,864,109)	-	(1,864,109)
Net Contributors' Designations Honored	<u>(15,147,789)</u>	<u>-</u>	<u>(15,147,789)</u>
Net Campaign Results	<u>4,910,627</u>	<u>695,958</u>	<u>5,606,585</u>
Noncampaign Contributions, Grants and Contracts	21,508,647	2,397,509	23,906,156
Investment Income	3,432,824	1,459	3,434,283
Other Revenue	461,721	40,888	502,609
Contributed Non-financial Assets and Contributed Services	494,661	-	494,661
Net Assets Released from Restrictions	2,948,184	(2,948,184)	-
Net Campaign Results and Other Support	<u>33,756,664</u>	<u>187,630</u>	<u>33,944,294</u>
EXPENSES			
Program Services:			
Program Grants	2,260,740	-	2,260,740
Program Initiatives	3,770,823	-	3,770,823
Total Program Services	<u>6,031,563</u>	<u>-</u>	<u>6,031,563</u>
Supporting Services:			
Fundraising	3,154,676	-	3,154,676
Management and General	1,425,362	-	1,425,362
Total Supporting Services	<u>4,580,038</u>	<u>-</u>	<u>4,580,038</u>
Total Expenses	<u>10,611,601</u>	<u>-</u>	<u>10,611,601</u>
GAIN ON EXTINGUISHMENT OF DEBT	940,913	-	940,913
CHANGE IN NET ASSETS	24,085,976	187,630	24,273,606
Net Assets - Beginning of Year	<u>18,990,772</u>	<u>2,502,985</u>	<u>21,493,757</u>
NET ASSETS - END OF YEAR	<u>\$ 43,076,748</u>	<u>\$ 2,690,615</u>	<u>\$ 45,767,363</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022							
	Program Services			Supporting Services			2022 Total	2021 Total
	Program Grants	Program Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Program Grants and Expenses	\$ 2,193,396	\$ 464,506	\$ 2,657,902	\$ -	\$ 12,000	\$ 12,000	\$ 2,669,902	\$ 2,865,856
Operating Expenses:								
Salaries and Benefits	-	1,914,692	1,914,692	1,756,114	1,262,869	3,018,983	4,933,675	4,706,486
Professional Fees	-	289,405	289,405	1,117,975	183,285	1,301,260	1,590,665	1,384,052
Occupancy	-	335,434	335,434	245,825	168,862	414,687	750,121	701,937
Advertising and Marketing	-	159,444	159,444	264,700	16,245	280,945	440,389	421,819
Dues	-	212,019	212,019	153,823	99,724	253,547	465,566	275,074
Depreciation and Amortization	-	45,788	45,788	33,220	21,537	54,757	100,545	106,442
Postage, Supplies, and Other	-	7,121	7,121	33,466	31,437	64,903	72,024	68,087
Insurance	-	23,097	23,097	16,757	10,864	27,621	50,718	57,130
Staff Development	-	837	837	1,197	1,979	3,176	4,013	16,336
Meetings, Special Events, and Travel	-	7,999	7,999	12,234	19,956	32,190	40,189	8,382
Total Expenses	\$ 2,193,396	\$ 3,460,342	\$ 5,653,738	\$ 3,635,311	\$ 1,828,758	\$ 5,464,069	\$ 11,117,807	\$ 10,611,601

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	2021						
	Program Services			Supporting Services			
	Program Grants	Program Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services	2021 Total
Program Grants and Expenses	\$ 2,260,740	\$ 598,616	\$ 2,859,356	\$ -	\$ 6,500	\$ 6,500	\$ 2,865,856
Operating Expenses:							
Salaries and Benefits	-	2,135,370	2,135,370	1,487,372	1,083,744	2,571,116	4,706,486
Professional Fees	-	178,276	178,276	1,104,774	101,002	1,205,776	1,384,052
Occupancy	-	385,029	385,029	196,873	120,035	316,908	701,937
Advertising and Marketing	-	207,666	207,666	201,650	12,503	214,153	421,819
Dues	-	154,179	154,179	77,378	43,517	120,895	275,074
Depreciation and Amortization	-	59,661	59,661	29,942	16,839	46,781	106,442
Postage, Supplies, and Other	-	7,381	7,381	38,099	22,607	60,706	68,087
Insurance	-	32,021	32,021	16,071	9,038	25,109	57,130
Staff Development	-	12,315	12,315	2,322	1,699	4,021	16,336
Meetings, Special Events, and Travel	-	309	309	195	7,878	8,073	8,382
Total Expenses	<u>\$ 2,260,740</u>	<u>\$ 3,770,823</u>	<u>\$ 6,031,563</u>	<u>\$ 3,154,676</u>	<u>\$ 1,425,362</u>	<u>\$ 4,580,038</u>	<u>\$ 10,611,601</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF CASH FLOWS
June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (6,562,730)	\$ 24,273,606
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:		
Net Decrease in Allowance for Doubtful Promises to Give	(30,622)	(1,018,580)
Gain on Extinguishment of Debt	(943,531)	(940,913)
Depreciation and Amortization	100,545	106,442
Donated Stock	(13,119)	(11,172)
Net Realized and Unrealized Loss (Gain) on Investments	5,841,230	(2,887,182)
Loss on Disposal of Asset	5,000	2,014
Effects of Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable, Prepaid and Other Assets	(170,609)	191,298
Promises to Give	481,638	(819,577)
Right-Of-Use Asset	(3,196,128)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(261,061)	(139,665)
Deferred Revenue and Other Liability	111,113	(3,674,892)
Operating Lease Liability	3,329,084	-
Contributor Designations Payable	(541,917)	1,003,213
Grants Payable	(201,354)	(260,940)
Deferred Compensation	25,436	46,073
Net Cash (Used) Provided by Operating Activities	(2,027,025)	15,869,725
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Asset Purchases	(72,713)	(10,244)
Purchase of Investments	(7,749,809)	(52,581,872)
Proceeds from Sale of Investments	7,725,424	31,167,718
Net Cash Used by Investing Activities	(97,098)	(21,424,398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw on Line of Credit	2,650,000	-
Repayment on Line of Credit	(1,900,000)	-
Proceeds from Loan Payable	-	943,531
Net Cash Provided by Financing Activities	750,000	943,531
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,374,123)	(4,611,142)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,347,193	6,958,335
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 973,070	\$ 2,347,193
SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES		
Gain on Extinguishment of Debt	\$ 943,531	\$ 940,913

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way of the National Capital Area (United Way NCA) is a not-for-profit organization locally governed by a volunteer board of community leaders. The mission of United Way NCA is to improve lives of underserved individuals in the National Capital Area by focusing community resources on creating measurable and lasting impact. By deploying a Collective Impact approach that is informed by data-driven and evidence-based decision-making, United Way NCA pursues its mission by improving the health, education, and economic opportunity of every person in our community because When None Are Ignored, All Will Thrive!

United Way NCA is uniquely positioned at the intersection of the public, private, philanthropic, and nonprofit sectors, thereby enabling it to mobilize the best resources and people to lead Collective Impact for our community. Through our community commitment and programmatic focus, United Way NCA is transforming the region and changing the lives for thousands of people in a meaningful way. United Way NCA is committed to making a positive difference in the region and being relevant to all people, cultures, and communities by being accountable for its work and results, and acting in ways that respect the dignity, uniqueness, and intrinsic worth of every person. United Way NCA holds itself accountable by infusing diversity, equity, and inclusion in everything it does. The organization's leadership, board, staff, partners, and volunteers support anti-racist work that exposes and dismantles institutional and systemic racism and all forms of injustice. United Way NCA represents a collective community that cares. It intentionally lifts up those who are marginalized because of their intersectional identities, which includes race, age, class, gender identity, sexual orientation, religion, education, ability, culture, and language. United Way NCA champions collaboration, community connections, and critical conversations that advances its journey towards equity for all people across the greater Washington, DC metro area. Achieving equity is not a sprint, but rather a lifelong marathon. At United Way NCA, there is room for all who are ready to join this journey and take bold strides and commit resources to attain equity for everyone because When None Are Ignored, All Will Thrive!

This year, despite the unprecedented challenges of the pandemic and economic downturn, United Way NCA successfully implemented the second year of its most recent five-year community commitment which builds on the learnings and successes of our previous five-year community commitment. During this phase of its strategy, United Way NCA is focused on mobilizing all sectors of the community to work together with one goal in mind – helping children and families live their best lives by reducing disparities and increasing equity by focusing on three key pillars of impact – health, education, and economic opportunity.

In terms of health, United Way NCA's Thrive United 365 health initiative provides equitable access to the distribution of health resources and improves people's lives by addressing health conditions most affecting the region. Adopting a community-based Public Health Intervention Model, Thrive United 365 supports prevention and care management strategies to create low-barrier health resource access points for communities facing enduring health disparities. This place-based work includes equitable access to COVID-19 response programs, diabetes prevention and management, and mental health first aid.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In fiscal year 2022, United Way NCA and partner organizations hosted COVID-19 education outreach, testing, and vaccine events to individuals and families in high-risk communities. Thrive United 365 also built and distributed Personal Protective Equipment (PPE) kits and provided prescription savings to individuals and families across the region.

In terms of education, United Way NCA's Middle School to College and Career Success initiative aims to reduce achievement disparities and improve academic outcomes for young people in the National Capital Area by providing high-quality resources through the Community School Model to support students and young adults in realizing their academic and training goals. United Way NCA partners with six community schools designated as Title I schools, which receive federal financial assistance with high percentages of children from families with low income and students that are recipients of free and reduced meals. The Community Schools initiative supports a place-based strategy in which each school partners with community agencies and allocates resources to provide an integrated focus on academics, health and social services, youth and community development, and community engagement. This strategy aims to support community schools located in neighborhoods where structural forces linked to racism and poverty shape the experiences of young people and erect barriers to learning and school success. The six community schools that United Way NCA partners with are based in communities where families have few resources to supplement what typical schools provide. Through United Way NCA's Community Schools initiative, student attendance, behavior, and course performance challenges were addressed; and through United Way NCA's Character Playbook program, healthy student character development and relationships were promoted. In response to the impact of COVID-19 on academic achievement, United Way NCA continued to support the essential needs that students and families required to attend and succeed at school, including the assembly and distribution across the region of kits containing food, school supplies, and warm clothing.

And in terms of economic opportunity, United Way NCA's economic opportunity initiatives provide information, resources, and services to eliminate debt and increase generational wealth in under-resourced communities, including a growing number of individuals and families who are working but are unable to afford basic necessities. These individuals are referred to as Asset Limited, Income Constrained, Employed (ALICE) households. They represent a growing number of individuals and families who are working and earn more than the Federal Poverty Level, but less than the basic cost of living. Since 2015, United Way NCA has operated the region's first group of Financial Empowerment Centers (FECs) to promote economic opportunity. Today, United Way NCA's five FECs offer individuals, veterans, and working families no-cost, professional high-quality financial capacity building services, such as personalized financial coaching and housing counseling. FEC programs include financial and workforce training, individual and small group coaching, tax preparation services and wealth building work. In fiscal year 2022, residents from across the region benefited from United Way NCA's volunteer income tax assistance (vita) and the earned income tax credit (EITC) program as well as from a variety of financial coaching services ranging from free tax preparation, financial workshops, and housing counseling that are aimed at helping our region's residents get on the pathway to a stronger financial future. As a result of refunds received through United Way NCA's free tax preparation services, residents were able to plan, save and get ahead. Veterans also received free services, including financial literacy training, employment counseling, entrepreneurial skill development, and mental health and well-being assistance.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To help fund its community impact work and operations, United Way NCA conducted a variety of fundraising activities throughout the year, with a focus on growing and diversifying funding sources. United Way NCA's primary source of revenue is generated through employer-sponsored workplace giving campaigns. In fact, United Way NCA manages one of the single largest annual workplace giving campaigns within the United Way network, raising over \$7.4 million in fiscal year 2022, the majority of which provided financial support to over four hundred accredited member nonprofit agencies and hundreds of other 501(c)(3) organizations serving the National Capital Area. United Way NCA also encourages individuals outside of the workplace to donate to its community impact work and to help enhance its operational effectiveness. In fact, donors can choose to contribute to a specific community impact program area such as health, education or economic opportunities or to one of eleven community impact areas, including Prince George's and Montgomery Counties in Maryland, the District of Columbia, and the Northern Virginia areas of the City of Alexandria, Arlington, Fairfax, Prince William, and Loudoun Counties and the Virginia Piedmont area of Rappahannock, Fauquier, and Culpeper Counties. United Way NCA also generates revenue from special events, corporate sponsorships, and grants received from corporations, foundations, and government entities as well as fees earned from providing program management, nonprofit training, and other professional services to local area governments, municipalities, and nonprofit organizations.

A summary of United Way NCA's significant accounting policies follows:

Basis of Accounting

United Way NCA's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit organizations, including Accounting Standard Updates (ASUs) as well as United Way network-specific guidance. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The presentation of United Way NCA's financial statements are in conformity with the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions, such as time or purpose restrictions. Accordingly, net assets of United Way NCA and changes therein are classified and reported as follows:

- Net assets **Without Donor Restrictions** are not restricted by any donor or grantor-imposed time, purpose, or other restrictions. Net assets without donor or grantor-imposed restrictions represent funds that are fully available, at the discretion of management and the Board of Directors, for United Way NCA to utilize in support of its mission, including programs, fundraising, and core management activities. At its discretion, the Board of Directors may designate a portion of unrestricted net assets for specific purposes, such as the pursuit of strategic opportunities, establishing an operating reserve and promoting the organization's long-term financial viability. Since Board-designated net assets are without donor or grantor-imposed restrictions, they are reported as a component of net assets without donor restrictions.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- Net assets **With Donor Restrictions** consist of assets whose use is limited by donor or grantor-imposed time and/or purpose restrictions. When donor or grantor-imposed restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid, short-term investments with original maturities of three months or less; and investments in money market funds that are carried at cost plus accrued interest, which approximates fair value. It is United Way NCA's practice to place its cash and cash equivalents and investments in high credit quality financial institutions. Balances in these accounts may exceed federally insured limits.

Investments

Investments with readily determinable fair values are reflected at fair market value. Donated securities are recorded at the fair value on the date of the gift. To adjust the carrying value, unrealized gains and losses are reported in the statements of activities as a component of investment income or loss.

United Way NCA invests in a professionally managed portfolio that contains fixed income bonds, publicly traded equities, and mutual funds. Such investments are exposed to various risks, such as market and credit.

Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Contributions and Promises to Give

Contributions, which include paid gifts, grants, and unconditional promises to give, are recognized as revenue when payments are received or when donors and grantors make written promises to give to United Way NCA that are, in substance, unconditional. Contributions are available for unrestricted use unless specifically restricted by the donor or grantor. Contributions with donor or grantor-imposed time or purpose restrictions are recorded as net assets with donor restrictions.

When donor or grantor-imposed time restrictions expire or purpose restrictions are fulfilled, those net assets with donor or grantor-imposed restrictions are reclassified to net assets without donor restrictions. These reclassifications are reported as net assets released from restriction on the statement of activities. Contributions with donor or grantor-imposed conditions, such as a matching gift or grant, are recognized as revenue when the conditions have been substantially met.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for Uncollectible Promises to Give

Unconditional promises to give (pledges) are recognized as revenue in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The provision for doubtful accounts is based on management's evaluation of the collectability of promises to give. Management determines the allowance for doubtful accounts by regularly evaluating promises to give and considering current and projected financial and economic conditions, including the impact from health emergencies, government shutdowns, economic recessions, and historical collection trends.

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line basis over their estimated useful lives, which range from three to ten years. United Way NCA capitalizes all individual property and equipment acquisitions greater than \$10,000.

Impairment of Long-Lived Assets

United Way NCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the asset's carrying amount to future undiscounted net cash flows expected to be generated by the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Right-of-Use Asset, Lease Liability, and Lease Expense

In order to enable financial statement users to assess the amount and timing of cash flows arising from leases pursuant to ASC 842 - Lease Accounting, United Way NCA accounts for operating leases with terms of more than one year and material balances as a right-of-use asset representing its right to use the underlying asset for the lease term and a lease liability representing its obligation to make lease payments for the right to use that asset during the lease term.

Both the right-of-use asset and lease liability are recorded on the statement of financial position and are adjusted each month as United Way NCA uses its leased assets to support its mission and as it makes payments to extinguish its lease liability. United Way NCA also records a single lease cost, calculated so that the cost of each operating lease is allocated over the lease term on a straight-line basis; by classifying all cash payments within operating activities in the statement of cash flows; and by requiring additional qualitative and quantitative footnote disclosures about key information pertaining to its operating leasing arrangements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-Use Asset, Lease Liability, and Lease Expense (Continued)

United Way NCA's quantitative footnote disclosures include three primary categories: lease expense, maturity analysis, and other lease-related information. Lease expense is reported on United Way NCA's statement of activities and includes straight-line lease expense from operating leases, including material operating leases with terms of one year or less. The maturity analysis includes, as in the past, undiscounted cash flows of United Way NCA's operating leases. It also includes, pursuant to the new accounting update, the present value of future lease payments which are reported on the statement of financial position as total lease liability. Other information includes total cash paid; any new right-of-use assets added during the year; the weighted-average remaining lease term as of the end of the reporting period; and the weighted-average of all the discount rates of leases as of the end of the reporting period.

United Way NCA's qualitative disclosures include, among other things, information about existing leases, including a general description of those leases; the basis on which fixed lease payments may increase or decrease; the terms and conditions of options to extend or terminate the lease, including a narrative disclosure about the options that are recognized as part of its right-of-use assets and related lease liabilities and those that are not; future leases that have not yet begun, but will add significant right-of-use assets and lease liabilities to the statement of financial position; the organization's involvement with the design and/or construction of the underlying asset; and how each operating lease's discount rate was determined.

Contributor Designations Payable

Certain campaign contributions and pledges made to United Way NCA are designated to other agencies. These campaign contributions and pledges are recognized as campaign results and contributor designations to participating agencies. United Way NCA disburses the amounts to agencies after contributions are received and pledges collected. The balance of unpaid pledges designated to agencies remains as a liability until the pledges are collected and paid or until the annual campaign is officially closed. United Way NCA is acting as an agent or trustee to transfer designated contributions to agencies, and in doing so, has no discretion over the use of designated contributions.

United Way NCA also records campaign contributions and pledges processed by a third-party processor where the contributor pays the third-party processor who pays the designated agency directly (pay directs). United Way NCA is not involved with the receipt or disbursement of these pledges; therefore, no corresponding pledge receivable or contributor designations payable are recorded. The total of pay direct campaign results and contributor designations for the years ended June 30, 2022, and 2021, were \$3,588,199 and \$4,207,840, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributor Designations Payable (Continued)

As a recognized federation of the Combined Federal Campaign (CFC), United Way NCA honors designations made to each member nonprofit organization by distributing a proportionate share of receipts based on donor designations to each member nonprofit organization per CFC regulations established by the Office of Personnel Management (OPM). United Way NCA disburses those receipts to designated nonprofit organizations based on the cash received from donors who designate to those specific nonprofit organizations. Designations are paid to nonprofit organizations net of fundraising, processing, and administrative fees.

As a general matter, in addition to up-front credit card and cash contributions, campaigns allow employee pledges to be paid through payroll deductions for the upcoming calendar or fiscal year depending on the specific campaign. Campaigns are officially closed after the final campaign has been audited and all donations that United Way NCA has received are paid out to the appropriate designated nonprofit organizations. The 2019 and all prior-year campaigns are officially closed.

Revenue Recognition Policy

The information provided below is designed to enable users of these financial statements to understand the nature, amount, and timing of the revenue that was recognized when the promise of goods or services were transferred to customers in an amount that reflected the consideration received by United Way NCA in exchange for delivering those goods or rendering those services.

Campaign Results and Other Support

Campaign contributions and pledges designated to United Way NCA are recognized as revenue when promises to give are acknowledged in writing and are recorded as either donations with or without restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

All donor-restricted contributions and 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 satisfied), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Campaign contributions and pledges designated to other agencies, which are recognized as campaign results with a corresponding entry to contributor designations to participating agencies, are reported as an increase and corresponding decrease in net assets without donor restrictions during the same fiscal year.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Campaign Results and Other Support (Continued)

In addition to workplace campaign contributions and pledges designated to United Way NCA or other nonprofits, Campaign Results and Other Support also include results from special fundraising initiatives, including the community-inspired day of giving event titled “Do More 24”, which just completed its tenth season. This year’s results included over 3,600 donors giving to over 135 organizations to support families in the greater Washington, D.C. area. The event was held on May 18 and May 19 for fiscal years 2022 and 2021, respectively. Money raised from Do More 24 was included in Campaign Results and Other Support and consists of the following for the years ended June 30, 2022, and 2021.

	2022	2021
Fundraising	\$ 521,714	\$ 597,842
Sponsorships	82,636	75,000
Total	\$ 604,350	\$ 674,863

Fee Revenue from Fundraising Campaigns

United Way NCA earns fee revenue to support campaign fundraising and administration activities including vetting nonprofit organizations, conducting workplace campaign efforts, managing donor relation activities, and distributing designated contributions. These fees are paid either directly by the sponsoring company or deducted from designated contributions and pledges. In recognition that substantially all of these services are performed during United Way NCA’s fiscal year, combined with the fact that the time period provided by sponsoring companies for their employees to make annual pledges and contributions also occur during the fiscal year, the entire campaign fundraising and administration fee is recognized during the fiscal year in which the pledge or contribution is made. United Way NCA also earns annual application fees from local area nonprofits who desire to become a member of United Way NCA’s network of non-profit partners. United Way NCA’s nonprofit partners must meet a strict set of eligibility criteria as part of an annual partner application process. The application process provides assurance to donors, campaign sponsors and supporters that United Way NCA’s nonprofit partners meet the highest standards of financial transparency and accountability.

In recognition that the annual partnership year runs from July 1 through June 30 (which coincides with United Way NCA’s fiscal year), and the annual application process begins in November and ends three months later in January (which takes place inside of United Way NCA’s fiscal year), revenue from application fees is recognized and the performance obligations are satisfied within the same fiscal year.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fee Revenue from Fundraising Campaigns (Continued)

Revenue from campaign fundraising and administration fees for the years ended June 30, 2022, and 2021 are as follows:

	2022	2021
Campaign Fees	\$ 857,407	\$ 1,060,332
Application and Listing Fees	262,669	288,285
Total	\$ 1,120,076	\$ 1,348,617

United Way NCA does not record a fee on pay directs since it does not fundraise for or administer those campaigns; they are administered by a third-party processor for a fee.

Non-Campaign Contributions, Grants, and Contracts

United Way NCA receives contributions and grants from individuals, corporations, foundations, and government agencies that are unrelated to a workplace or other federated fundraising campaign. Unconditional, non-reciprocal, and unrestricted contributions and grants are recorded as revenue in the period the commitments are accepted by United Way NCA and classified as net assets without donor restrictions. Contributions and grants containing donor or grantor-imposed use or time restrictions which are not satisfied during the current accounting period are initially recorded as revenue in the period the commitments are accepted by United Way NCA and classified as net assets with donor restrictions until the restrictions are satisfied, at which point they are released from restriction and classified as net assets without donor restrictions.

Conditional contributions and grants are recorded as revenue in the period the conditions are satisfied. Contributions and grants that are deemed to be reciprocal transactions of equal value are treated as exchange

transactions and recorded as revenue when the earnings process is complete. The receipt of contributions and grants designated to another entity, for which United Way NCA has no variance or decision-making power to alter the ultimate recipients or other important terms and conditions of the transactions are recorded as fiscal agency transactions.

United Way NCA enters into contracts with government agencies and other organizations to perform a variety of services in exchange for fees or reimbursement of qualifying expenses. The types of services performed include, but are not limited to, program and grants management services, fiscal agency services, and organizational training and development services. To the extent these contracts and related services are considered exchange transactions, whereby United Way NCA receives cash or other assets in exchange for providing services of approximately equal value, fee revenue is recognized when services are rendered, deliverables are met, and/or related expenses are incurred, depending on the terms of each contract. Revenue from contracts with customers for the years ended June 30, 2022, and 2021 was \$171,108 and \$760,636, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Non-financial Assets and Contributed Services

Pursuant to the existing Financial Accounting Standards Board ASC 958-605, United Way NCA records and reports contributed non-financial assets and specialized services meeting the criteria for in-kind donations as revenue in the operating section of its statement of activities on the date the contribution is made known, regardless of the date on which the material or service is received. Furthermore, United Way NCA records and reports contributed non-financial assets and services at fair market value, which ASC topic 820 defines 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.” United Way NCA also records and reports at the fair market value an offsetting expense in the proper natural expense category on its statement of functional expenses. However, if the contributed item or service is an asset that exceeds United Way NCA’s capitalization policy, the asset is recorded in the proper fixed asset category on the statement of financial position and revenue is recognized for the asset’s fair market value.

Most recently, United Way NCA adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to provide more transparency about the measurement and use of contributed nonfinancial assets, such as materials and supplies while maintaining the existing recognition and measurement requirements described above. This new accounting update, which was effective for annual periods beginning after June 15, 2021, was implemented retroactive to FY2021 to enhance the comparability of United Way NCA’s financial statements. Consistent with the new accounting update, United Way NCA presents contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and also provides additional footnote disclosures, including a disclosure of a disaggregation of the amount of contributed nonfinancial assets by type such as medical, education, and hygiene supplies; and specialized services to name a few.

However, despite the fact that a substantial number of volunteers have donated significant amounts of time in support of United Way NCA’s programs and fundraising campaigns, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services pursuant to existing accounting guidance.

Allocation of Expenses by Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Costs incurred to provide United Way NCA’s programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, compensation costs are allocated by a department-level estimate of time and effort. Other office, occupancy, and operating expenses are allocated by organization-wide estimates of time and effort.

Advertising

Advertising costs are expensed when incurred or when donated to United Way NCA. Advertising expense for the years ended June 30, 2022, and 2021 was \$377,734 and \$348,607, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income and Other Taxes

United Way NCA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and therefore qualifies as an organization eligible to receive deductible charitable contributions and has been classified as an organization that is not a private foundation. Income that is unrelated to the organization's tax-exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, United Way NCA may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management evaluated United Way NCA's tax positions and concluded that United Way NCA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Cash Receipts Policy

United Way NCA receives donor pledge payments year-round. Pledge payments received are first applied to any remaining prior year campaign balance, if applicable, and then to the current campaign. Donor intent is always considered.

Use of Estimates

The preparation of financial statements 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 amount of campaign results, revenue, and expenses during the reporting period. Actual amounts could differ from those estimates.

Reclassification

Certain amounts in the fiscal year 2021 financial statements have been reclassified to conform to the presentation of the fiscal year 2022 financial statements. These reclassifications had no effect on the previously reported net assets or changes therein.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

United Way NCA evaluated subsequent events through November 22, 2022, which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2022, but prior to November 22, 2022, that provided additional evidence about conditions that existed on June 30, 2022, have been recognized in the financial statements for the year ended June 30, 2022. However, events or transactions that provided evidence about conditions that did not exist on June 30, 2022 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2022. There were no events that required adjustments to or disclosure in United Way NCA's financial statements for the year ended June 30, 2022.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Codification Topic on *Fair Value Measurements* requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework for measuring fair value in GAAP and expands disclosure about fair market value measurements. The Fair Value Topic applies to all assets and liabilities that are being measured and reported on a fair value basis. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1** Inputs to the valuation methodology are unadjusted 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** Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Inputs to the valuation methodology are unobservable for the asset or liability, significant to the fair value measurement, and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant judgment or estimation.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, United Way NCA performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The equity securities and equity and fixed income mutual funds are publicly traded on the New York Stock Exchange and are considered Level 1 items. The fair value of corporate bonds is determined based on quoted market prices, when available, or market prices provided by recognized broker dealers; thus, they are categorized as Level 2. The government fixed income bonds and foreign bank fixed income bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items. The deferred compensation liability is based on the fair value of the deferred compensation plan assets that are observable inputs, and are, therefore, considered Level 1. There were no Level 3 investments as of June 30, 2022, and 2021.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed Income Bonds:				
U.S. Government Long-Term Duration	\$ -	\$ 10,222,044	\$ -	\$ 10,222,044
U.S. Bank Corporate Bonds	-	13,694,010	-	13,694,010
Total Fixed Income Bonds	-	23,916,054	-	23,916,054
Equities:				
iShares S&P 500 Index Fund	5,129,109	-	-	5,129,109
Non-U.S. Equity	3,601,081	-	-	3,601,081
Small Cap Core	795,670	-	-	795,670
Large Cap Value	1,591,656	-	-	1,591,656
Large Cap Growth	1,322,342	-	-	1,322,342
Total Equities	12,439,858	-	-	12,439,858
Fixed Income Mutual Fund	2,716,139	-	-	2,716,139
Total Investments	<u>\$ 15,155,997</u>	<u>\$ 23,916,054</u>	<u>\$ -</u>	<u>\$ 39,072,051</u>
Investments Held for Deferred Compensation Plan:				
U.S. Equity Mutual Fund	<u>\$ 213,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,267</u>
Liability: Deferred Compensation	<u>\$ 213,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,267</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2021			Total
	Level 1	Level 2	Level 3	
Assets:				
Fixed Income Bonds:				
U.S. Government Long-Term Duration	\$ -	\$ 9,996,327	\$ -	\$ 9,996,327
U.S. Bank Corporate Bonds	-	15,153,877	-	15,153,877
Total Fixed Income Bonds	-	25,150,204	-	25,150,204
Equities:				
iShares S&P 500 Index Fund	6,004,301	-	-	6,004,301
Non-U.S. Equity	4,833,850	-	-	4,833,850
Small Cap Core	1,795,819	-	-	1,795,819
Large Cap Value	1,915,906	-	-	1,915,906
Large Cap Growth	2,103,201	-	-	2,103,201
Total Equities	16,653,078	-	-	16,653,078
Fixed Income Mutual Fund	3,097,932	-	-	3,097,932
Total Investments	\$ 19,751,009	\$ 25,150,204	\$ -	\$ 44,901,213
Investments Held for Deferred Compensation Plan:				
U.S. Equity Mutual Fund	\$ 187,831	\$ -	\$ -	\$ 187,831
Liability: Deferred Compensation	\$ 187,831	\$ -	\$ -	\$ 187,831

Investment income as of June 30, 2022, and 2021, consists of the following:

	2022	2021
Interest Income	\$ 571,756	\$ 481,414
Unrealized Gains (Losses)	(7,254,092)	1,412,300
Realized Gains	1,412,862	1,474,882
Dividends	403,394	244,268
Investment Fees	(224,271)	(178,581)
Total	\$ (5,090,351)	\$ 3,434,283

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 3 – PROMISES TO GIVE

All promises to give, as of June 30, 2022, and 2021, are due within one year and consist of the following:

Promises to Give	<u>2022</u> \$ 9,493,284	<u>2021</u> \$ 9,974,922
Calculation for Doubtful Promises to Give:		
Allowance for Doubtful Promises to Give - Beginning of Year	(1,515,061)	(2,533,641)
Write-Off of Doubtful Promises to Give and Other Adjustments	765,381	1,804,097
Current Year Provision for Cancellations and Uncollectible Promises to Give	(734,759)	(785,517)
Allowance for Doubtful Promises to Give - End of Year	<u>(1,484,439)</u>	<u>(1,515,061)</u>
Promises to Give, Net	<u>\$ 8,008,845</u>	<u>\$ 8,459,861</u>
	<u>2022</u>	<u>2021</u>
Provision for Doubtful Promises to Give - Current Year Campaign	\$ 734,759	\$ 785,517
Provision for Doubtful Promises to Give - Prior Year Campaigns	749,680	729,544
Allowance for Doubtful Promises to Give	<u>\$ 1,484,439</u>	<u>\$ 1,515,061</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 4 – LIQUIDITY

United Way NCA’s financial assets available for general expenditure within one year of the date of the consolidated statements of financial position are as follows:

	2022	2021
Cash and Cash Equivalents	\$ 973,070	\$ 2,347,193
Investments	39,072,051	44,901,213
Promises to Give, Net	8,008,845	8,459,861
Accounts Receivable	117,260	52,120
Total Financial Assets Available Within One Year	48,171,226	55,760,387
Less:		
Amounts Unavailable for General Expenditures Within One Year, due to:		
Restricted By Donors In Perpetuity	(175,000)	(175,000)
Restricted By Donors With Purpose Restrictions	(2,269,163)	(2,515,615)
Total Amounts Unavailable For General Expenditures Within One Year	(2,444,163)	(2,690,615)
Amounts Unavailable to Management Without Board's Approval:		
Board-Designated Net Assets	(30,085,019)	(29,811,618)
Total Amounts Unavailable to Management Without Board's Approval:	(30,085,019)	(29,811,618)
Total Financial Assets Available To Management For General Expenditure Within One Year	\$ 15,642,044	\$ 23,258,154

United Way NCA maintains a policy of structuring its financial assets, including 100% of its investment portfolio, to be available as general expenditures, liabilities, and other obligations come due. Furthermore, in response to the timing differences between the annual receipt and disbursement of cash, United Way NCA deploys its \$2,000,000 unsecured line of credit whenever necessary to satisfy its financial obligations in a timely manner without prematurely selling its investments. Additionally, the organization has board-designated net assets without donor restrictions that, while United Way NCA does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization, as well as, depreciation and amortization expense, for the years ended June 30, 2022 and 2021, consist of the following:

	Estimated Useful Lives	2022			
		2022 Cost	Accumulated Depreciation and Amortization	Net Property	Depreciation and Amortization Expense
Property and Equipment	3 - 10 Years	\$ 700,497	\$ (664,454)	\$ 36,043	\$ 7,185
Leasehold Improvements	10 Years	893,890	(843,109)	50,781	85,465
Website Development	3 Years	40,600	(7,894)	32,706	7,895
Total		<u>\$ 1,634,987</u>	<u>\$ (1,515,457)</u>	<u>\$ 119,530</u>	<u>\$ 100,545</u>

	Estimated Useful Lives	2021			
		2021 Cost	Accumulated Depreciation and Amortization	Net Property	Depreciation and Amortization Expense
Property and Equipment	3 - 10 Years	\$ 766,464	\$ (750,349)	\$ 16,115	\$ 14,807
Leasehold Improvements	10 Years	893,890	(757,643)	136,247	85,467
Website Development	3 Years	74,025	(74,025)	-	6,168
Total		<u>\$ 1,734,379</u>	<u>\$ (1,582,017)</u>	<u>\$ 152,362</u>	<u>\$ 106,442</u>

NOTE 6 – ACCOUNTS RECEIVABLE AND DEFERRED REVENUE FROM CONTRACT WITH CUSTOMERS

Accounts receivable and deferred revenue from contracts with customers is as follows as of the years ended June 30:

	2022	2021	2020
Accounts Receivable	\$ 117,260	\$ 52,120	\$ 151,539
Deferred Revenue	4,875	-	459,520

NOTE 7 – CONTRIBUTOR DESIGNATIONS PAYABLE

Contributor designations payable of \$6,318,683 and \$6,860,600 as of June 30, 2022, and 2021, respectively, are considered payable out of the current year's campaign funds and, accordingly, have been included as liabilities in the accompanying statements of financial position.

NOTE 8 – LINE OF CREDIT

United Way NCA maintains a \$2.0 million unsecured line of credit (LOC) with an annual interest rate equal to the Daily Bloomberg Short Term Bank Rate (BSBY) plus 1.25% that is assessed daily on the used portion of the LOC and a 10-basis point commitment fee that is assessed daily on the unused portion of the LOC. The LOC contains a renewable one-year term that expires January 31, 2023. Any borrowings under the line of credit are assessed interest at the prevailing rate; any monthly accrued but unpaid interest is due and payable at the end of each month; and any outstanding principal balance and accrued but unpaid interest is due and payable

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 8 – LINE OF CREDIT (CONTINUED)

at the expiration date. As of June 30, 2022, and 2021, there was an outstanding principal balance of \$750,000 and \$0, respectively. United Way NCA plans to request a renewal on or before the scheduled expiration date.

NOTE 9 – LOAN PAYABLE

In December 2021, United Way NCA received full forgiveness of its second Paycheck Protection Program Loan of \$940,527 plus accrued interest that was originally received in March 2021. Consistent with the first PPP loan draw, the original receipt of the second PPP loan draw and accrued interest was recorded as a liability in accordance with ASC 470: Debt and ASC 835: Interest, respectively. The forgiveness of the second PPP loan draw and related accrued interest is an extraordinary item recorded as Gain from Extinguishment of Debt after Total Expenses but before Change in Net Assets on the Statement of Activities and as a Noncash Financing Activity in the Statement of Cash Flows in accordance with ASC 230.

In May 2021, United Way NCA received full forgiveness of its first Paycheck Protection Program Loan of \$939,400 plus accrued interest that was originally received in May 2020. The same accounting treatment was applied as stated above.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, Management is of the opinion that any review will not have a material adverse impact on the United Way NCA's financial position.

NOTE 10 – PLANNED GIVING/LIFE INSURANCE

United Way Life

As part of a planned giving program called United Way Life, which is sponsored by United Way Worldwide (UWW), United Way NCA has purchased life insurance policies on behalf of two donors. One policy was purchased during fiscal year 2017 and another during fiscal year 2015. The United Way Life program allows donors to utilize life insurance to accomplish their philanthropic objectives by enabling them to create a legacy gift that will benefit the future. The donor contributes an amount sufficient to cover the annual premiums. Additionally, gifts designated by donors to enhance the United Way Life program provide funds for "matching" premiums which increases the value of the policy. The life insurance policy is issued as one single policy. The cash surrender value of the policy is included in other assets in the statements of financial position.

As described in more detail below, United Way NCA is the sole beneficiary of the policy purchased during the year ended June 30, 2017, and a joint beneficiary of the policy purchased during the fiscal year ended June 30, 2015.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 10 – PLANNED GIVING/LIFE INSURANCE (CONTINUED)

During fiscal year ended June 30, 2017, United Way NCA received a legacy gift that will be funded by death benefits of a life insurance policy issued by United of Omaha Life Insurance Policy that names United Way NCA as the sole owner and beneficiary of the policy's death benefits. The policy, in the amount of \$250,000 was paid in full to United Way NCA upon maturation in FY21 to support the future growth of United Way NCA's programs, services, and operations. The donor of the legacy gift agreed to keep the policy in full force and effect by making five consecutive annual contributions in the amount of \$2,954 to United Way NCA on or before the payment due date. United Way NCA used the donor's annual contribution along with annual matching funds in the amount of \$2,954 (provided by a former donor) to remit to United of Omaha Life Insurance Company timely annual premium payments of \$5,908 per year for five consecutive years. Each annual premium due on or before June 30, 2022, was paid in full.

The cash surrender value was \$15,717 and \$11,058 as of June 30, 2022, and June 30, 2021, respectively. United Way NCA may obtain a loan secured by the policy's cash surrender value. The loan would bear interest at an annual effective interest rate of 4.76% if the loan is requested prior to policy year ten and 2.44% thereafter. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2022, and June 30, 2021, respectively.

During the fiscal year ended June 30, 2015, United Way NCA received a legacy gift that will be funded by death benefits of a joint and last survivor life insurance policy issued by United of Omaha Life Insurance Policy that names United Way NCA as the sole owner and co-beneficiary of the policy's death benefits. The policy, in the amount of \$304,725, will be paid to United Way NCA upon maturation; \$204,725 will be disbursed to United Way NCA supporting the future growth of United Way NCA's programs, services, and operations, and \$100,000 will be dispersed by United Way NCA to a local university. In lieu of five consecutive annual premium payments, a one-time \$42,000 premium was paid during fiscal year 2015 to United of Omaha Life Insurance Company. The cash surrender value was \$26,261, and \$25,948 as of June 30, 2022, and 2021, respectively. United Way NCA may obtain a loan secured by the policy's cash surrender value. The loan would bear interest at an annual effective interest rate of 6.00%. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2022, and June 30, 2021, respectively.

NOTE 11 – PROGRAM GRANTS

Total expense for program grants in the areas of Health, Education, and Economic Opportunity was \$2,193,396 and \$2,260,740 for the years ended June 30, 2022, and 2021, respectively.

Unpaid grants are due to be paid within one year and the grants payable amount as of June 30, 2022, and 2021, approximates the present value of future grant payments. Total grants payable as of June 30, 2022, and 2021, was \$853,996 and \$1,055,350, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 - CONTRIBUTED NONFINANCIAL ASSETS AND CONTRIBUTED SERVICES

Pursuant to new and existing accounting guidance governing the accounting for contributed nonfinancial assets and contributed services as described in more detail in Note 1, United Way NCA recognized contributed nonfinancial assets and contributed services as a separate revenue line item on the Statement of Activities retroactive to FY2021, including healthcare and educational supplies and materials in support of United Way NCA’s Project Community Connect, Stuff the Bus, Thrive United 365 and other signature programs, along with specialized advertising and media services in support of United Way NCA’s signature Do More 24 Campaign as well as a variety of program, fundraising, and awareness activities. All amounts recognized were valued and reported at the estimated fair value in the financial statements based on current rates for similar advertising and media services and supplies.

More specifically, United Way NCA received advertising services in support of the Do More 24 fundraising initiatives as well as other contributed advertising services in support of other community impact initiatives.

Contributed advertising services for the years ended June 30, 2022, and 2021, was \$82,000 and \$71,000, respectively.

Furthermore, United Way NCA also recorded contributed media services resulting from its beneficiary relationship with United Way Worldwide (UWW), which maintains a relationship with the National Football League (NFL), the Ad Council, and other organizations for the benefit of local United Ways. UWW underwrites the cost to produce Public Service Announcements (PSAs) that promote health, education, and economic opportunity that feature individuals who are involved in various local United Way community volunteer activities. The NFL, the Ad Council, and other organizations furnish the media space (television and radio airtime, newspaper and magazine print space, billboards, etc.) throughout the year to disseminate PSAs for the benefit of and at no cost to the United Way network. Beginning in fiscal year 2015, United Way NCA began recording a portion of the value of these services. For the years ended June 30, 2022 and 2021, the related value of contributed media services was \$137,338 and \$173,661, respectively.

And lastly, United Way of NCA received \$200 and \$250,000 in protective masks for the years ended June 30, 2022, and 2021, respectively in support of program initiatives.

For the years ended June 30, contributed nonfinancial assets and contributed services recognized within the statement of activities included:

	2022	2021
Advertising	\$ 82,000	\$ 71,000
Media	137,338	173,661
Supplies	200	250,000
Total	\$ 219,538	\$ 494,661

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 13 – OTHER REVENUE

Other revenue includes contributions in support of United Way NCA’s Signature Events, including but not limited to Project Community Connect, Do More 24, Stuff the Bus, and Loudon County Regional Council Top Golf Event. Other revenue also includes numerous employee volunteer engagement events hosted in partnership with many of United Way NCA’s corporate partners.

Other revenue for the years ended June 30, 2022 and 2021, consists of the following:

	2022	2021
Special Events	\$ 191,484	\$ 115,888
Miscellaneous	69,326	386,721
Total	\$ 260,810	\$ 502,609

NOTE 14 – OPERATING LEASE OBLIGATIONS

Early Adoption of New Lease Accounting Standards Update

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic ASC 842). The FASB issued this update to increase transparency and comparability among organizations (i) by requiring a lessee of an operating lease with a term of more than one year to recognize in the statement of financial position a right-of-use asset representing its right to use the underlying asset for the lease term and a liability representing its obligation to make lease payments (a lease liability) for the lease term; (ii) by recognize a single lease cost, calculated so that the cost of the operating lease is allocated over the lease term on a generally straight-line basis; (iii) by classifying all cash payments within operating activities in the statement of cash flows; and (iv) by requiring additional qualitative and quantitative footnote disclosures about key information pertaining to operating leasing arrangements. Even though ASC 842 does not become effective for not-for-profit entities until their fiscal years begin after December 15, 2021, United Way NCA adopted ASC 842 for its fiscal year beginning July 1, 2021, one year earlier than required.

Existing Operating Leases in the District of Columbia and Vienna, Virginia

United Way NCA currently leases office space in the District of Columbia and Vienna, Virginia pursuant to the terms of two non-cancelable office leases with initial terms that approximated 10 years which commenced in 2013. United Way NCA received certain lease incentives with these leases, these incentives are being recognized over the life of the leases and are reflected in the accounts payable and accrued expenses line within the statements of financial position. The current District of Columbia office lease expires December 31, 2022, and the current Vienna, Virginia office lease expires March 31, 2023.

As of June 30, 2022, the total future minimum lease payments remaining under both office leases is \$412,148, which will be paid during the fiscal year ending June 30, 2023 and represents the undiscounted amount. The present value of future minimum lease payments and the lease liability are \$405,424 and the discount rate is 4.75% which represents United Way NCA’s incremental borrowing rate. Furthermore, for these two office leases the right-of-use asset is \$293,137. Both leases are recorded within the statement of financial position.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 14 – OPERATING LEASE OBLIGATIONS (CONTINUED)

New Operating Lease in the District of Columbia

General Lease Description

Effective April 29, 2022, United Way NCA entered into a noncancellable operating lease agreement with terms that include an initial 12 year lease term expiring December 31, 2034; initial monthly fixed rent commencing January 1, 2023 escalating 2.5% per lease year thereafter; prorated share of annual increases in operating costs and taxes; full rent abatement for the first 12 months; a tenant improvement and furniture allowance of \$1,764,600; an option to renew the lease for an additional five years at fair market rent; and an option to terminate the lease after the eighth lease year. Although the fixed rent commencement date is January 1, 2023, United Way NCA has exercised its right to possess the premises rent free after the lease effective date of April 29, 2022, but before the fixed rent commencement date of January 1, 2023, to prepare the premises for its intended use. The lease incentive earmarked for tenant improvements and furniture was not payable as of the lease commencement date; however, it is reasonably certain that qualifying expenditures up to the contractual reimbursement limit will be incurred.

Lease Term and Discount Rate

The lease term and discount rate for this particular lease for the year ended June 30, 2022, is as follows:

- The effective date of the lease is April 29, 2022
- The lease commencement date is April 29, 2022 (date of possession)
- The rent commencement date is January 1, 2023
- The remaining lease term is 12 years and 6 months (as of June 30, 2022)
- The discount rate is 4.75% which represents United Way NCA's incremental borrowing rate

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

NOTE 14 – OPERATING LEASE OBLIGATIONS (CONTINUED)

New Operating Lease in the District of Columbia

Lease Term and Discount Rate

The following table represents future fixed rent payments due under the lease agreement in the next five years and thereafter, and the present value of those future fixed rent payments, net of rent abatements and tenant allowances. This calculation is used to determine the right-of-use asset and lease liability. Furthermore, in order to build out the leased space, United Way NCA has the right to access the space as of the lease commencement date, which is well in advance of the planned commencement of operations and payment of future rent. Moreover, in recognition that the tenant improvement allowance specifies a maximum level of reimbursement of \$1,764,600, combined with the fact that United Way NCA is reasonably certain that the total cost to buildout and furnish the newly leased space will exceed this amount, the amount was factored into the calculation of the initial right-of-use asset and lease liability. Also, United Way NCA’s right to renew the lease or terminate the lease early were not factors that impacted the initial calculation of the right-of-use asset and lease liability because it is currently uncertain as to whether either of those tenant rights will be exercised in the future.

<u>Future Fixed Rent Payments, Net of Future Lease Incentives</u>	<u>Amount</u>
Future fixed rent payments in FY 2023, net of rent abatement	\$ -
Future fixed rent payments in FY 2024, net of rent abatement	221,512
Future fixed rent payments in FY 2025	535,662
Future fixed rent payments in FY 2026	549,054
Future fixed rent payments in FY 2027	562,780
Future fixed rent payments thereafter	<u>4,692,346</u>
Total undiscounted cash outflows before tenant allowance	6,561,354
Total future cash outflows representing interest	<u>(1,873,094)</u>
Total discounted cash outflows before tenant allowance	<u><u>\$ 4,688,260</u></u>

Right-of-Use Asset and Lease Liability

The value of the right-of-use asset and lease liability as of June 30, 2022, is as follows:

- The value of the right-of-use asset is \$2,902,991
- The present value of the lease liability is \$2,923,660

Lease Expense

Straight-line lease expense for this particular lease for the fiscal year ended June 30, 2022 was \$63,681.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 14 – OPERATING LEASE OBLIGATIONS (CONTINUED)

New Operating Lease in Vienna, Virginia

General Lease Description

Effective April 29, 2022, United Way NCA entered into a noncancellable operating lease agreement with terms that include an initial 11 year and 5 month lease term expiring August 31, 2034; initial monthly fixed rent commencing April 1, 2023 escalating 2.5% per lease year thereafter; prorated share of annual increases in operating costs and taxes; full rent abatement for the first 17 months; a tenant improvement allowance of \$461,265; an option to renew the lease for an additional five years at fair market rent; and an option to terminate the lease after the eighth lease year.

In recognition that the landlord is in control of preparing the new office space for United Way NCA's intended use pursuant to the approved space plan and work agreement using building standard level materials and finishes (i.e., turnkey), United Way NCA will have the right, pursuant to the lease agreement, to possess the new office space on March 16, 2023 (lease commencement date), which is two weeks before the April 1, 2023 rent commencement date.

Lease Term and Discount Rate

The different types of lease terms and the discount rate for this particular lease as of the year ended June 30, 2022, is as follows:

- The effective date of the lease is April 29, 2022
- The lease commencement date is March 16, 2023
- The rent commencement date is April 1, 2023
- The lease term is 11 years and 5.5 months
- The discount rate will be determined as of the lease commencement date (possession date)

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 14 – OPERATING LEASE OBLIGATIONS (CONTINUED)

New Operating Lease in Vienna, Virginia

The following table represents future fixed rent payments due under the lease agreement in the next five years and thereafter, net of rent abatements. This calculation is used to determine the right-of-use asset and lease liability. Furthermore, in recognition that the tenant allowance of \$461,265 is payable before the lease commencement date (defined as the date tenant can possess the lease premises, which is March 16, 2023), it will be included in determining the value of the right-of-use asset. Also, in recognition that the applicable discount rate will not be known until the lease commencement date of March 16, 2023, the present value of future fixed rent payments and related discounted cash outflows were undeterminable as of June 30, 2022.

<u>Future Fixed Rent Payments, Net of Future Lease Incentives</u>	<u>Amount</u>
Future fixed rent payments in FY 2023, net of rent abatement	\$ -
Future fixed rent payments in FY 2024, net of rent abatement	-
Future fixed rent payments in FY 2025	155,000
Future fixed rent payments in FY 2026	191,414
Future fixed rent payments in FY 2027	195,174
Future fixed rent payments thereafter	<u>1,549,278</u>
Total undiscounted cash outflows before tenant allowance	\$ 2,090,866
Total future cash outflows representing interest	<u>N/A</u>
Total discounted cash outflows before tenant allowance	<u><u>N/A</u></u>

Right-of-Use Asset and Lease Liability

In recognition that the applicable discount rate will not be known until the lease commencement date of March 16, 2023, the present value of future fixed rent payments was undeterminable as of June 30, 2022, and therefore, the initial right-of-use asset and lease liability as of June 30, 2022, could not be determined.

Lease Expense

In recognition that the April 1, 2023, fixed rent commencement date is subsequent to the June 30, 2022, fiscal year end date, straight-line lease expense for this particular lease was not recorded for the fiscal year ended June 30, 2022.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – OPERATING LEASE OBLIGATIONS (CONTINUED)

Weighted-Average Lease Disclosures:

ASC 842 requires United Way NCA, as lessee, to calculate and disclose the weighted-average remaining lease term based on the remaining lease term and the lease liability balance for each lease as of the reporting date. Pursuant to this requirement, the weighted-average remaining lease term for United Way NCA's operating leases subject to ASC 842 as of June 30, 2022 is 139 months.

ASC 842 also requires United Way NCA, as lessee, to calculate the weighted-average discount rate based on the discount rate used to calculate the lease liability balance and the remaining balance of the lease payments for each lease as of the reporting date. Pursuant to this requirement, the weighted-average discount rate for United Way NCA's operating leases subject to ASC 842 as of June 30, 2022 is 4.75%.

Total Lease Expense

In accordance with FASB Accounting Standards Codification 840 and 842, United Way NCA records rent expense on a straight-line basis over the term of the lease. Total straight-line lease expense for all operating leases for the fiscal year ended June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Total Lease Expense	<u>\$ 623,777</u>	<u>\$ 583,694</u>

NOTE 15 – RETIREMENT AND DEFERRED COMPENSATION PLANS

403(b) Plan

United Way NCA sponsors a defined contribution 403(b) plan which allows eligible employees to make elective pre-tax contributions; and to receive matching contributions, discretionary Safe Harbor contributions and discretionary non-elective contributions. Eligible employees may elect to participate by contributing a percentage or dollar amount—up to the limits established by the Internal Revenue Service (IRS)—on a pre-tax basis, referred to as elective deferrals. This contribution allows plan participants to defer federal income taxes until retirement by setting aside a portion of their current salary.

United Way NCA makes a uniform matching contribution equal to 200% of a plan participant's elective deferrals not to exceed 2% of the participant's compensation. United Way NCA also applies a basic Safe Harbor provision during the plan year equal to 4% of a plan participant's compensation. There are no tenure requirements in order for a plan participant to receive the Safe Harbor Contribution. United Way NCA made a Safe Harbor contribution in each of the last two years and has declared a Safe Harbor contribution for 2022 which was paid on June 6, 2022.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 15 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

403(b) Plan

Employees are always fully vested in their elective deferrals, including any catch-up contributions, rollover contributions or discretionary non-elective Safe Harbor contributions. However, employer contributions are subject to the following vesting schedule: 0% for less than two years of service; 40% for two years of service; 60% for three years of service; 80% for four years of service; and 100% for five years of service.

Total defined contribution plan contributions reported in the statements of activities for the years ended June 30, 2022 and 2021, were \$203,895 and \$262,233, respectively.

457(b) Plan

United Way NCA sponsors a deferred compensation plan under Section 457(b), which provides certain key executives (participants) the opportunity to participate in a deferred compensation program. Under the program, participants elect to defer a portion of their taxable compensation and earn returns on these deferrals based on directed investment selections. Additionally, United Way NCA may elect to make discretionary contributions on behalf of the participants. All elective deferrals and discretionary contributions, including any investment gains and income (account earnings), will be distributed immediately following the participant's separation from the organization. Discretionary contributions charged to the statements of activities for the years ended June 30, 2022 and 2021, was \$44,500 and \$29,500, respectively.

NOTE 16 – EMPLOYMENT AGREEMENT

United Way NCA has an agreement with an officer of the organization. In the event of termination other than for cause, the agreement provides for severance payments for a period of up to 12 months. Furthermore, the agreement provides for the full payment of any accrued but unused paid time-off (PTO) upon termination of employment for any reason and the full payment amount shall not be subject to any cap or maximum payment. The value of any accrued but unused PTO is approximately \$166,000 and \$151,000 as of June 30, 2022 and 2021, respectively.

NOTE 17 – DISTRICT OF COLUMBIA EDUCATION PROGRAMS

On October 1, 2019, United Way NCA renewed its agreement with the District of Columbia to administer the Out-of-School Time program grants through September 30, 2020 for school year 2019/20 and summer 2020. Under the agreement, the District provided a grant of \$12,651,804 to United Way NCA to award sub-grants to qualified nonprofits through a competitive process, with the approval of the District; and to reimburse United Way NCA for administrative costs and expenses associated with its administration and oversight responsibilities of the Program. In recognition that the District retained decision-making authority over several key aspects of the program, the agreement was accounted for as a fiscal agency transaction for the sub-grant portion of the agreement and as an exchange transaction for the expense reimbursement portion of the agreement.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 17 - DISTRICT OF COLUMBIA EDUCATION PROGRAMS (CONTINUED)

As a result of challenges imposed by the COVID-19 pandemic, the District of Columbia's Office of Out of School Time Grants and Youth Outcomes made the decision not to exercise the final one-year renewal option, but instead, bring in-house all program administration functions beginning with school year 2020-2021. Funding previously received by United Way NCA from the District of Columbia for school year 2020-2021 in the amount of \$2,148,357 was returned on August 11, 2020 in anticipation of the start of the new school year. The current agreement under which United Way NCA is performing program-related activities expired during fiscal year 2021 and includes the close out of school year 2019-2020, Summer 2020, and a variety of other Out of School Time program-related activities. As of June 30, 2021, all funds were returned to the District of Columbia and all program administration activities were successfully transferred back to the Office of Out of School Time Grants and Youth Outcomes.

NOTE 18 – PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS COMMUNITY SCHOOLS INITIATIVE

Effective September 30, 2021, United Way NCA renewed its professional services agreement (the Agreement) with the Board of Education for Prince George's County for a one-year term to provide technical assistance in support of the County's Community Schools initiative, including (i) vetting of quality partners, vendors and providers to deliver requisite programming; (ii) creating a foundational framework for partner and stakeholder capacity building to promote quality and effective programming; (iii) creating a foundational framework for monitoring and evaluating programmatic impact; and (iv) establishing a structured data management plan that will ensure informed decision-making and quality programming. Pursuant to the Agreement, United Way NCA is eligible to be reimbursed for qualifying costs and expenses actually incurred. As of June 30, 2022 and 2021, United Way NCA incurred qualifying costs and expenses of approximately \$171,108 and \$327,391, respectively, and recognized corresponding fee revenue in an equivalent amount in each corresponding fiscal year. An amendment to extend the Agreement to August 31, 2023 is currently pending.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 19 – CHANGES IN NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not restricted by donor or grantor-imposed stipulations of time or purpose. The following outlines undesignated assets as well as those assets United Way NCA’s Board of Directors has designated for specific purposes:

	2022	2021
Undesignated	\$ 6,675,451	\$ 13,265,130
Subtotal: Undesignated	6,675,451	13,265,130
Board-Designated for Strategic Reserve	15,428,660	18,155,259
Board-Designated for Operating Expense Reserve	12,000,000	9,000,000
Board-Designated for Contingency Reserve	2,000,000	2,000,000
Board-Designated for Donor Cultivation Reserve	611,359	611,359
Board-Designated for Crisis Relief Reserve	45,000	45,000
Subtotal: Board-Designated	30,085,019	29,811,618
Total Without Donor Restrictions	\$ 36,760,470	\$ 43,076,748

Board-designated net assets represent net assets without donor restrictions that can only be used for purposes approved by the Board of Directors.

As of June 30, 2022, Board-designated assets included five reserves, including a strategic reserve, an operating expense reserve, a contingency reserve, a donor cultivation reserve, and a crisis relief reserve.

The strategic reserve was initially funded from a \$20 million unrestricted transformational grant received from novelist and venture philanthropist, MacKenzie Scott in December 2020. The Strategic Reserve will provide funding for annual program grants and expenses not funded from net assets with donor or grantor restrictions; expenditures that promote the organization’s efficiency, effectiveness, and sustainability that were also not funded by net assets with donor or grantor restrictions; and other expenditures that promote the organization’s long-term financial viability and operational effectiveness.

An operating expense reserve was established in recognition of the organization’s critical role in serving the region’s most vulnerable residents both directly and through its extensive network of nonprofit partners along with its ongoing exposure to a variety of risk factors that can impact ongoing operations and its ability to deliver quality and timely programming and other products and services. The amount of the operating reserve approximates twelve months of operating expenses and is available to help ensure the organization can continuously conduct its mission without interruption in the face of a variety of risk factors that can impact program delivery, fundraising, and operations.

A contingency reserve was established primarily to fund the costs associated with the early termination of the organization’s office leases should the organization make the decision to terminate one or both office leases at the end of the eighth lease year. The reserve can also be used at the Board’s discretion to help response to the realization of any known and unknown risks that come to fruition.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
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NOTE 19 – CHANGES IN NET ASSETS (CONTINUED)

Net Assets Without Donor Restrictions (Continued)

A donor cultivation reserve was established to help new and existing donors achieve higher levels of giving through a variety of matching, challenge, and step-up programs and incentives; and a crisis relief reserve was established to respond to and encourage outside donations in support of natural disasters and other emergencies.

All conditional contributions that become unconditional and for which donor intent is satisfied simultaneously are considered without donor restriction.

Net Assets With Donor Restrictions

Net assets with donor restrictions are either restricted by donor or grantor-imposed stipulations, purpose, or time or are perpetually restricted. Net assets are released from donor or grantor-imposed restrictions by incurring expenses that satisfy the restricted purpose or by the passage of time or other events specified by the donor or grantor.

Net assets with donor or grantor-imposed restrictions are as follows for the year ended June 30, 2022:

	Balance - June 30, 2021	Additions	Releases	Balance - June 30, 2022
Purpose Restricted:				
Education	\$ 121,868	\$ 206,360	\$ (210,081)	\$ 118,147
Economic Opportunities	294,751	974,964	(629,296)	640,419
Health	277,483	260,538	(3,959)	534,062
Community Impact Fund	1,619,577	976,029	(1,801,885)	793,721
Veterans Fund	177,860	35,660	(31,373)	182,147
Endowment Earnings	24,076	(23,409)	-	667
Total Purpose Restricted	<u>2,515,615</u>	<u>2,430,142</u>	<u>(2,676,594)</u>	<u>2,269,163</u>
Perpetual in Nature	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Total	<u>\$ 2,690,615</u>	<u>\$ 2,430,142</u>	<u>\$ (2,676,594)</u>	<u>\$ 2,444,163</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 19 – CHANGES IN NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions (Continued)

Net assets with donor or grantor-imposed restrictions are as follows for the year ended June 30, 2021:

	Balance - June 30, 2020	Additions	Releases	Balance - June 30, 2021
Purpose Restricted:				
Education	\$ 78,433	\$ 159,073	\$ (115,638)	\$ 121,868
Economic Opportunities	463,732	282,477	(451,458)	294,751
Health	-	321,318	(43,835)	277,483
Basic Needs	2,492	423	(2,915)	-
Community Impact Fund	1,618,717	2,331,602	(2,330,742)	1,619,577
Veterans Fund	141,369	39,462	(2,971)	177,860
Endowment Earnings	23,242	1,459	(625)	24,076
Total Purpose Restricted	<u>2,327,985</u>	<u>3,135,814</u>	<u>(2,948,184)</u>	<u>2,515,615</u>
Perpetual in Nature	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Total	<u>\$ 2,502,985</u>	<u>\$ 3,135,814</u>	<u>\$ (2,948,184)</u>	<u>\$ 2,690,615</u>

Net assets are released from donor or grantor-imposed restrictions by incurring expenses that satisfy the restricted purpose or by the passage of time or other events specified by the donor or grantor.

Donor Restrictions Perpetual in Nature

United Way NCA's endowments represent two charitable bequests in the amount of \$100,000 and \$75,000. Both charitable bequests have restrictions that are perpetual in nature and therefore must be invested in perpetuity. Interest earned on the first charitable bequest is designated to support community impact grants and activities, while interest on the second charitable bequest is designated to support general operations. Endowments perpetually restricted as of June 30, 2022, and 2021, were \$175,000.

	2022	2021
Community Impact Endowment	\$ 100,000	\$ 100,000
Seymour Alpert Trust	75,000	75,000
Total	<u>\$ 175,000</u>	<u>\$ 175,000</u>

United Way NCA has interpreted the District of Columbia-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing United Way NCA to appropriate for expenditure or accumulate so much of an endowment fund as United Way NCA determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

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NOTE 19 – CHANGES IN NET ASSETS (CONTINUED)

Donor Restrictions Perpetual in Nature (Continued)

As a result of this interpretation, United Way NCA classifies as net assets with donor restrictions (a) the original value of gifts donated to the fund with restrictions perpetual in nature, (b) the original value of subsequent gifts to the fund with restrictions perpetual in nature, and (c) the accumulation to the fund with restrictions perpetual in nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the fund that is not classified as perpetual in nature is classified as net assets with donor restrictions, until those amounts are appropriated by United Way NCA for expenditure.

In accordance with UPMIFA, United Way NCA considers the following factors in deciding to appropriate or accumulate funds with restrictions perpetual in nature:

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

Investment Policy

The endowment fund is tracked separately, monitored by the Finance Committee, and invested in fixed income assets according to United Way NCA's investment policy which seeks to preserve principal and achieve predictable returns.

Underwater Endowment Funds

United Way NCA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. United Way NCA complies with the District of Columbia-enacted version of UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. United Way NCA had no underwater endowment funds on June 30, 2022 and 2021.

Spending Policy

Management will consider the intent of the donor as expressed in the gift instrument, UPMIFA factors as listed above, and United Way NCA resource requirements in deciding as to when to use the amount in excess of the perpetually restricted principal balance to fund qualifying expenditures.

Consistent with the goal to preserve principal and generate predictable returns, the fund with restrictions perpetual in nature shall distribute the amount in excess of the principal balance as of the end of the prior year.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 19 – CHANGES IN NET ASSETS (CONTINUED)

Spending Policy (Continued)

The endowment investing and spending policy shall be reviewed annually by the Finance Committee. The committee may adjust the spending rate as it deems appropriate in order to fulfill the objectives outlined in the policy.

Earnings (interest income and gains) from the \$175,000 in endowments are reflected as net assets with donor restrictions until appropriated for expenditure. The accumulated earnings and appropriations are as follows for the endowments whose restrictions are perpetual in nature as of June 30, 2022:

	2022		
	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	\$ 24,076	\$ 175,000	\$ 199,076
Contributions	-	-	-
Investment Return, Net	(23,409)	-	(23,409)
Appropriations	-	-	-
Endowment Net Assets - End of Year	<u>\$ 667</u>	<u>\$ 175,000</u>	<u>\$ 175,667</u>

The accumulated earnings and appropriations are as follows for the endowments whose restrictions are perpetual in nature as of June 30, 2021:

	2021		
	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	\$ 23,242	\$ 175,000	\$ 198,242
Contributions	-	-	-
Investment Return, Net	1,459	-	1,459
Appropriations	(625)	-	(625)
Endowment Net Assets - End of Year	<u>\$ 24,076</u>	<u>\$ 175,000</u>	<u>\$ 199,076</u>

NOTE 20 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, United Way NCA may become a party to claims and litigation. As of the date of the Auditor’s opinion, Management remains unaware of any current, pending, or threatening litigation.

During FY2022, United Way NCA entered two new long-term office leases the details of which are described in Note 14 – Operating Lease Obligations.

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NOTE 21 – RELATED-PARTY TRANSACTIONS

Board members and employees make annual pledges and contributions in support of United Way NCA's mission. Pledges and contributions for the years ended June 30, 2022 and 2021 were approximately \$90,253 and \$102,000, respectively, and were recorded as Amounts raised and processed by United Way NCA and Promises to give. Pledges outstanding as of June 30, 2022 and 2021 were approximately \$22,270 and \$19,000, respectively, and are recorded in Promises to give, net.

NOTE 22 – SIGNIFICANT DONATION

United Way NCA's historically strong and sustainable financial health grew even stronger during FY2021 as a result of a \$20 million transformational gift received from novelist and venture philanthropist, MacKenzie Scott. Ms. Scott's unrestricted gift comprises 41% of FY2021 gross campaign results and other support as reflected in the Statement of Activities. Ms. Scott's gift has changed the trajectory of the organization and made future exponential community impact possible. Refer to Note 19 - Net Assets Without Donor Restrictions for more information about how Ms. Scott's gift will be strategically deployed by the Board of Directors to support the mission of the organization.

NOTE 23 – CONDITIONAL CONTRIBUTIONS

United Way NCA had \$351,369 in conditional grant and contribution revenue for which the condition had not been met as of June 30, 2022. United Way NCA had no grant and contribution revenue for which the condition had been met as of June 30, 2021.

United Way NCA had no grant and contribution expense for which the condition had not been met as of June 30, 2022, and 2021.

NOTE 24 – HUMANITARIAN RELIEF EFFORT

In June of 2022, United Way NCA entered into an agreement with SAMU First Response to serve as the fiscal agent responsible for managing funds awarded to SAMU First Response by the National Board for the Emergency Food and Shelter Program (EFSP). Funding of up to \$2,209,143 was made available under the Department of Homeland Security 2022 Appropriations Act and was established for the purposes of providing funds for shelter, food, transportation and other wrap around services to migrants crossing the Southwest Border and encountered by the U.S. Department of Homeland Security (DHS) according to program guidance and for fiscal agent services.

As Fiscal Agent, United Way NCA is responsible for the receipt of funds, disbursement of funds to recipient agencies and designated vendors, documentation of funds received, maintenance of documentation, and program oversight and coordination, with qualifying expense of up to \$251,800 being eligible for reimbursement. As a recipient organization, SAMU First Response is responsible for providing emergency relief services to migrants arriving to the Washington, D.C. region from the Southern Border, with qualifying expenses of up to \$1,957,343 being eligible for reimbursement.

UNITED WAY OF THE NATIONAL CAPITAL AREA
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NOTE 24 – HUMANITARIAN RELIEF EFFORT (CONTINUED)

The term of United Way NCA's fiscal agent agreement is scheduled to end December 31, 2022, and at that time all eligible expenses must be incurred, and any unused funds must be returned. After the agreement has expired, it may be renewed for an additional period. Any renewal is contingent on an evaluation of performance during the current term of the Agreement period and the availability of humanitarian relief funding.