UNITED WAY OF NORTHERN UTAH

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

Six-months Ended June 30, 2020

HBME

CERTIFIED PUBLIC ACCOUNTANTS

UNITED WAY OF NORTHERN UTAH

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of the Board of Directors
United Way of Northern Utah
Ogden, Utah

We have audited the accompanying financial statements of United Way of Northern Utah (a non-profit organization) (the United Way), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the six-months ended June 30, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Northern Utah as of June 30, 2020 and the related statements of activities, cash flows, and functional expenses for the six-months ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

HBME, LLC

December 15, 2020

UNITED WAY OF NORTHERN UTAH
Statements of Financial Position
June 30, 2020

ASSETS	
Current assets:	
Cash and cash equivalents (notes 1, 11)	$ 815,459
Cash and cash equivalents, restricted (notes 1, 11)	7,045,822
Cash, Agency funds	797
Operating investments (notes 1, 3)	2,498,421
Pledges receivable, net:	
Annual campaign (note 1, 4)	318,443
Previous years' annual campaign (note 1, 4)	42,951
Corporate pledge (note 1, 4)	3,893,033
Government contracts and other receivables	1,210,326
Account receivable - managing pledges	49,279
Prepaid expenses	7,049
Total current assets	15,881,580
Pledges receivable, net:	
Annual campaign (note 1)	48,505
Property and equipment, net (note 1, 5)	1,372,569
Total assets	$ 17,302,654
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 396,604
Payroll and other accrued liabilities	155,547
Amounts donor-designated for other campaigns	1,052,435
Deferred revenue	2,377
Notes payable, net current portion (note 6, 15)	284,125
Total current liabilities	1,891,088
Note payable, net (note 6)	34,168
Total liabilities	1,925,256
Net assets:	
Wtihout donor restrictions (note 7)	
Undesignated	2,808,139
Designated by the Board for specific use	1,692,488
	4,500,627
With donor restrictions: (note 7)	
Purpose restrictions	1,164,884
Time restrictions	9,711,887
	10,876,771
Total net assets	15,377,398
Total liabilities and net assets	$ 17,302,654

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

UNITED WAY OF NORTHERN UTAH
Statement of Activities
For the Six-months Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUE			
Public support:			
Annual campaign contributions	$ 35,719	$ -	$ 35,719
Net campaign contributions	35,719	-	35,719
Grants	2,010,729	330,000	2,340,729
Total public support	2,046,448	330,000	2,376,448
Other revenue:			
Rent revenue (note 10)	55,427	-	55,427
Special events	24,589	-	24,589
Net investment return (loss) (note 3)	(110,593)	-	(110,593)
Net assets released from restrictions	453,667	(453,667)	-
Total other revenue	423,090	(453,667)	(30,577)
Total public support and other revenues	2,469,538	(123,667)	2,345,871
EXPENSES			
Program services:			
Other program services	2,504,098	-	2,504,098
Total program services	2,504,098	-	2,504,098
Supporting services:			
General and administrative	79,967	-	79,967
Marketing and development	82,170	-	82,170
Total supporting services	162,137	-	162,137
Total expenses	2,666,235	-	2,666,235
Changes in net assets	(196,697)	(123,667)	(320,364)
Net assets, beginning of year	4,697,324	11,000,438	15,697,762
Net assets, end of year	$ 4,500,627	$ 10,876,771	$ 15,377,398

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

UNITED WAY OF NORTHERN UTAH
Statement of Functional Expenses
For the Six-months Ended June 30, 2020

	Program Services			Supporting Services			
	Allocation to Agencies	All Other Programs	Total	General and Administrative	Marketing and Development	Total	Total Expenses
WAGES AND RELATED EXPENSES							
Salaries	$ -	$ 653,434	$ 653,434	$ 8,059	$ 45,212	$ 53,270	$ 706,704
Health and retirement benefits	-	122,582	122,582	8,160	8,798	16,958	139,540
Payroll taxes	-	46,582	46,582	574	3,223	3,797	50,379
Total wages and related	-	822,597	822,597	16,794	57,233	74,026	896,623
OTHER EXPENSES							
Awards and other	-	326	326	-	-	-	326
Programs and outreach	-	1,140,772	1,140,772	-	-	-	1,140,772
Professional fees	-	80,867	80,867	38,380	2,416	40,796	121,663
Building	-	232,444	232,444	11,518	11,518	23,035	255,479
Travel and meals	-	47,226	47,226	3	1,237	1,240	48,466
Occupancy	-	21,828	21,828	1,082	1,082	2,163	23,991
Advertising and promotion	-	6,270	6,270	70	2,103	2,173	8,443
Service club dues	-	12,428	12,428	-	-	-	12,428
Office supplies	-	52,070	52,070	7,573	1,829	9,401	61,471
Bank fees	-	8,163	8,163	1,495	1,699	3,195	11,358
Interest and other financial	-	5,725	5,725	284	284	567	6,292
Equipment repairs and maintenance	-	15,331	15,331	760	760	1,519	16,850
Telephone	-	15,712	15,712	779	779	1,557	17,269
United Way of America dues paid	-	15,757	15,757	-	-	-	15,757
Insurance	-	1,885	1,885	93	93	187	2,072
Postage	-	1,723	1,723	-	-	-	1,723
Total other expenses	-	1,658,526	1,658,526	62,035	23,799	85,834	1,744,360
NON-CASH EXPENSES							
Depreciation	-	22,975	22,975	1,138	1,138	2,277	25,252
	$ -	$ 2,504,098	$ 2,504,098	$ 79,967	$ 82,170	$ 162,137	$ 2,666,235

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

UNITED WAY OF NORTHERN UTAH
Statement of Cash Flows
For the Six-months Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (320,364)
Adjustments to reconcile change in net assets to	
net cash provided (used) by operating activities	
Depreciation	25,252
Amortization of effective interest	6,292
Unrealized gain (loss) on operating investments	(138,810)
Changes in operating assets and liabilities	
Pledges receivable - annual campaign	438,036
Pledges receivable - corporate	(56,965)
Account receivable - managing pledges, net	(722)
Government contracts and other receivables	(515,026)
Prepaid expenses	(4,419)
Accounts payable	(41,304)
Payroll and other accrued liabilities	35,831
Deferred revenue	(1,039)
Amounts donor-designated for other campaigns	(612,313)
Net cash used by operating activities	(1,185,551)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of operating investments	608,828
Realized gain on operating investments	28,217
Purchases of property and equipment	(5,001)
Net cash provided by investing activities	632,044
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from SBA loan	248,899
Principal payments on note payable	(28,000)
Net cash provided by investing activities	220,899
Net change in cash and cash equivalents	(332,608)
Cash and cash equivalents, beginning of year	8,194,686
Cash and cash equivalents, end of year	$ 7,862,078
As presented on the statement of financial position:	
Cash and cash equivalents	$ 815,459
Cash and cash equivalents, restricted	7,045,822
Cash, Agency funds	797
	$ 7,862,078

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

UNITED WAY OF NORTHERN UTAH
Notes to the Financial Statements
For the Six-months Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The United Way of Northern Utah (the United Way), is a Utah nonprofit corporation. Its mission is to unite people and organizations to build healthy and well-educated communities where individuals, families, and neighborhoods thrive. United Way has evolved from a fundraising organization to a critical community advocate that mobilizes local partners, including businesses, community leaders, public officials, and community residents, to expand opportunities for people to succeed. The United Way focuses on three key building blocks: a quality education that leads to a stable job, sufficient income to support oneself and/or a family through retirement, and good health. Due to changing involvement as a community advocate, the United Way also recognize a fourth strategic goal area - community leadership and engagement.

The United Way raises funds through the workplace campaign, grants, and support from individual donors. The workplace campaign is conducted year-round to support allocations and organization expenses in the subsequent year. Donors may designate their pledges to specific agencies or donate undesignated funds, which United Way then allocates to community grants and strategic partnerships.

Change of Fiscal Year

During 2020, the United Way changed its fiscal year from a calendar year, ending on December 31 to a fiscal year ending on June 30. This decision was made to better align with the annual campaign season, which secures pledges receivable through December 31, but which are collected through June 30.

Federal Income Tax Status

The United Way is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively.

The United Way is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the United Way is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The United Way has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended June 30, 2020. The United Way believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The United Way would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The United Way is no longer subject to tax examinations by taxing authorities for years prior to 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Cash and Cash Equivalents

The United Way considers all cash and highly liquid financial instruments with original maturities of three months or less and which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

Operating Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statement of Financial Position. Net investment return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Pledges Receivable

Pledge contributions received (Pledges Receivable) from donors are recorded as *With or Without Donor Restrictions*, depending on the existence or nature of any donor restrictions. Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to the present value of their estimated future cash flows.

The discount rate determined at the initial recognition of the contribution receivable is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the United Way's past collection experience and its policies concerning the enforcement of contributions receivable, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discount related to the Pledge Receivable is recorded under With Donor Restrictions in the Statement of Activities.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable (Continued)

An allowance for uncollectible pledges receivable is provided when it is believed that receivable balances may not be collected in full. It is United Way's policy to write off receivables against the allowance when management determines the receivable will not be collected. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and individual analysis of receivable balances each period.

Property and Equipment

The United Way capitalizes all expenditures for property and equipment in excess of $1,000. Property and equipment are stated at cost less accumulated depreciation and amortization, or if acquired by gift, at estimated fair market value at the date of the gift.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the account and any resulting gain or loss is recognized. Maintenance and repairs which neither materially add to the value of the property and equipment nor appreciably prolong its life are expensed as incurred.

Depreciation of property and equipment is computed using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

	Estimated Useful Lives
Buildings	15 - 39 years
Office equipment	3 - 10 years
Furniture and fixtures	3 - 7 years

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that 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 carrying amount of an asset to future net undiscounted 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. No impairment charges were recorded during the six-months ended June 30, 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for community initiatives and an operating reserve.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When applicable, gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The United Way reports contributions restricted by donors as increases in *net assets without donor restrictions* if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other Donor-restricted contributions are reported as increases in *net assets with donor restrictions*, depending on the nature of the restrictions. When a restriction expires, *net assets with donor restrictions* are reclassified to *net assets without donor restrictions* and reported in the Statements of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the United Way reports the support as *net assets without donor restrictions*.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Public Support and Revenues

Annual campaigns are conducted in the fall of each year to raise support for allocation to participating agencies in the subsequent calendar year. Campaign production for undesignated contributions and pledges received or receivable for annual campaigns are recognized as income in the current year as net assets with donor restrictions. Pledges are recorded on the Statement of Financial Position as *Pledges Receivables* and allowances are provided for amounts estimated to be uncollectible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Contracts and Program Fees

Government grants are recognized when the related services are provided. Amounts received but unearned are included in the Statement of Financial Position as deferred revenue, when applicable.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The United Way records donated professional services at the respective fair values of the services received (Note 8).

Advertising Costs

The United Way uses advertising to promote its programs among the audiences it serves and to encourage contributions. The costs of advertising are expensed as incurred. Advertising costs totaled $8,443 for the six-months ended June 30, 2020.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the United Way has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for- Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Management has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 815,459
Operating investments	2,498,421
Pledges and accounts receivable	(2,774,163)
	$ 539,717

3. INVESTMENTS

The United Way's short-term investments are classified as trading securities and are carried at their fair value based on the quoted market prices of the securities at June 30, 2020. Net realized and unrealized gains and losses on trading securities are included in net investment return (loss). For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

UNITED WAY OF NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Six-months Ended June 30, 2020

3. INVESTMENTS

The composition of trading securities that are measured at fair value are as follows:

At June 30, 2020:

	Total	Level 1	Level 2	Level 3
Operating investments				
Exchange traded products	$ 555,881	$ 555,881	$ -	$ -
Equities	674,444	674,444	-	-
Mutual funds	961,494	961,494	-	-
Fixed income	306,602	306,602	-	-
Total operating investments	2,498,421	2,498,421	-	-
Held as cash equivalents:	419,849	419,849	-	-
Total assets measured at fair value	$ 2,918,270	$ 2,918,270	$ -	$ -

Net investment return (loss) consists of the following for the six-months ended June 30, 2020:

Operating investments	
Interest and dividends	$ 31,786
Unrealized return (loss), net	(138,810)
Realized return, net	(3,569)
Total net investment return (loss)	$ (110,593)

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that market fluctuations in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

3. PLEDGES RECEIVABLE

Pledges receivable consisted of the follows at June 30, 2020:

Pledges receivable, net of discount	$ 4,334,010
Allowance for uncollectible pledges	(31,078)
Total pledges receivable, net	$ 4,302,932

UNITED WAY OF NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Six-months Ended June 30, 2020

3. PLEDGES RECEIVABLE (CONTINUED)

Pledges receivable at June 30, 2020, excluding the allowance for uncollectible pledges, are expected to be collected as follows:

Year	Undiscounted pledge	Discount at 3 percent	Discounted pledge
2021	392,472	-	$ 392,472
2022	3,998,505	(56,967)	3,941,538
	$ 4,390,977	$ (56,967)	$ 4,334,010

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following, at June 30, 2020:

Land	$ 162,539
Building and improvements	1,514,941
Equipment	121,188
Furniture and fixtures	156,843
	1,955,511
Less: accumulated depreciation	(587,981)
Total property and equipment, net	$ 1,367,530
Software	$ 8,246
Less: accumulated amortization	(3,207)
Total software, net	$ 5,039

Depreciation and amortization expense was $25,252 for the six-months ended June 30, 2020.

5. NOTES PAYABLE

Notes payable consists of the following as of June 30, 2020:

Building Note

Non-interest-bearing note payable, due in monthly installments of $4,000, discounted at an imputed interest rate of 3%, to January 2022, secured by the building and land:

Undiscounted note payable balance	$ 102,000	$ 248,899	$ 350,899
Less: unamortized discount at 3.00%	(32,606)	-	(32,606)
	69,394	248,899	318,293
Less: current portion	(35,226)	(248,899)	(284,125)
Total long-term portion	$ 34,168	$ -	$ 34,168

Payroll Protection Plan (PPP) Note

As described in note 15, management applied for and obtained a note to cover a portion of payroll costs during the beginning of the COVID-19 pandemic, in the amount of $248,899. If it is required to be repaid, the balance will be charged a 1% interest rate, with repayment beginning after six months after the funding date. Although the total amount is recorded as a note payable at June 30, 2020, management anticipates the entire balance to be forgiven.

Future maturities of the note payable are as follows at June 30, 2020:

	Undiscounted Payment	Discount	Total
2021	48,000	(26,751)	21,249
2022	48,000	(27,554)	20,446
2023	6,000	(14,019)	(8,019)
	$ 102,000	$ (68,324)	$ 33,676

Amortization of the discount is reported in the Statement of Functional Expenses as *Interest and Other Financial Expense*.

6. <u>NET ASSETS</u>

Net Assets without Donor Restrictions

The Board of Trustees of United Way (the Board) has designated net assets without donor restrictions as follows:

- *Community initiatives* – Investments in future strategic initiatives that create long-lasting change.

- *Emergency reserve* – To provide for continued operations and community investments in the event of an unforeseen economic downturn. This reserve is adjusted annually.

- *Building debt service reserve* – To pay-off remaining balance of the note payable related to the building.

- *Building maintenance reserve* – Rent revenues collected to provide for building maintenance, as needed.

Net assets with donor restrictions consist of cash and contributions receivable as of June 30, 2020 that are available for the following purposes:

Subject to expenditure for specified purpose:	
Designated campaign contributions	$ 314,706
Strategic partnerships, net	392,472
United partnerships	440,049
FEMA grants	17,657
	1,164,884
Subject to the passage of time:	
Strategic partnerships, net	9,711,887
	9,711,887
Total net assets with donor restrictions	$ 10,876,771

6. NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by collecting pledges or by incurring expenditures that satisfied the restricted purposes. Net assets released from donor restrictions are detailed as follows for the six-months ended June 30, 2020:

Expiration of time restrictions	$ -
Satisfaction of purpose restrictions:	
IHC partnership	323,312
Campaign pledges	59,927
United partnerships	70,428
	453,667
Total net assets released from restrictions	$ 453,667

7. EMPLOYEE BENEFITS

The United Way has a 403(b) retirement plan whereby employees who have been employed for at least one year are eligible to receive up to a 10 percent employer matching contribution, within statutory limits. The United Way has the option to make discretionary contributions. During the six-months ended June 30, 2020, the United Way made contributions of $28,305.

8. LEASES

Operating Leases

The United Way leases office equipment under a noncancelable operating lease. The lease has a term of three years, at which time the United Way may return the equipment, purchase the equipment at fair market value, or extend the lease on a month-to-month basis. In the normal course of business, it is expected the lease will be renewed or replaced by a new lease.

Future minimum lease payments required under the operating lease agreement are as follows:

2021	$ 10,041
2022	5,858
	$ 15,899

Total lease expense for the six-months ended June 30, 2020 totaled $3,943.

8. LEASES (CONTINUED)

Lessor Agreements

The United Way leases office space to tenants under noncancelable operating leases with terms of one to five years. Total lease revenue for the six-months ended June 30, 2020 totaled $55,427.

6. CONCENTRATIONS

The United Way manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the United Way has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the United Way's mission.

Accounts receivable includes one significant pledge, which represents approximately 70 percent of total accounts receivable as of June 30, 2020.

12. ANNUAL CAMPAIGN AND INTERMOUNTAIN COMBINED FEDERAL CAMPAIGN (CFC)

United Way Annual Campaign

The annual fundraising campaign is conducted to raise support to invest in community program services and strategic initiatives. Each year, by the end of December, the United Way reports to the public the total estimated annual campaign funds raised. Actual results may differ from estimated amounts publicly reported, due primarily to timing differences on multi-year pledges and receipts for future campaigns. Campaign pledges include restricted designations, which the United Way is required to remit to various community agencies, as directed by the donor. These commitments are paid out during the subsequent calendar year. Therefore, the payments made in the current year to programs and agencies are largely based on the results of the fall and winter of prior year campaigns, and are reflected as *Community Investment Expense* in the Statement of Activities for the year ended June 30, 2020.

If the total amount collected on restricted donor designations is less than what was originally pledged by the donor, these agencies only receive what was collected. If total designations exceed the commitment, then the agencies receive the greater amount. Any amount designated by donors to agencies in excess of the approved commitments is excluded from the amounts reported as revenues and expenses.

12. ANNUAL CAMPAIGN AND INTERMOUNTAIN COMBINED FEDERAL CAMPAIGN (CFC)

Intermountain Combined Federal Campaign (CFC)

In 2017, with the restructuring of the Combined Federal Campaign (the Federation) by the Unite States Office of Personnel Management (OPM), the multi-year CFC contract between the OPM and the United Way came to an end. The United Way continued to oversee the CFC until April 30, 2018, as a subcontractor of Kaptivate, a private business that now holds the Federal Contract. The United Way is now a member of the local Federation, which has 20 organizations that participate in the CFC within the service area of Northern Utah (Weber, Box Elder Morgan).

As a participating member of the Federation, the United Way agrees to be subject to CFC regulation § 950.301(e)(2)(i), wherein pledge designations made to each member organization are distributed by a proportionate share of receipts based on donor designations to each member.

13. STRATIGIC PARTNERSHIP

Local Partnership

On October 15, 2018, the United Way entered into an agreement with a local partner, wherein this partner agreed to contribute $12,000,000 over a three-year period. The first disbursement of $2,000,000 was contributed during 2018, the second disbursement of $2,000,000 was contributed in August 2019, and two additional contributions of $4,000,000 each are anticipated to be received in January 2020 and 2021, respectively. Each of these contributions are restricted by the donor for a particular purpose. The remaining $10,000,000 pledge receivable is recorded at a discount. See Note 4 for additional information.

The goal of this partnership is to improve the well-being of award recipients, reduce healthcare costs, and be a model for change by addressing social determinants of health. Once contributions are received, the United Way will disperse the monies as outlined in the criteria provided by the *Steering Committee of the Utah Alliance for the Determinants of Health*.

14. SUBSEQUENT EVENTS

Essential business

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 21, 2020 the Governor of Utah declared a health emergency and issued an order to close all nonessential businesses until further notice. As a not-for-profit benefitting the community, The United Way is deemed to be an essential business. Nonetheless, out of concern for our workers and pursuant to the government order, the United Way has reduced the scope of its operations and where possible, certain workers are telecommuting from their homes. While the management expects this matter to negatively impact its results of operations, cash flows and financial position, the related impact cannot be reasonably estimated at this time.

15. SUBSEQUENT EVENTS (CONTINUED)

Paycheck protection program

In April 2020, the United Way received loan proceeds in the amount of $248,899 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot yet be determined, in whole or part, the amount of the loan forgiveness.

The United Way has evaluated subsequent events through December 15, 2020, the date the financial statements were available to be issued.