



Indiana United Ways

**THE INDIANA ASSOCIATION OF
UNITED WAYS, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

CPAs / ADVISORS



THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

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Blue & Co., LLC / 12800 N. Meridian Street, Suite 400 / Carmel, IN 46032
main 317.848.8920 fax 317.573.2458 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the accompanying financial statements of The Indiana Association of United Ways, Inc. (IUW), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 IUW as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IUW and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, IUW adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements as of December 31, 2021, were audited by Alerding CPA Group, who merged with Blue & Co., LLC, as of December 1, 2022, and whose report dated June 2, 2022, expressed an unmodified opinion on those statements.

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.

REPORT OF INDEPENDENT AUDITORS – CONTINUED

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 IUW's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 IUW'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 IUW'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.

Blue & Co., LLC

Carmel, Indiana

June 1, 2023

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,710,387	\$ 2,181,700
State Employees Community Campaign (SECC) funds to be distributed	4,443	420,171
Investments	8,931,602	8,422,237
Contract receivables, net	242,466	63,244
Prepaid expenses and other assets	31,547	48,288
Property and equipment, net	259,393	496,228
Right-of-use assets under operating leases, net	447,322	-0-
Total assets	<u>\$ 13,627,160</u>	<u>\$ 11,631,868</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 7,370	\$ 16,291
Accrued expenses	76,103	139,947
Grants payable	239,343	336,952
SECC funds to be distributed	4,443	420,171
Deferred revenue	2,477	250
Operating lease liabilities	450,154	-0-
Total liabilities	<u>779,890</u>	<u>913,611</u>
Net assets		
Without donor restrictions	4,930,764	3,684,881
With donor restrictions	7,916,506	7,033,376
Total net assets	<u>12,847,270</u>	<u>10,718,257</u>
	<u>\$ 13,627,160</u>	<u>\$ 11,631,868</u>

See accompanying notes to financial statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2022
 (WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue				
Support				
Contributions	\$ 21,302	\$ 6,609,439	\$ 6,630,741	\$ 16,269,197
Government grants	369,242	-0-	369,242	161,289
Contract fees				
UniFi Solutions	543,919	-0-	543,919	903,973
Membership Services	218,525	-0-	218,525	376,172
Digital Services	-0-	-0-	-0-	154,123
Investment return, net	(215,387)	-0-	(215,387)	254,576
Loss on disposal of property and equipment	(264,406)	-0-	(264,406)	-0-
Net assets released from restrictions	5,726,309	(5,726,309)	-0-	-0-
Total support and revenue	<u>6,399,504</u>	<u>883,130</u>	<u>7,282,634</u>	<u>18,119,330</u>
Expenses				
Program services				
Grants to members	3,058,339	-0-	3,058,339	18,427,735
Membership Services	607,191	-0-	607,191	1,103,802
UniFi Solutions	978,127	-0-	978,127	1,264,968
Total program services	<u>4,643,657</u>	<u>-0-</u>	<u>4,643,657</u>	<u>20,796,505</u>
Management and general	509,964	-0-	509,964	721,016
Total expenses	<u>5,153,621</u>	<u>-0-</u>	<u>5,153,621</u>	<u>21,517,521</u>
Change in net assets	1,245,883	883,130	2,129,013	(3,398,191)
Net assets, beginning of year	<u>3,684,881</u>	<u>7,033,376</u>	<u>10,718,257</u>	<u>14,116,448</u>
Net assets, end of year	<u>\$ 4,930,764</u>	<u>\$ 7,916,506</u>	<u>\$ 12,847,270</u>	<u>\$ 10,718,257</u>

See accompanying notes to financial statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support			
Contributions	\$ 15,029,197	\$ 1,240,000	\$ 16,269,197
Government grants	161,289	-0-	161,289
Contract fees			
UniFi Solutions	903,973	-0-	903,973
Membership Services	376,172	-0-	376,172
Digital Services	154,123	-0-	154,123
Investment return, net	254,576	-0-	254,576
Net assets released from restrictions	<u>4,625,199</u>	<u>(4,625,199)</u>	<u>-0-</u>
Total support and revenue	21,504,529	(3,385,199)	18,119,330
Expenses			
Program services			
Grants to members	18,427,735	-0-	18,427,735
Membership and Digital Services	1,103,802	-0-	1,103,802
UniFi Solutions	<u>1,264,968</u>	<u>-0-</u>	<u>1,264,968</u>
Total program services	20,796,505	-0-	20,796,505
Management and general	<u>721,016</u>	<u>-0-</u>	<u>721,016</u>
Total expenses	<u>21,517,521</u>	<u>-0-</u>	<u>21,517,521</u>
Change in net assets	(12,992)	(3,385,199)	(3,398,191)
Net assets, beginning of year	<u>3,697,873</u>	<u>10,418,575</u>	<u>14,116,448</u>
Net assets, end of year	<u>\$ 3,684,881</u>	<u>\$ 7,033,376</u>	<u>\$ 10,718,257</u>

See accompanying notes to financial statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

(WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022					2021 Total Expenses
	Grants to Members	Program Expenses Membership Services	UniFi Solution	Management and General	Total Expenses	
Labor and benefits						
Salaries	\$ -0-	\$ 356,646	\$ 425,084	\$ 302,871	\$ 1,084,601	\$ 1,440,947
Employee benefits	-0-	72,202	160,250	59,958	292,410	366,823
Payroll taxes and expense	-0-	26,591	31,548	22,614	80,753	104,756
Total labor and benefits	-0-	455,439	616,882	385,443	1,457,764	1,912,526
Other expenses						
Grants	3,058,339	-0-	-0-	-0-	3,058,339	18,427,735
Professional services	-0-	39,194	9,186	33,470	81,850	336,269
Technology	-0-	34,795	189,598	17,764	242,157	279,744
Occupancy	-0-	15,369	20,638	7,903	43,910	174,389
Depreciation	-0-	30,023	38,740	14,524	83,287	93,876
Travel	-0-	9,341	1,878	3,630	14,849	947
Training and conferences	-0-	5,614	12,566	6,892	25,072	8,178
Miscellaneous	-0-	99	-0-	1,443	1,542	34,978
Temporary labor	-0-	-0-	66,762	-0-	66,762	143,793
Office supplies and expenses	-0-	4,634	2,996	15,311	22,941	27,834
Marketing and recognition	-0-	407	4,311	3,915	8,633	8,772
Telephone	-0-	2,374	3,187	3,291	8,852	14,939
Insurance	-0-	4,133	5,550	5,957	15,640	11,640
Postage and shipping	-0-	-0-	3,598	373	3,971	5,923
Printing and publications	-0-	5,226	1,453	252	6,931	4,017
Bank and credit card charges	-0-	543	782	311	1,636	1,081
Bad debt	-0-	-0-	-0-	9,485	9,485	30,880
Total expenses	<u>\$ 3,058,339</u>	<u>\$ 607,191</u>	<u>\$ 978,127</u>	<u>\$ 509,964</u>	<u>\$ 5,153,621</u>	<u>\$ 21,517,521</u>

See accompanying notes to financial statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Expenses			Management and General	Total Expenses
	Grants to Members	Membership and Digital Services	UniFi Solution		
Labor and benefits					
Salaries	\$ -0-	\$ 634,281	\$ 549,793	\$ 256,873	\$ 1,440,947
Employee benefits	-0-	134,645	184,770	47,408	366,823
Payroll taxes and expense	-0-	49,557	41,088	14,111	104,756
Total labor and benefits	-0-	818,483	775,651	318,392	1,912,526
Other expenses					
Grants	18,427,735	-0-	-0-	-0-	18,427,735
Professional services	-0-	36,517	9,925	289,827	336,269
Technology	-0-	55,494	195,419	28,831	279,744
Occupancy	-0-	90,683	74,987	8,719	174,389
Depreciation	-0-	48,815	40,366	4,695	93,876
Travel	-0-	465	-0-	482	947
Training and conferences	-0-	1,950	4,851	1,377	8,178
Miscellaneous	-0-	34,768	210	-0-	34,978
Temporary labor	-0-	-0-	142,304	1,489	143,793
Office supplies and expenses	-0-	7,603	6,134	14,097	27,834
Marketing and recognition	-0-	2,568	2,522	3,682	8,772
Telephone	-0-	5,529	6,204	3,206	14,939
Insurance	-0-	-0-	-0-	11,640	11,640
Postage and shipping	-0-	691	4,880	352	5,923
Printing and publications	-0-	236	1,429	2,352	4,017
Bank and credit card charges	-0-	-0-	86	995	1,081
Bad debt	-0-	-0-	-0-	30,880	30,880
Total expenses	\$ 18,427,735	\$ 1,103,802	\$ 1,264,968	\$ 721,016	\$ 21,517,521

See accompanying notes to financial statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Operating activities		
Change in net assets	\$ 2,129,013	\$ (3,398,191)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	83,287	93,876
Loss on disposal of property and equipment	264,406	-0-
Realized and unrealized (gains) losses on investments, net	492,502	(4,064)
Changes in operating assets and liabilities:		
Contract receivables	(179,222)	168,316
Prepaid expenses and other assets	16,741	8,050
Right-of-use assets under operating leases	(447,322)	-0-
Accounts payable	(8,921)	(56,375)
Accrued expenses	(63,844)	15,023
Grants payable	(97,609)	336,874
Deferred revenue	2,227	(8,685)
Operating lease liabilities	450,154	-0-
Net cash flows from operating activities	2,641,412	(2,845,176)
Investing activities		
Capital expenditures	(110,858)	-0-
Purchase of investments	(16,062,120)	(15,938,201)
Proceeds from sale of investments	15,060,253	19,462,710
Net cash flows from investing activities	(1,112,725)	3,524,509
Net change in cash and cash equivalents	1,528,687	679,333
Cash and cash equivalents, beginning of year	2,181,700	1,502,367
Cash and cash equivalents, end of year	\$ 3,710,387	\$ 2,181,700

See accompanying notes to financial statements.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. NATURE OF ACTIVITIES

The Indiana Association of United Ways, Inc. (IUW) is a statewide organization that helps local United Ways to thrive. With 43 members and a staff of 14, IUW supports United Ways, who fight for the health, education and financial stability of every individual in every community in Indiana and throughout the country in partnership with United Way Worldwide (UWW). IUW's mission is to be the leading voice to advocate, engage, and partner with a strong United Way Network and key stakeholders to advance human well-being throughout Indiana.

IUW's primary programs include the following:

UniFi Solutions

UniFi Solutions provides services to more than 36 local United Ways throughout the country who are interested in consolidating their backroom services in order to focus on fundraising, donor relationship cultivation, and putting systems in place to meet urgent community health and human service needs. UniFi's backroom services include cloud hosting, accounting, payroll, and pledge processing.

Membership Services

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

- Supporting strategic organizational development of local united way members;
- Executing a comprehensive Board and Governance training regionally;
- Coaching and training new executives;
- Grant procurement and Management overseeing campaign match dollars for local United Ways, the Indiana Natural Disaster (IND) Fund, and other grants;
- Significant merger support;
- Key individualized coaching and training that supports both small and large United Ways, and;
- Active public policy work promoting statewide issues such as advocating for statewide high-quality childcare, advocating against predatory lending, and disseminating the Asset Limited Income Constrained Employer (ALICE) report.

Digital Services

Digital Services provided support to 9 local United Ways in Indiana through a UWW Anchor Model. Digital Services contracted with UWW for digital access to several different salesforce and other top-shelf tools and managed the technical aspects of the digital marketing, virtual advocacy

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

and fundraising efforts. At the direction of UWW, the Digital Services program was discontinued as of December 31, 2021.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of IUW, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The governing board has designated, from net assets without donor restrictions, net asset funds to protect IUW's long-term viability due to volatility in funding resources (Note 8).

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. These include donor restrictions requiring the net assets to be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the Statement of Activities by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

IUW considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash equivalents consist of a financial institution money market savings account.

Investments and Investment Return

Investments are recorded at fair value. Changes in unrealized appreciation or depreciation of investments are recorded in the period the changes occur. Realized gains and losses are recorded based on the costs of the specific investments sold. Interest and dividend income is recorded when earned and includes capital gains distributions within mutual funds.

Contract Receivables

Contract receivables arise from the sale or exchange of goods and services such as the sale of backroom services including cloud hosting, accounting, payroll, and pledge processing through UniFi Solutions and membership services as well as grants that are considered to be performance based service contracts where allowable costs have been incurred or the services have been performed. All amounts are due within one year.

Management estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and other factors unique to IUW's customer base. The allowance for doubtful accounts was \$15,000 as of December 31, 2022 and 2021.

Balances for contract receivables and associated allowance for doubtful accounts as of January 1, 2021 were \$246,560 and \$15,000, respectively.

Property and Equipment

IUW capitalizes all significant purchases of property and equipment at cost, including expenditures that substantially increase the useful lives of existing assets. Items donated are capitalized at the fair market value as of the date of donation. Costs of ordinary maintenance and repairs are expenses as incurred.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Property and equipment are depreciated over their estimated useful lives of the assets or lease using the straight-line method. IUW estimates the useful lives of its capitalized assets as follows:

<u>Description</u>	<u>Useful Lives</u>
Office equipment	3 - 10 years
Leasehold improvements	3 - 5 years

Support and Revenue Recognition

IUW recognizes contributions, including government grants, when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Government grants are generally received under multi-year contracts and are available to be spent over the term of the grant. Therefore, funds not spent in one year are available to be carried forward into the subsequent period until the grant term expires.

Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Revenue funded by grants and Digital Services considered to be exchange transactions are recognized over time as IUW performs the contracted services or incurs eligible expenses under the grant agreements, at the stated price per contract.

IUW recognizes revenue from UniFi Solutions and Membership Services within the month services are performed.

All other revenues are recorded when earned.

Functional Allocation of Expenses

The cost of providing the programs and services of IUW have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited based on the actual direct expenditures and cost allocations of indirect expenses based on time and the usage by personnel and programs. IUW does not incur fundraising expense. Expenses allocated include personnel cost, occupancy, depreciation, technology, and other office overhead. Although the methods used were appropriate, other methods could produce different results.

Income Taxes

IUW is organized as a not-for-profit corporation and is exempt from income taxes under section 501(c)(3) of the United States Internal Revenue Code and similar state law. As such, IUW is generally exempt from income taxes. However, IUW is required to file Federal Form 990 – Return

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

of Organization Exempt from Income Tax and a corresponding state return, which are informational returns only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by IUW and recognize a tax liability if IUW has taken an uncertain position that more likely than not would be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by IUW, and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of the liability or disclosure in the accompanying financial statements. IUW is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

IUW has filed its federal and state income tax returns for periods through December 31, 2021. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting Standard Not Yet Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. This new standard, which IUW is not required to adopt until its year ending December 31, 2023, is intended to improve financial reporting about expected credit losses on financial assets by requiring entities to use the new current expected credit loss approach that will generally result in the early recognition of allowance for credit losses. The standard also requires a formal process to estimate current expected credit losses and will require specific, supporting calculations of the allowance for doubtful accounts supported by the formal process.

IUW is presently evaluating the effect this ASU will have on its future financial statements, including related disclosures.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Total net assets and change in net assets were unchanged due to these reclassifications.

Subsequent Events

IUW evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 1, 2023, which is the date the financial statements were available to be issued.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

3. CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2022, IUW adopted the new lease accounting standard issued by the FASB and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions by requiring entities to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in ASC 842) of twelve months or less are not required to be reflected on an entity's statement of financial position.

IUW applied the modified retrospective approach to all lease agreements when adopting ASC 842. ASC 842 was applied retrospectively to the beginning of the period of adoption through a cumulative-effect adjustment recognized as of January 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance in ASC 840. The adoption of ASC 842 had a material impact on the statement of financial position but did not have a significant impact on the statement of activities and the statement of cash flows. As of January 1, 2022, IUW's total assets and total liabilities increased by \$1,050,199 as a result of ASC 842. The most significant impact was the recognition of a right-of-use (ROU) assets under operating leases and operating lease liabilities for operating leases.

IUW elected the available practical expedients to account for its operating leases under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, IUW elected the hindsight practical expedient to determine the lease term for existing leases.

4. STATE EMPLOYEES COMMUNITY CAMPAIGN (SECC)

IUW had an agreement with the State of Indiana to act as a fiscal agent and campaign manager for the proceeds of the SECC. IUW was to distribute these funds to recipient charitable associations based on an approved distribution system. During 2022, the State of Indiana discontinued the SECC agreement with IUW. Funds held by IUW, to be distributed on behalf of the SECC, was \$4,443 and \$420,171 at December 31, 2022 and 2021, respectively.

THE INDIANA ASSOCIATION OF UNITED WAYS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The following is a summary of fund activity for the SECC for the years ended December 31:

	<u>2022</u>	<u>2021</u>
SECC funds to be distributed, beginning of year	\$ 420,171	\$ 488,128
Funds received		
SECC pledges	334	1,240,237
Interest income	606	988
Other	5,865	-0-
	<u>6,805</u>	<u>1,241,225</u>
Funds disbursed		
Charitable associations	(397,266)	(1,207,725)
Management fees	(24,958)	(101,457)
Other	(309)	-0-
	<u>(422,533)</u>	<u>(1,309,182)</u>
SECC funds to be distributed, end of year	<u>\$ 4,443</u>	<u>\$ 420,171</u>

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to the 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that IUW has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the assets or liability has a specific (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 and significant to the fair value measurement.

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

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Following is a description of the valuation methodology used for assets measured at fair value. There have been no change in the methodologies used at December 31, 2022 and 2021.

- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by IUW are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by IUW are deemed to be actively traded.
- *Common stocks and exchange-traded funds:* Valued at the closing price reported in the active market on which the individual securities are traded.

All mutual funds, common stocks, and exchange-traded funds held by IUW are considered to be valued using Level 1 inputs in the fair value hierarchy.

The preceding methods described used in arriving at fair value may produce a valuation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although IUW believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Investments consist of the following at December 31:

	2022	2021
Mutual funds - fixed income		
Short-term bonds	\$ 2,635,953	\$ 2,547,673
Bank loans	2,623,821	2,369,737
Ultrashort bonds	1,459,507	3,504,827
	6,719,281	8,422,237
Common stocks	713,956	-0-
Exchange-traded funds - real estate	18,558	-0-
Total assets at fair value	7,451,795	8,422,237
Certificates of deposit	1,479,807	-0-
Total investments	\$ 8,931,602	\$ 8,422,237

IUW holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that the changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

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The following schedule summarizes the investment return (including interest on cash) for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 307,234	\$ 300,379
Realized and unrealized gains (losses), net	(492,502)	4,064
Investment fees	<u>(30,119)</u>	<u>(49,867)</u>
	<u>\$ (215,387)</u>	<u>\$ 254,576</u>

At December 31, 2022, investments are held in three accounts (two accounts at December 31, 2021), with one broker. At December 31, 2022, 60% of IUW's investments were held in three fixed income mutual funds, with individual percentages of 30%, 16%, and 14%. At December 31, 2021, 94% of IUW's investments were held in four fixed income mutual funds, with individual percentages of 35%, 30%, 19%, and 10%.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Office equipment	\$ 340,444	\$ 627,067
Leasehold improvements	<u>129,777</u>	<u>374,089</u>
	470,221	1,001,156
Accumulated depreciation	<u>(210,828)</u>	<u>(504,928)</u>
	<u>\$ 259,393</u>	<u>\$ 496,228</u>

7. LEASES

IUW recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

IUW has operating leases for its office facility and equipment. Leasing arrangements required fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. IUW's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of 1 to 5 years.

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IUW's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. IUW utilizes the risk-free rate commensurate to the lease term as the discount rate for its leases unless IUW can specifically determine the lessor's implicit rate.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. IUW did not have any short-term leases for the year ended December 31, 2022.

In evaluating contracts to determine if they qualify as a lease, IUW considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if IUW can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, IUW assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

IUW's total lease expense for the year ended December 31, 2022, was \$111,072.

Through February 28, 2022, IUW leased its office facility under the terms of an operating lease with payments ranging from \$15,053 to \$16,173 through January 2028. On March 1, 2022, IUW entered into an amended lease agreement resulting in an approximate 50% reduction in leased space with monthly payments ranging from \$7,290 to \$7,961 through January 2028. IUW reported a gain on amended lease of \$65,014 as a reduction of occupancy expense for the year ended December 31, 2022. Additionally, ROU assets and operating lease liabilities decreased by \$447,174 in connection with the amended lease agreement.

IUW's right-of-use assets and lease liabilities and other disclosures as of and for the year ended December 31, 2022, are as follows:

Right-of-use assets	
Operating lease assets	<u>\$ 447,322</u>
Lease liabilities	
Operating lease liabilities	<u>\$ 450,154</u>

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Additional information regarding cash payments under IUW's operating leases during 2022, as well as the inputs used in determining ROU assets and liabilities at December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	108,924
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	516,276
Weighted-average remaining lease term - operating leases		5.0 Years
Weighted-average discount rate - operating leases		1.55%

Future payments of operating lease liabilities at December 31, 2022 is as follows:

<u>Year Ending December 31,</u>	
2023	\$ 89,312
2024	90,430
2025	92,042
2026	93,653
2027	95,264
Thereafter	<u>7,962</u>
Total lease payments	468,663
Less: interest	<u>(18,509)</u>
Present value of lease liabilities	<u>\$ 450,154</u>

Total lease expense for the year ended December 31, 2021, was \$184,336 under previous accounting guidance ASC 840. Future minimum lease payments under operating leases having initial terms in excess of one year at December 31, 2021, under previous accounting guidance under ASC 840, are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 97,685
2023	89,312
2024	90,430
2025	92,042
2026	93,653
Thereafter	<u>103,225</u>
	<u>\$ 566,347</u>

The office facility lease includes escalating lease payments that, under accounting principles generally accepted in the United States of America, are to be recognized on a straight-line basis. IUW recorded a deferred rent liability for the difference between amounts paid and the amounts expensed under the lease at December 31, 2021, prior to the adoption of ASC 842.

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8. NET ASSETS

Net Assets without Donor Restrictions

IUW's governing board has designated net assets without donor restrictions for the following purposes at December 31:

	2022	2021
Liquidity reserve	\$ 1,000,656	\$ 850,656
Member association merger funds	149,437	149,437
	\$ 1,150,093	\$ 1,000,093

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Matching Grant Program	\$ 3,854,846	\$ 2,528,601
IND Fund	2,829,903	2,829,903
Special Initiatives	87,142	538,205
Subject to Passage of Time:		
For future periods	1,144,615	1,136,667
	\$ 7,916,506	\$ 7,033,376

Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows during the years ended December 31:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Matching Grant Program	\$ 4,043,194	\$ 3,077,598
IND Fund	-0-	26,040
Special Initiatives	451,063	373,228
Subject to Passage of Time:		
For future periods	1,232,052	1,148,333
	\$ 5,726,309	\$ 4,625,199

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9. RETIREMENT PLAN

IUW offers a 403(b) Thrift Plan covering substantially all employees who fulfill eligibility requirements. An employee's contribution may not exceed the maximum amount allowed as determined by the Internal Revenue Code. The employer matching contribution is equal to 50% of the first 4% of employee contributions. IUW also provides an employer base contribution in which IUW contributes 10% of employee compensation for employees hired prior to January 1, 2018 (5% for employees hired on or after January 1, 2018). Employer matching and base contributions become fully vested after three years of service. Employer matching and base contributions were \$56,089 and \$115,425 for the years ended December 31, 2022 and 2021, respectively.

10. RELATED PARTY TRANSACTIONS

IUW regularly conducts business with member associations. During 2022 and 2021, eight and seven members, respectively, of the Board of Directors also serve as Board Members of a member association. During 2022 and 2021, three members, respectively, of the Board of Directors are Executive Directors of a member association.

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

	2022					
	Contract fees					
	Membership Services	UniFi Solutions	Grants to Members	Contract Receivables	Grants Payable	
Board Members	\$ 63,220	\$ 181,068	\$ (1,473,773)	\$ 375	\$ 164,760	
Executive Directors	54,246	-0-	(449,456)	-0-	560	
	\$ 117,466	\$ 181,068	\$ (1,923,229)	\$ 375	\$ 165,320	
	2021					
	Contract fees					
	Membership Services	Digital Services	UniFi Solutions	Grants to Members	Contract Receivables	Grants Payable
Board Members	\$ 124,813	\$ 65,497	\$ 166,923	\$ (4,532,871)	\$ 24,231	\$ 146
Executive Directors	18,360	11,459	66,913	(2,065,218)	-0-	255,382
	\$ 143,173	\$ 76,956	\$ 233,836	\$ (6,598,089)	\$ 24,231	\$ 255,528

11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects IUW's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date; that is,

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

amounts that are without donor restrictions or board designations limiting their use at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 3,710,387	\$ 2,181,700
State Employees Community Campaign (SECC)	4,443	420,171
Investments	8,931,602	8,422,237
Contract receivables	<u>242,466</u>	<u>63,244</u>
Total financial assets	12,888,898	11,087,352
Donor imposed restrictions	(7,916,506)	(7,033,376)
Board designated net assets	(1,150,093)	(1,000,093)
SECC funds to be distributed	<u>(4,443)</u>	<u>(420,171)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,817,856</u>	<u>\$ 2,633,712</u>

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

Board designated net assets have been designated by the Board of Directors for specific purposes (Note 8). Although IUW does not intend to spend the board designated net assets to meet general expenditures, the amounts could be made available, if necessary.

12. CONCENTRATIONS

Concentration of Credit Risk

IUW maintains its cash and cash equivalents primarily in two financial institutions with balances which generally exceed federally insured limits. IUW has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Funding Concentrations

IUW received approximately 91% and 90% of its total support and revenue directly from one donor during the years ended December 31, 2022 and 2021, respectively. Additionally, 94% of gross contract receivables are due from another donor at December 31, 2022. Additionally, contract receivables from one member association accounted for 18% and SECC management fees accounted for 33% of gross contract receivables at December 31, 2021.