HEART OF INDIANA UNITED WAY, INC.
MUNCIE, INDIANA

FINANCIAL STATEMENTS
JUNE 30, 2022

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WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heart of Indiana United Way, Inc.
Muncie, Indiana

OPINION

We have audited the accompanying financial statements of Heart of Indiana United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses 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 Heart of Indiana United Way, Inc. as of June 30, 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 Heart of Indiana United Way, Inc. 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.

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 Heart of Indiana United Way, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 Heart of Indiana United Way, Inc.'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 Heart of Indiana United Way, Inc.'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.

Certified Public Accountants

Whitinger & Company LLC

Muncie, Indiana

August 24, 2023

FINANCIAL STATEMENTS

HEART OF INDIANA UNITED WAY, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, current (Note 3)	$	413,749
Pledges receivable, net of allowance for uncollectible pledges of $485,769 (Note 8)		363,625
Out-of-area receivables		117,136
Spendable balance of beneficial interest receivable (Notes 6 and 7)		34,528
Due from U.S. Treasury, federal employee retention credit		129,706
Accrued interest		388
Prepaid expense		39,190
Total Current Assets	$	1,098,322
PROPERTY AND EQUIPMENT (Note 3)		
Land and improvements	$	23,493
Building and improvements		117,287
Furniture and fixtures		116,965
	$	257,745
Less accumulated depreciation		(121,005)
Total Property and Equipment, Net	$	136,740
OTHER ASSETS		
Cash and cash equivalents, held for long-term purposes (Note 11)	$	282,998
Investments (Notes 5 and 7)		3,039,716
Beneficial interest in assets held by foundations (Notes 6 and 7)		884,235
Total Other Assets	$	4,206,949
Total Assets	$	5,442,011

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	3,405
Allocations payable		1,177,061
Out-of-area payables		218,093
Designations payable (Note 9)		179,152
Accrued wages and payroll liabilities		16,136
Accrued vacation		37,621
Accrued expenses		2,450
Total Current Liabilities	$	1,633,918
Total Liabilities	$	1,633,918
NET ASSETS		
Without donor restrictions		
Undesignated	$	1,571,916
Designated by board for quasi-endowment		950,000
	$	2,521,916
With donor restrictions (Notes 10 and 11)		
Subject to purpose and time restrictions	$	401,942
Perpetual in nature		884,235
	$	1,286,177
Total Net Assets	$	3,808,093
Total Liabilities and Net Assets	$	5,442,011

HEART OF INDIANA UNITED WAY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
Gross campaign results	$ 1,985,834	$ 137,207	$ 2,123,041
Donor designations	(117,984)		(117,984)
Provision for uncollectible pledges	(239,913)		(239,913)
Net Campaign Results	$ 1,627,937	$ 137,207	$ 1,765,144
Designations from other United Ways	(10,911)		(10,911)
Service fees	14,974		14,974
Grants	48,202	1,270,468	1,318,670
In-kind contributions	19,692		19,692
Special events	88,993		88,993
Return on investments	(340,303)		(340,303)
Distributions and change in beneficial interest in assets held by foundations	(28,080)	(62,876)	(90,956)
Loss on disposal of assets	(713)		(713)
Miscellaneous income	193,233		193,233
Total Support and Revenue	$ 1,613,024	$ 1,344,799	$ 2,957,823
NET ASSETS RELEASED FROM RESTRICTIONS	$ 1,392,723	$ (1,392,723)	
EXPENSES			
Net funds distributed	$ 1,559,516		$ 1,559,516
Other program services	2,077,926		2,077,926
Total Program Services	$ 3,637,442		$ 3,637,442
Management and general	$ 283,709		$ 283,709
Fundraising	208,082		208,082
Unallocated payments to affiliate	39,701		39,701
Total Support Services	$ 531,492		$ 531,492
Total Expenses	$ 4,168,934		$ 4,168,934
CHANGE IN NET ASSETS	$ (1,163,187)	$ (47,924)	$ (1,211,111)
NET ASSETS, BEGINNING OF YEAR	3,685,103	1,334,101	5,019,204
NET ASSETS, END OF YEAR	$ 2,521,916	$ 1,286,177	$ 3,808,093

HEART OF INDIANA UNITED WAY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from grants and contributions	$ 3,576,908
Cash paid for designations and allocations	(2,212,109)
Cash paid to suppliers and employees	(1,931,735)
Interest received	69,716
Net Cash Used For Operating Activities	$ (497,220)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture and equipment	$ (5,987)
Interest reinvested in certificates of deposit	(186)
Cash received from certificates of deposit	118,982
Purchase of investments	(792,777)
Proceeds from sale of investments	435,844
Net Cash Used For Investing Activities	$ (244,124)
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (741,344)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,438,091
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 696,747

CASH AND CASH EQUIVALENTS AS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	
Cash and cash equivalents, current	$ 413,749
Cash and cash equivalents, held for long-term purposes	282,998
	$ 696,747

See accompanying Notes to Financial Statements.

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH USED FOR OPERATING ACTIVITIES

CHANGE IN NET ASSETS	$	(1,211,111)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES		
Depreciation expense	$	7,677
Loss on disposal of assets		713
Realized gain on sale of investments		(108,627)
Unrealized loss on investments		491,914
Cash flows provided by (used for) asset changes:		
Pledges receivable		(138,560)
Allowance for uncollectible pledges		237,246
Out-of-area receivables		58,951
Spendable balance of beneficial interest in assets held		96,786
Due from U.S. Treasury		27,501
Accrued interest		(388)
Prepaid expense		(11,300)
Beneficial interest in assets held by foundations		63,376
Cash flows provided by (used for) liability changes:		
Accounts payable		(80,397)
Allocations payable		162,198
Out-of-area payables		(51,147)
Designations payable		51,092
Accrued wages and payroll liabilities		(77,994)
Accrued vacation		10,424
Accrued expenses		(25,574)
Total Adjustments	$	713,891
NET CASH USED FOR OPERATING ACTIVITIES	$	(497,220)

HEART OF INDIANA UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Unallocated Payments to Affiliate	Total
Gross distributions	$ 1,264,516				$ 1,264,516
Emergency allocations	295,000				295,000
Net Funds Distributed	$ 1,559,516				$ 1,559,516
Salaries and wages	$ 437,850	$ 113,055	$ 84,475		$ 635,380
Payroll taxes and benefits	168,366	39,948	33,281		241,595
Total Personnel Costs	$ 606,216	$ 153,003	$ 117,756		$ 876,975
Campaign	6,311		12,709		19,020
Conferences, training, and meetings	9,338	2,364	1,772		13,474
Depreciation	2,925	4,028	724		7,677
Equipment rental and maintenance	18,208	5,455	4,087		27,750
Grant expense	1,270,008	1,000			1,271,008
Insurance	4,371	1,378	1,032		6,781
Marketing and advertising	29,636	4,199	7,661		41,496
Miscellaneous	30,201	7,035	5,270		42,506
Office supplies	4,331	1,229	921		6,481
Postage	1,865	616	748		3,229
Processing and accounting services	11,501	67,043	2,848		81,392
Professional fees	19,132	17,312	7,165		43,609
Rent	22,740	9,117	4,708		36,565
Repair and maintenance	4,055	1,340	1,004		6,399
Special events	8,332		32,178		40,510
State and local association dues	12,473	4,122	3,088		19,683
Telephone	8,410	2,667	1,998		13,075
Travel	4,878	812	1,672		7,362
Utilities	2,295	758	568		3,621
Web page	700	231	173		1,104
Subtotal	$ 2,077,926	$ 283,709	$ 208,082		$ 2,569,717
United Way of America dues				$ 39,701	39,701
Total Expenses	$ 3,637,442	$ 283,709	$ 208,082	$ 39,701	$ 4,168,934

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations

Heart of Indiana United Way, Inc. (the Organization), formerly United Way of Delaware, Henry & Randolph Counties, was formed in 1925 as a voluntary not-for-profit organization benefiting the counties of Delaware, Henry, and Randolph within those Indiana communities.

On June 14, 2021, Heart of Indiana United Way, Inc. and United Way of Madison County, Indiana, Inc. filed certificate of merger paperwork which was approved with the Indiana Secretary of State's office. The organizations both continued to operate independently and report financially through June 30, 2021.

On October 18, 2021, Heart of Indiana United Way, Inc. and United Way of Madison County, Indiana, Inc. amended the date of the merger to be effective as of June 30, 2021. On June 30, 2021, Heart of Indiana United Way, Inc. completed a merger with United Way of Madison County, Indiana, Inc. (the Merged Organization) in accordance with the terms and conditions outlined in the Plan of Merger dated May 27, 2021. The merger resulted in the consolidation of the two organizations into a single legal entity. The merger was undertaken to strengthen both organizations' collective impact, streamlined operations, and eliminate duplication of efforts while maintaining and expanding program offerings. As a result of the merger, the Organization continues as the surviving entity, and the Merged Organization ceased to exist as a separate legal entity. The financial statements for June 30, 2022, include the financial results of both the Organization and the Merged Organization from the merger date.

The mission of Heart of Indiana United Way, Inc. is to provide leadership in developing and coordinating resources which enhance the general welfare of the citizens of the counties it serves. The Organization is governed by a volunteer Board of Directors and solicits donations from the public in Delaware, Fayette, Henry, Madison, and Randolph Counties and provides grant funding to various not-for-profit agencies in the counties that it serves.

2. Merger and Combination of Non-Profit Organizations

Basis of Combination

The merger was accounted for using the pooling-of-interests method. Under this method, the historical financial statements of the Organization and the Merged Organization have been combined as if they had been a single entity from the beginning of the earliest period presented.

Transaction Costs

Direct costs incurred in connection with the merger, including legal, accounting, and advisory fees, were expenses as incurred and are included in the statement of functional expenses.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

2. **MERGER AND COMBINATION OF NON-PROFIT ORGANIZATIONS** (continued)

Impact on the Financial Statements

As a result of the merger, the financial statements for the period ended June 30, 2022, reflect the combined results of operations and financial position of the Organization and the Merged Organization. Historical statements of the Organization for prior periods have not been restated to reflect this combination.

Combined Financial Information

The combined financial information for the Organization and the Merged Organization are presented below as of July 1, 2021:

	Organization	Merged Organization	Combined
Current assets	$ 1,917,970	$ 456,893	$ 2,374,863
Property and equipment	11,590	127,555	139,145
Other assets	2,273,540	1,876,975	4,150,515
Total Assets	$ 4,203,100	$ 2,461,423	$ 6,664,523
Current liabilities	$ 1,218,981	$ 426,338	$ 1,645,319
Long-term liabilities	- 0 -	- 0 -	- 0 -
Total Liabilties	$ 1,218,981	$ 426,338	$ 1,645,319
Net assets without donor restriction			
Unrestricted	$ 2,092,947	$ 642,156	$ 2,735,103
Board designated	- 0 -	950,000	950,000
	$ 2,092,947	$ 1,592,156	$ 3,685,103
Net assets with donor restriction			
Subject to purpose or time restrictions	$ 242,017	$ 144,473	$ 386,490
Perpetual in nature	649,155	298,456	947,611
	$ 891,172	$ 442,929	$ 1,334,101
Total Net Assets	$ 2,984,119	$ 2,035,085	$ 5,019,204
Total Liablities and Net Assets	$ 4,203,100	$ 2,461,423	$ 6,664,523

This combined financial information is provided for informational purposes only.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

2. Merger and Combination of Non-Profit Organizations (continued)

Integration and Future Operations

The merger is expected to result in synergies, operational efficiencies, and expanded program offerings. Management is actively implementing integration plans to achieve these benefits while maintaining the core values and missions of both organizations.

Financial Reporting Changes

The merger has resulted in changes to the Organization's financial reporting, including the consolidation of financial statements and disclosures related to the merger. These changes are in compliance with applicable accounting standards.

Management's Assessment

Management has assessed the accounting treatment of the merger and believes that the financial statements present fairly, in all material respects, the financial position and results of operations of the combined entity subsequent to the merger.

Related Disclosures

Refer to Note 6 for the presentation and treatment of the beneficial interest in assets held by community foundations as a result of the merger. Adjustments were made to the fair value of the beneficial interest in assets held to conform to the accounting policies of the merging entities.

3. Summary of Significant Accounting Policies

Basis of Accounting

The Organization maintains its accounting on the accrual basis, and accordingly, reflects all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: "net assets with donor restrictions" and "net assets without donor restrictions".

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Financial Statement Presentation (continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments

The Organization maintains certificates of deposits with local financial institutions having maturity dates that exceed three months. The Organization also holds assets invested with local community foundations and other outside financial advisors.

The local foundations combine all participating organizations' funds, which it manages, as a pooled fund. Investment earnings within the foundations' funds are distributed to the participants pro-rata based on the overall performance of the foundations' investments and the amount each organization has invested. The foundations' investment funds consist of various investments such as, alternative investments, equities, and equity and fixed income mutual funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

The Organization's investments are recorded at fair value. The fair value of investments is generally determined based on quoted market prices, or estimated fair values, provided by external investment managers or other sources. Investment transactions held in the brokerage account are recorded on the trade date and realized gains and losses on the sale of investments are calculated on the basis of specific identification on the securities sold. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment

Property and equipment are stated at cost as of the date of purchase or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. It is generally the policy of the Organization to capitalize fixed assets over the amount of $1,000.

Furniture and equipment are being depreciated using the straight-line method over the estimated useful lives of 5 to 10 years. Building and land improvements are being depreciated using the straight-line method over estimated useful lives of 15 to 40 years.

Depreciation expense for the year ended June 30, 2022, was $7,677.

When assets are sold or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on the disposition is reflected in activities. Expenditures for maintenance and repairs are expensed when incurred. Expenditures that result in the enhancement of the value of the assets involved are treated as additions to property and equipment.

Support, Revenue, and Pledges

In accordance with FASB ASC 958, *Not-for-Profit Entities*, contributions received are recorded as support "with donor restrictions" and "without donor restrictions", depending on the existence and/or nature of any donor restrictions. FASB ASC 605-205-15 *Accounting for Contributions Received and Made,* requires that "unconditional promises to give" be recorded as receivables and revenue; and requires the organization to distinguish between contributions received for each net asset category in accordance with donor restrictions.

Contributions are generally considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received as restricted by the donor for a specific purpose are reported as restricted until such time as the donor's restriction expires. Restrictions are normally removed when the contributions are expended for the purpose restricted by the donor or the project for which the contributions were specifically donated is completed. When a donor stipulated time restriction ends, or a purpose restriction is accomplished, then the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Support, Revenue, and Pledges (continued)

Pledges for contributions are recorded as a receivable when the pledge is received. An allowance is provided for pledges which are determined to be uncollectible. Amounts received that are restricted by the donor for future periods, or for specific purposes, are reported as support with donor restrictions.

The allowance for uncollectible pledges is maintained at a level which, in management's judgment, is adequate to absorb potential bad debts inherent with pledges receivable. The amount of the allowance is based on management's evaluation of the collectability of the pledges receivable, trends in historical bad debt experience, and economic conditions, applied to gross campaign, including donor designations. The allowance is increased by a provision for uncollectible pledges, which is charged to expense and reduced by charge-offs, net of recoveries. Because of uncertainties inherent in the estimation process, management's estimate of bad debts and the related allowance may change in the near-term. However, the amount of the change that is reasonably possible cannot be estimated.

In-Kind Contributions

During the year ended June 30, 2022, the Organization has recorded the value of contributions meeting the requirements for recognition in the financial statements totaling $19,692. In-kind contribution revenue is recognized as follows:

Special events	$ 4,410
Advertising	15,179
Other	103
	$ 19,692

Donated Services

During the year ended June 30, 2022, a substantial number of volunteers have contributed significant amounts of their time to the Organization and its fundraising campaigns. These services do not meet the requirements for recognition in the financial statements in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made* and are not included in the financial statements.

Cost Deduction

The Organization is committed to compliance with United Way of America's cost deduction requirements for recovering actual costs associated with processing and transferring designated funds.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

3. **Summary of Significant Accounting Policies** (continued)

Advertising

Advertising costs are expensed when incurred and are classified under the statement of functional expenses.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements may report certain categories of expense that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among program and supporting services benefited. Certain costs for personnel and office overhead costs, as well as fundraising costs, have been allocated among the programs and supporting services based upon the distribution of staff time.

Income Taxes

The Organization is a not-for-profit organization incorporated under the laws of the State of Indiana and is exempt from the payment of federal income taxes under *Section 501(c)(3)* of the *Internal Revenue Code*. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of *Section 509(a)* of the *Internal Revenue Code*.

The Organization's federal and state income tax returns are subject to examination by taxing authorities, generally for three years after they were filed.

Date of Management's Review

Management has evaluated subsequent events through the date on which the financial statements were made available to be issued. The date is the same as the independent auditor's report date.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard will be effective for fiscal years beginning July 1, 2022. Management is evaluating the potential impact of this new guidance on the financial statements.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022, are comprised as follows:

Operating Financial Assets:	
Cash and cash equivalents (less donor restriction)	$ 413,749
Pledges receivable, net of allowance for uncollectible pledges	363,625
Out-of-area receivables	117,136
Spendable balance of beneficial interest receivable	34,528
Due from U.S. Treasury	129,706
Investments	1,687,774
	$ 2,746,518

Reconciliation of Net Assets Without Donor Restrictions to Financial Assets Available to Meet Cash Needs:	
Undesignated net assets	$ 1,571,916
Less:	
Accrued interest	(388)
Prepaid expense	(39,190)
Property and equipment, net	(136,740)
Cash, held for long-term purposes	(282,998)
Add:	
Accounts payable	3,405
Allocations payable	1,177,061
Out of area payables	218,093
Designations payable	179,152
Accrued wages and payroll liabilities	16,136
Accrued vacation	37,621
Accrued expenses	2,450
	$ 2,746,518

The Organization's annual operating cash needs are determined during their budgeting process. Cash is regularly monitored and evaluated by management. General expenditures include administration, fundraising, and program services that are expected to be paid in a subsequent year. Investments included in operating financial assets exclude the certificates of deposit with long-term maturities.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS

The Organization's investments at June 30, 2022, are as follows:

Certificates of deposit	$	145,485
United Way Stabilization Fund		694,756
Northwest Trust Services investments		557,208
Stifel investments		1,642,267
Total Investments	$	3,039,716

The Organization's investment return for the year ended June 30, 2022, is as follows:

Interest and dividends	$	70,104
Realized gain on investment		108,627
Unrealized loss on investment		(491,914)
Administrative and investment fees		(27,120)
Total Return on Investments	$	(340,303)

6. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS

The Organization retains beneficial interests held by two local community foundations. Five endowment funds are held by The Community Foundation of Muncie and Delaware County, Inc. and three endowment funds are held by the Madison County Community Foundation.

The five funds held by The Community Foundation of Muncie and Delaware County, Inc. were established by the Organization's Board of Directors at various times beginning in 1992. The foundation retained variance authority of all funds, and therefore, the beneficial interest is recorded as a perpetual donor restricted net asset. The Organization is specified as the beneficiary of future allocations based on the foundation's spending policy, which historically allocated 4.5% of a twelve-quarter rolling average of the fair value of the fund prior to the year of distribution. The foundation was granted the authority to vary the terms of the agreements.

The three funds held by the Madison County Community Foundation were established at various times beginning in 1995 through 2001. The funds are governed by designated endowment agreements in which the Organization is specified as the beneficiary of earnings as determined by the foundation's distribution policy. The foundation was granted the authority to vary the terms of the agreements.

The Organization's Board of Directors has the ability to accept allocations or allow them to remain with the foundations. The spendable balance of allocations that remain with the foundations are recorded as assets without donor restrictions. Any change in the value of the beneficial interest in the funds is reported as an increase or decrease in net assets with donor restrictions.

6. **BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS** (continued)

The endowments were established to preserve a predictable stream of future cash flows to fund programs supported by the Organization while maintaining the purchasing power of the original investment. The foundations' return objectives are to maximize total return, net of inflation, spending and expenses, with prudent risk levels.

Change in endowment net assets for the year ended June 30, 2022, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, Beginning of Year	$ 131,314	$ 947,611	$ 1,078,925
Contributions		59	59
Transfers	118,830	(118,830)	
Investment Return:			
Investment income, net of fees		25,479	25,479
Depreciation of investment		(53,555)	(53,555)
Valuation change due to merger		83,471	83,471
Grants	(215,616)		(215,616)
Net Assets, End of Year	$ 34,528	$ 884,235	$ 918,763

Assets held by community foundations as of June 30, 2022, are summarized as follows:

Beneficial interest in assets held by:	
The Community Foundation of Muncie and Delaware County, Inc.	$ 562,633
Madison County Community Foundation	321,602
Spendable balance of beneficial interest receivable	34,528
Total assets held by community foundations	$ 918,763

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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, or 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 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The investments held in the United Way Stabilization Fund with the Community Foundation of Muncie and Delaware County, Inc. represent the Organization's proportionate share of the foundation's pooled investment portfolio (Level 3). The beneficial interest in assets held by the community foundations and the spendable balance of beneficial interest receivable are based on inputs provided by the trustees of the community foundations (Level 3). The investments held by Northwest Trust Services and Stifel use Level 1 inputs.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

7. **FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

Assets measured at fair value on a recurring basis at June 30, 2022, are summarized below by the three levels of hierarchy:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
United Way Stabilization Fund	$ 694,756			$ 694,756
Investments				
Northwest Trust Services	557,208	$ 557,208		
Stifel	1,642,267	1,642,267		
Beneficial interest in assets held by foundations	884,235			884,235
Spendable balance of beneficial interest receivable	34,528			34,528
	$ 3,812,994	$ 2,199,475	$ - 0 -	$ 1,613,519

The table below represents a reconciliation of activities classified in the statement of activities reflecting gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

Beginning of year	$ 1,915,090
Total Increases (Decreases) Included in	
Changes in Net Assets:	
Contributions	59
Interest and dividends	20,940
Realized gains	48,375
Unrealized losses - Stabilization Fund	(78,258)
Unrealized losses - beneficial interest	(53,555)
Grants paid	(215,616)
Investment expense	(23,516)
End of year	$ 1,613,519

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

8. PLEDGES RECEIVABLE

The pledges receivable balance at June 30, 2022, is summarized as follows:

	Pledge Receivable	Allowance for Uncollectible Pledges	Net Balance
2022 campaign due within one year	$ 7,135		$ 7,135
2021 campaign due within one year	446,476	$ 98,000	348,476
2020 campaign due within one year	200,435	194,886	5,549
2019 campaign due within one year	195,348	192,883	2,465
	$ 849,394	$ 485,769	$ 363,625

9. DESIGNATIONS PAYABLE

The designations payable balance at June 30, 2022, is summarized as follows:

2021 Campaign	$ 89,619
2020 Campaign	47,467
2019 Campaign	29,232
2018 Campaign	12,834
	$ 179,152

10. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022, donor restricted net assets consist of:

Perpetual endowment funds	$ 884,235
UnitedIN20 grant	264,735
Time restrictions	137,207
	$ 1,286,177

10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

During the year ended June 30, 2022, donor restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

UnitedIN18 grant	$ 118,971
UnitedIN20 grant	18,263
Covering Kids & Family grant	56,638
Merger grant	20,000
ERI grant	1,038,592
COVID-19 grant	13,033
Time restrictions	123,046
Other	4,180
	$ 1,392,723

11. DONOR RESTRICTED NET ASSET CASH BALANCES

At June 30, 2022, the "cash and cash equivalent, held for long-term purposes" balance on the statement of financial position included donor restricted net assets totaling $282,998.

12. OPERATING LEASES

The Organization leases real estate and office equipment under operating leases which require monthly minimum lease payments totaling approximately $5,537.

Total lease expense for the year ended June 30, 2022, was $36,565.

The future minimum lease payments under operating lease agreements are as follows:

Year Ending June 30	Amounts
2023	$ 37,544
2024	8,471
2025	1,524
2026	1,524
2027	1,016
	$ 50,079

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

13. Description of Program Services

Heart of Indiana United Way, Inc. fights for the education, financial stability and health of every person in every community. The Organization works with donors, volunteers, and advocates with a goal to end generational poverty. Nearly half of all households in all three counties struggle. Among those households, the most significant are those Asset-Limited, Income-Constrained and Employed families and individuals. They are working hard – sometimes two and three jobs, yet they are barely able to meet their basic budget and are living one crisis away from sliding into poverty. Through community investments, as well as direct service programs, the Organization positively impacts the quality of life for all who reside in the communities. The Organization is positioned to focus on the whole community, identifying gaps in services available to those in need, and aligning efforts with proven programs and partners to address those gaps. By taking this broad view, the Organization not only meets immediate needs, but also attacks root causes to prevent future problems.

Heart of Indiana United Way, Inc. works to continuously turn outward to ensure our work is driven by community will. Through ongoing community conversations with individuals from all demographics, community members have clearly and repeatedly shared their hopes for better educational outcomes for our children. As a result, the Organization crafted an impact agenda around improving early childhood education and programs that benefit the family as a whole. Throughout this work, the Organization recognizes that learning is a socially and culturally rooted, everyday process involving the whole person, that a child’s family are their first and most important teachers, and that systemic barriers persist in our current educational system particularly for children from historically marginalized populations. The Organization has identified partners and formed a coalition to set community-wide goals and metrics to remove systemic barriers and empower our children and families to have greater educational success. While the coalition continues such long-term efforts, the Organization offers several direct service programs to meet our children’s immediate educational needs around grade-level reading.

14. Retirement Plan

The Organization has established a retirement plan under *Section 403(b)* of the *Internal Revenue Code*. The plan is funded through a combination of employee salary deferrals, employer matching contributions, and employer discretionary contributions. Employer matching percentage and discretionary contributions are determined by the Organization on an annual basis. The Organization’s contributions were $56,174 for the year ended June 30, 2022.

15. Concentration of Campaign Pledges

Substantially all of the Organization’s pledges receivable, and support and revenue are derived from organizations and individuals who reside in the Indiana counties of Delaware, Fayette, Henry, Madison, and Randolph.

During the year ended June 30, 2022, campaign pledges were received from ten local contributors which were approximately 36% of the Organization’s total current year gross campaign results.

16. CONCENTRATION OF CREDIT RISKS

The Organization maintains several cash accounts and certificates of deposit at four financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). At times, during the year ended June 30, 2022, the balances in these accounts may have exceeded the maximum insurable amount of $250,000. At June 30, 2022, the Organization had accounts in excess of the $250,000 FDIC threshold totaling $258,761. The Organization has not experienced any losses.

The Organization's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to the changes in the values of investments, it is at least reasonably possible that changes in risks in the near-term would materially affect the amount reported in the statement of financial position and the statement of activities.

17. RELATED PARTIES

The Organization provides financial support to affiliated organizations. It is possible throughout the year for an individual or individuals to serve on the Board of Directors of the Organization and to serve on the Board of Directors of an affiliated organization which receives financial support from the Organization.

18. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Organization has adopted guidelines in accordance with FASB ASC 740-10*, Accounting for Uncertainty in Income Taxes*. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For the tax positions not meeting the more likely than not test, no tax benefit is recorded. The adoption had no effect on the Organization's financial statements.

The Organization's federal and state income tax returns are subject to examination by taxing authorities, generally for three years after filing. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next year.

The Organization recognizes interest and penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties as of June 30, 2022.