HEART OF INDIANA UNITED WAY, INC.
MUNCIE, INDIANA

FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Indiana United Way, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Whitinger & Company LLC

Certified Public Accountants
Muncie, Indiana

April 22, 2024

FINANCIAL STATEMENTS

HEART OF INDIANA UNITED WAY, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, current	$ 892,558	$ 432,012
Pledges receivable, net of allowance for uncollectible pledges of $354,600 in 2023 and $485,769 in 2022	424,471	480,761
Spendable balance of beneficial interest receivable	35,104	34,528
Due from U.S. Treasury, federal employee retention credit	22,000	129,706
Accrued interest	215	388
Prepaid expense	26,513	39,190
Total Current Assets	$ 1,400,861	$ 1,116,585
PROPERTY AND EQUIPMENT		
Operating lease right-of-use assets, net of amortization	$ 79,860	
Land and improvements	$ 23,493	$ 23,493
Building and improvements	117,287	117,287
Furniture and fixtures	57,734	116,965
	$ 198,514	$ 257,745
Less accumulated depreciation	(72,035)	(121,005)
	$ 126,479	$ 136,740
Total Property and Equipment, Net	$ 206,339	$ 136,740
OTHER ASSETS		
Cash and cash equivalents, held for long-term purposes	$ 205,995	$ 264,735
Deposits	200	
Investments	2,615,684	3,039,716
Beneficial interest in assets held by foundations	911,563	884,235
Total Other Assets	$ 3,733,442	$ 4,188,686
Total Assets	$ 5,340,642	$ 5,442,011

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 7,103	$ 3,405
Operating lease liabilities, current portion	36,512	
Allocations payable	1,076,450	1,177,061
Designations payable	247,132	397,245
Accrued wages and payroll liabilities	21,385	16,136
Accrued vacation	35,796	37,621
Accrued expenses	36,802	2,450
Total Current Liabilities	$ 1,461,180	$ 1,633,918
LONG-TERM LIABILITIES		
Operating lease liabilities	$ 80,573	
Less current portion	(36,512)	
Total Long-Term Liabilities	$ 44,061	
Total Liabilities	$ 1,505,241	$ 1,633,918
NET ASSETS		
Without donor restrictions		
Undesignated	$ 1,574,466	$ 1,571,916
Designated by board for quasi-endowment	950,000	950,000
	$ 2,524,466	$ 2,521,916
With donor restrictions		
Subject to purpose and time restrictions	$ 399,372	$ 401,942
Perpetual in nature	911,563	884,235
	$ 1,310,935	$ 1,286,177
Total Net Assets	$ 3,835,401	$ 3,808,093
Total Liabilities and Net Assets	$ 5,340,642	$ 5,442,011

HEART OF INDIANA UNITED WAY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE			
Gross campaign results	$ 1,670,422	$ 193,377	$ 1,863,799
Donor designations	(61,524)		(61,524)
Provision for uncollectible pledges	(62,468)		(62,468)
Net Campaign Results	$ 1,546,430	$ 193,377	$ 1,739,807
Designations from other United Ways	6,867		6,867
Service fees	55,128		55,128
Grants	66,774	491,242	558,016
In-kind contributions	15,000		15,000
Special events	69,909		69,909
Return on investments	215,520		215,520
Distributions and change in beneficial interest in assets held by foundations	106,739	27,904	134,643
Loss on disposal of assets	(2,127)		(2,127)
Miscellaneous income	40,149	1,216	41,365
Total Support and Revenue	$ 2,120,389	$ 713,739	$ 2,834,128
NET ASSETS RELEASED FROM RESTRICTIONS	$ 688,981	$ (688,981)	
EXPENSES			
Net funds distributed	$ 1,050,903		$ 1,050,903
Other program services	1,189,793		1,189,793
Total Program Services	$ 2,240,696		$ 2,240,696
Management and general	$ 228,344		$ 228,344
Fundraising	312,591		312,591
Unallocated payments to affiliate	25,189		25,189
Total Support Services	$ 566,124		$ 566,124
Total Expenses	$ 2,806,820		$ 2,806,820
CHANGE IN NET ASSETS	$ 2,550	$ 24,758	$ 27,308
NET ASSETS, BEGINNING OF YEAR	2,521,916	1,286,177	3,808,093
NET ASSETS, END OF YEAR	$ 2,524,466	$ 1,310,935	$ 3,835,401

2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 Totals	Change
$ 1,962,399	$ 137,207	$ 2,099,606	$ (235,807)
(117,984)		(117,984)	56,460
(239,913)		(239,913)	177,445
$ 1,604,502	$ 137,207	$ 1,741,709	$ (1,902)
(10,911)		(10,911)	17,778
14,974		14,974	40,154
72,947	1,270,468	1,343,415	(785,399)
19,692		19,692	(4,692)
87,683		87,683	(17,774)
(340,303)		(340,303)	555,823
(28,080)	(62,876)	(90,956)	225,599
(713)		(713)	(1,414)
193,233		193,233	(151,868)
$ 1,613,024	$ 1,344,799	$ 2,957,823	$ (123,695)
$ 1,392,723	$ (1,392,723)		
$ 1,559,516		$ 1,559,516	$ (508,613)
2,077,926		2,077,926	(888,133)
$ 3,637,442		$ 3,637,442	$ (1,396,746)
$ 283,709		$ 283,709	$ (55,365)
208,082		208,082	104,509
39,701		39,701	(14,512)
$ 531,492		$ 531,492	$ 34,632
$ 4,168,934		$ 4,168,934	$ (1,362,114)
$ (1,163,187)	$ (47,924)	$ (1,211,111)	$ 1,238,419
3,685,103	1,334,101	5,019,204	
$ 2,521,916	$ 1,286,177	$ 3,808,093	

HEART OF INDIANA UNITED WAY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contributions	$ 2,621,074	$ 3,576,908
Cash paid for designations and allocations	(1,301,627)	(2,212,109)
Cash paid to suppliers and employees	(1,579,636)	(1,931,735)
Interest received	86,420	69,716
Net Cash Used For Operating Activities	$ (173,769)	$ (497,220)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment		$ (5,987)
Interest reinvested in certificates of deposit	$ (132)	(186)
Cash received from certificates of deposit	145,617	118,982
Purchase of investments	(98,957)	(792,777)
Proceeds from sale of investments	529,047	435,844
Net Cash Provided By (Used For) Investing Activities	$ 575,575	$ (244,124)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 401,806	$ (741,344)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	696,747	1,438,091
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,098,553	$ 696,747

	2023	2022
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents, current	$ 892,558	$ 432,012
Cash and cash equivalents, held for long-term purposes	205,995	264,735
	$ 1,098,553	$ 696,747

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

	2023	2022
CHANGE IN NET ASSETS	$ 27,308	$ (1,211,111)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES		
Depreciation expense	$ 8,133	$ 7,677
Difference between operating lease liability payment and right-of-use asset amortization	713	
Loss on disposal of assets	2,127	713
Realized (gain) loss on sale of investments	53,622	(108,627)
Unrealized (gain) loss on investments	(205,164)	491,914
Cash flows provided by (used for) asset changes:		
Pledges receivable	187,459	(79,609)
Allowance for uncollectible pledges	(131,169)	237,246
Spendable balance of beneficial interest in assets held	(576)	96,786
Due from U.S. Treasury	107,706	27,501
Accrued interest	173	(388)
Prepaid expense	12,677	(11,300)
Deposits	(200)	
Beneficial interest in assets held by foundations	(27,328)	63,376
Cash flows provided by (used for) liability changes:		
Accounts payable	3,698	(80,397)
Allocations payable	(100,611)	162,198
Designations payable	(150,113)	(55)
Accrued wages and payroll liabilities	5,249	(77,994)
Accrued vacation	(1,825)	10,424
Accrued expenses	34,352	(25,574)
Total Adjustments	$ (201,077)	$ 713,891
NET CASH USED FOR OPERATING ACTIVITIES	$ (173,769)	$ (497,220)

HEART OF INDIANA UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FROM JUNE 30, 2022

	Program Services	Management and General	Fundraising	Unallocated Payments to Affiliate	2023 Totals
Gross distributions	$ 1,050,903				$ 1,050,903
Emergency allocations					
Net Funds Distributed	$ 1,050,903				$ 1,050,903
Salaries and wages	$ 321,800	$ 145,119	$ 156,688		$ 623,607
Payroll taxes and benefits	164,480	42,284	40,926		247,690
Total Personnel Costs	$ 486,280	$ 187,403	$ 197,614		$ 871,297
Campaign	3,304		9,314		12,618
Conferences, training, and meetings	29,499	457	737		30,693
Contract service fees	53,436				53,436
Depreciation	3,590	3,698	845		8,133
Equipment rental and maintenance	20,903	4,677	6,484		32,064
Program expense	347,108		169		347,277
Insurance	7,613	1,791	1,791		11,195
Marketing and advertising	31,396	1,237	9,073		41,706
Miscellaneous	63,520	3,115	2,599		69,234
Office supplies	5,461	837	877		7,175
Postage	2,043	372	372		2,787
Processing and accounting services	23,651	5,565	5,565		34,781
Professional fees	31,284	6,242	28,551		66,077
Rent	26,888	6,287	5,574		38,749
Repair and maintenance	3,895	1,286	917		6,098
Small equipment purchases	1,156	91	105		1,352
Special events	18,775	35	34,037		52,847
State and local association dues	9,669	2,101	2,101		13,871
Telephone	9,094	2,041	2,291		13,426
Travel	7,380	204	2,670		10,254
Utilities	2,810	661	661		4,132
Web page	1,038	244	244		1,526
Subtotal	$ 1,189,793	$ 228,344	$ 312,591		$ 1,730,728
United Way of America dues				$ 25,189	25,189
Total Expenses	$ 2,240,696	$ 228,344	$ 312,591	$ 25,189	$ 2,806,820

2022 Totals	Change
$ 1,264,516	$ (213,613)
295,000	(295,000)
$ 1,559,516	$ (508,613)
$ 635,380	$ (11,773)
241,595	6,095
$ 876,975	$ (5,678)
19,020	(6,402)
13,474	17,219
	53,436
7,677	456
27,750	4,314
1,271,008	(923,731)
6,781	4,414
41,496	210
41,906	27,328
6,481	694
3,229	(442)
81,392	(46,611)
43,609	22,468
36,565	2,184
6,399	(301)
600	752
40,510	12,337
19,683	(5,812)
13,075	351
7,362	2,892
3,621	511
1,104	422
$ 2,569,717	$ (838,989)
39,701	(14,512)
$ 4,168,934	$ (1,362,114)

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
Program 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	29,960	6,829	5,117		41,906
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
Small equipment purchases	241	206	153		600
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) was formed in 1925 as a voluntary not-for-profit organization. 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 conducts year-round fundraising efforts to support programs, services, and agencies and is governed by a volunteer board of directors. Donations are solicited from the public in Delaware, Fayette, Henry, Madison, and Randolph Counties with grant funding to provided to the various supported not-for-profit agencies in those counties that it serves.

2. 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”.

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.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Leases

The Organization leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities on the balance sheet.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Leases (continued)

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free discount rate available to non-public entities based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain equipment leases, like vehicles, the Organization accounts for the lease and non-lease components as a single lease. Additionally, for certain equipment leases, the Organization applies a portfolio approach to account for the operating lease ROU assets and liabilities.

Certain lease agreements include provisions for variable rent payments, which are adjusted periodically for inflation. None of the lease agreements contain any material residual value guarantees or restrictive covenants.

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, 2023 and 2022, was $8,133 and $7,677, respectively.

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.

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

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.

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 pledge’s 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 years ended June 30, 2023 and 2022, the Organization has recorded the value of contributions meeting the requirements for recognition in the financial statements. In-kind contribution revenue is recognized as of June 30, as follows:

	2023	2022
Advertising	$ 15,000	$ 15,179
Special events		4,410
Other		103
	$ 15,000	$ 19,692

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Donated Services

During the years ended June 30, 2023 and 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.

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.

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

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) - Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization adopted ASU 2016-02 and its related amendments as of July 1, 2022, which resulted in the recognition of operating right-of-use assets totaling $116,908, as well as operating lease liabilities totaling $116,908. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts or disclosures. The related policy elections made by the Organization can be found in Note 2 – Summary of Significant Accounting Policies and the additional lease disclosures can be found in Note 8. There was no cumulative effect adjustment to the opening balance of retained earnings required.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

3. 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, 2023 and 2022, are comprised as follows:

	2023	2022
Operating Financial Assets:		
Cash and cash equivalents (less donor restriction)	$ 892,558	$ 432,012
Pledges receivable, net of allowance for uncollectible pledges	424,471	480,761
Spendable balance of beneficial interest receivable	35,104	34,528
Due from U.S. Treasury	22,000	129,706
Investments	1,266,312	1,687,774
	$ 2,640,445	$ 2,764,781

	2023	2022
Reconciliation of Net Assets Without Donor Restrictions to Financial Assets Available to Meet Cash Needs:		
Undesignated net assets	$ 1,574,466	$ 1,571,916
Less:		
Accrued interest	(215)	(388)
Prepaid expense	(26,513)	(39,190)
Property and equipment, net	(206,339)	(136,740)
Cash, held for long-term purposes	(205,995)	(264,735)
Deposits	(200)	
Add:		
Accounts payable	7,103	3,405
Allocations payable	1,076,450	1,177,061
Designations payable	247,132	397,245
Accrued wages and payroll liabilities	21,385	16,136
Accrued vacation	35,796	37,621
Accrued expenses	36,802	2,450
Operating lease liabilities	80,573	
	$ 2,640,445	$ 2,764,781

The Organization’s annual operating cash needs are determined during their budgeting process. Available cash balances are 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

4. INVESTMENTS

The Organization's investments at June 30, 2023 and 2022, are as follows:

	2023	2022
Certificates of deposit		$ 145,485
United Way Stabilization Fund	$ 745,491	694,756
Northwest Trust Services investments	591,438	557,208
Stifel investments	1,278,755	1,642,267
Total Investments	$ 2,615,684	$ 3,039,716

The Organization's investment returns for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Interest and dividends	$ 86,247	$ 70,104
Realized gain (loss) on investment	(53,622)	108,627
Unrealized gain (loss) on investment	205,164	(491,914)
Administrative and investment fees	(22,269)	(27,120)
Total Return on Investments	$ 215,520	$ (340,303)

5. 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.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2023, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, Beginning of Year	$ 34,528	$ 884,235	$ 918,763
Contributions	71,825		71,825
Transfers	40,698	(40,698)	
Investment Return:			
Investment income, net of fees		4,019	4,019
Appreciation of investment		64,007	64,007
Grants	(111,947)		(111,947)
Net Assets, End of Year	$ 35,104	$ 911,563	$ 946,667

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Change in endowment net assets for the years 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, 2023 and 2022, are summarized as follows:

	2023	2022
Beneficial interest in assets held by:		
The Community Foundation of Muncie and Delaware County, Inc.	$ 577,022	$ 562,633
Madison County Community Foundation	334,541	321,602
	$ 911,563	$ 884,235
Spendable balance of beneficial interest receivable	35,104	34,528
Total assets held by community foundations	$ 946,667	$ 918,763

6. 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

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

Assets measured at fair value on a recurring basis at June 30, 2023 and 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)
June 30, 2023				
United Way Stabilization Fund	$ 745,491			$ 745,491
Investments				
Northwest Trust Services	591,438	$ 591,438		
Stifel	1,278,755	1,278,755		
Beneficial interest in assets held by foundations	911,563			911,563
Spendable balance of beneficial interest receivable	35,104			35,104
	$ 3,562,351	$ 1,870,193	$ - 0 -	$ 1,692,158
June 30, 2022				
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

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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, 2023 and 2022:

	2023	2022
Beginning of year	$ 1,613,519	$ 1,915,090
Total Increases (Decreases) Included in Changes in Net Assets:		
Contributions	71,825	59
Interest and dividends	25,038	20,940
Realized gains (losses)	(925)	48,375
Unrealized gains (losses) - Stabilization Fund	51,159	(78,258)
Unrealized gains (losses) - beneficial interest	64,007	(53,555)
Grants paid	(111,947)	(215,616)
Investment expense	(20,518)	(23,516)
End of year	$ 1,692,158	$ 1,613,519

7. PLEDGES RECEIVABLE

The pledges receivable balance at June 30, 2023 and 2022, is summarized as follows:

	Pledge Receivable	Allowance for Uncollectible Pledges	Net Balance
June 30, 2023			
2023 campaign due within one year	$ - 0 -	$ - 0 -	$ - 0 -
2022 campaign due within one year	411,610	29,554	382,056
2021 campaign due within one year	172,596	130,181	42,415
2020 campaign due within one year	194,865	194,865	- 0 -
	$ 779,071	$ 354,600	$ 424,471
June 30, 2022			
2022 campaign due within one year	$ 7,135	$ - 0 -	$ 7,135
2021 campaign due within one year	527,476	98,000	429,476
2020 campaign due within one year	236,571	194,886	41,685
2019 campaign due within one year	195,348	192,883	2,465
	$ 966,530	$ 485,769	$ 480,761

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

8. OPERATING LEASES

The Organization has various operating leases for real estate and equipment. The Organization also has certain leases with terms less than 12 months for which the Organization has elected to recognize in operating expense on the straight-line basis.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 10 years. Only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. Certain lease agreements include variable payments based on a percentage of use over contractual levels, which are not determinable at lease commencement and are not included in the measurement of the lease asset and liabilities. The Organization has elected to apply the short-term lease exception to any lease with a term of one year or less. Short-term lease costs do not reflect ongoing short-term lease commitments.

The following summarizes the income statement line items within the statement of functional expense for the years ended June 30, 2023 and 2022:

	2023	2022
Equipment rental and maintenance	$ 1,524	$ 1,524
Rent	38,749	36,565
Telephone	6,799	3,283
	$ 47,072	$ 41,372

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term	2.25 years
Weighted average discount rate	0.49%

The maturities of operating lease liabilities as of June 30, were as follows:

Year Ending June 30	Amount
2024	$ 36,512
2025	36,225
2026	7,326
2027	1,016
	$ 81,079
Less imputed interest	(506)
Present value of lease liabilities	$ 80,573

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

9. Designations Payable

The designations payable balance at June 30, 2023 and 2022, is summarized as follows:

	2023	2022
2022 Campaign	$ 244,522	$ 198,026
2021 Campaign	101	157,153
2020 Campaign	2,509	29,232
2019 Campaign		12,834
	$ 247,132	$ 397,245

10. Net Assets With Donor Restrictions

As of June 30, 2023 and 2022, donor restricted net assets consist of:

	2023	2022
Perpetual endowment funds	$ 911,563	$ 884,235
UnitedIN20 grant		264,735
UnitedIN22 grant	165,113	
Grade Level Reading Coordinator grant	37,797	
2-1-1 grant	3,085	
Time restrictions	193,377	137,207
	$ 1,310,935	$ 1,286,177

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

11. **NET ASSETS WITH DONOR RESTRICTIONS** (continued)

During the years ended June 30, 2023 and 2022, donor restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2023	2022
UnitedIN18 grant		$ 118,971
UnitedIN20 grant	$ 264,735	18,263
UnitedIN22 grant	96,507	
Grade Level Reading Coordinator grant	20,203	
2-1-1 grant	12,765	
Covering Kids & Family grant	67,772	56,638
Dolly Parton's Imagination Library grant	50,000	
Weatherization grant	38,000	
Merger grant		20,000
ERI grant		1,038,592
COVID-19 grant	1,216	13,033
Time restrictions	137,207	123,046
Other	576	4,180
	$ 688,981	$ 1,392,723

At June 30, 2023 and 2022, the “cash and cash equivalent, held for long-term purposes” balance on the statement of financial position included donor restricted net assets totaling $205,995 and $264,735, respectively.

12. **DESCRIPTION OF PROGRAM SERVICES**

Heart of Indiana United Way, Inc. unites donors, volunteers, and advocates to fight for the education, financial stability, and health of every person in every community. Across Delaware, Fayette, Henry, Madison, and Randolph Counties, over 40% of all households struggle. Many are working, yet living paycheck-to-paycheck and are at risk of sliding into poverty. Through collective impact strategies rooted in public knowledge and data, The Organization works to create sustainable, equitable change for people across the heart of Indiana.

Heart of Indiana United Way, Inc. works continuously to turn outward and ensure work is driven by community will. Through ongoing community conversations with people from all demographics, community members have clearly and repeatedly shared their hopes for: ensuring children’s success in school and life by protecting their right to read; emboldening families’ economic mobility with stronger systems of support; and ensuring the nonprofits providing basic needs supports are resilient. The Organization builds authentic relationships for collective impact. Together, staff, volunteers, donors, and advocates are reminding families of their power and sharing resources that foster success, as well as engaging communities around United Way’s work for greater outcomes.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

13. 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 $49,781 and $56,174, respectively for the years ended June 30, 2023 and 2022.

14. 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, 2023, campaign pledges were received from six local contributors which were approximately 43% of the Organization's total current year gross campaign results. 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.

15. 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, 2023, the balances in these accounts may have exceeded the maximum insurable amount of $250,000. At June 30, 2023, the Organization had accounts in excess of the $250,000 FDIC threshold totaling $633,643. 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.

16. 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.

HEART OF INDIANA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

17. 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, 2023 and 2022.