

**UNITED WAY OF THE
GREATER TRIANGLE, INC.**

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2020 and 2019

And Report of Independent Auditor

UNITED WAY OF THE GREATER TRIANGLE, INC.

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Report of Independent Auditor

To the Board of Directors
United Way of the Greater Triangle, Inc.
Morrisville, North Carolina

We have audited the accompanying financial statements of United Way of the Greater Triangle, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Greater Triangle, Inc. as of June 30, 2020 and 2019, 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.



Raleigh, North Carolina
October 14, 2020

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,892,227	\$ 3,461,385
Investments	20,724	20,724
Beneficial interest in pooled funds	196,705	189,762
Contributions receivable, net	2,239,718	2,626,169
Other receivables	7,070	129,903
Prepaid expenses and other	43,548	40,735
Total Current Assets	6,399,992	6,468,678
Property and equipment, net	388,092	491,044
Total Assets	\$ 6,788,084	\$ 6,959,722
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Donor designations payable	\$ 541,130	\$ 548,737
Allocations payable	3,571,699	3,571,699
Accounts payable and accrued expenses	165,437	253,088
Current portion of tenant lease incentives	28,800	28,800
Current portion of capital lease obligations	9,197	11,589
Deferred income	25,277	-
Total Current Liabilities	4,341,540	4,413,913
Deferred rent	44,746	57,301
Tenant lease incentives	119,977	148,773
Capital lease obligations, net of current portion	8,267	17,730
Total Liabilities	4,514,530	4,637,717
Net Assets:		
Without Donor Restrictions:		
Designated by the Board for response initiatives	32,705	32,705
Undesignated	1,828,429	1,750,259
Total Without Donor Restriction	1,861,134	1,782,964
With Donor Restrictions	412,420	539,041
Total Net Assets	2,273,554	2,322,005
Total Liabilities and Net Assets	\$ 6,788,084	\$ 6,959,722

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

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Support and Revenue:			
Campaign Promises to Give Received:			
Prior year campaigns	\$ 315,930	\$ -	\$ 315,930
Current year campaigns	9,073,429	-	9,073,429
Less donor designations to other agencies	(2,146,474)	-	(2,146,474)
Less estimated uncollectible promises to give	(205,535)	-	(205,535)
Net Campaign Revenue	<u>7,037,350</u>	<u>-</u>	<u>7,037,350</u>
Grants	54,978	426,177	481,155
Administrative fees earned	12,753	-	12,753
Investment income	24,413	-	24,413
Gifts in kind	10,850	-	10,850
Other income	281,789	-	281,789
	<u>384,783</u>	<u>426,177</u>	<u>810,960</u>
Net assets (released from) additions to restrictions	<u>552,798</u>	<u>(552,798)</u>	<u>-</u>
Total Support and Revenue	<u>7,974,931</u>	<u>(126,621)</u>	<u>7,848,310</u>
Expenses:			
Program Expenses:			
Community investments	4,894,295	-	4,894,295
Direct services	489,031	-	489,031
Community impact	584,959	-	584,959
Supporting Services:			
Fundraising	1,071,902	-	1,071,902
Administration	856,574	-	856,574
Total Expenses	<u>7,896,761</u>	<u>-</u>	<u>7,896,761</u>
Changes in net assets	78,170	(126,621)	(48,451)
Net assets, beginning of year	<u>1,782,964</u>	<u>539,041</u>	<u>2,322,005</u>
Net assets, end of year	<u>\$ 1,861,134</u>	<u>\$ 412,420</u>	<u>\$ 2,273,554</u>

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Support and Revenue:			
Campaign Promises to Give Received:			
Prior year campaigns	\$ 279,264	\$ -	\$ 279,264
Current year campaigns	8,306,031	-	8,306,031
Less donor designations to other agencies	(2,423,751)	-	(2,423,751)
Less estimated uncollectible promises to give	(274,103)	-	(274,103)
Net Campaign Revenue	<u>5,887,441</u>	<u>-</u>	<u>5,887,441</u>
Grants	318,130	364,669	682,799
Administrative fees earned	74,935	-	74,935
Investment income	14,827	-	14,827
Other income	31,259	-	31,259
	<u>439,151</u>	<u>364,669</u>	<u>803,820</u>
Net assets (released from) additions to restrictions	<u>145,506</u>	<u>(145,506)</u>	<u>-</u>
Total Support and Revenue	<u>6,472,098</u>	<u>219,163</u>	<u>6,691,261</u>
Expenses:			
Program Expenses:			
Community investments	3,542,581	-	3,542,581
Direct services	375,249	-	375,249
Community impact	815,448	-	815,448
Supporting Services:			
Fundraising	950,124	-	950,124
Administration	787,193	-	787,193
Total Expenses	<u>6,470,595</u>	<u>-</u>	<u>6,470,595</u>
Changes in net assets	1,503	219,163	220,666
Net assets, beginning of year	<u>1,781,461</u>	<u>319,878</u>	<u>2,101,339</u>
Net assets, end of year	<u>\$ 1,782,964</u>	<u>\$ 539,041</u>	<u>\$ 2,322,005</u>

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

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services				Support Services			
	Community	Direct	Community	Total	Fundraising	Administration	Total	Total
	Investments	Services	Impact					
Distributions to community agencies	\$ 4,894,295	\$ -	\$ 100	\$ 4,894,395	\$ -	\$ -	\$ -	\$ 4,894,395
Salaries and temporary help	-	229,017	341,231	570,248	701,946	384,165	1,086,111	1,656,359
Promotion, printing, and supplies	-	2,015	9,929	11,944	13,371	10,106	23,477	35,421
Membership dues and subscriptions	-	759	3,156	3,915	8,180	5,026	13,206	17,121
Rent and occupancy costs	-	2,422	13,782	16,204	23,712	38,559	62,271	78,475
Payroll taxes	-	14,393	30,585	44,978	32,402	3,356	35,758	80,736
Employee benefits	-	69,567	79,607	149,174	108,614	11,695	120,309	269,483
Contracted services and technical consultation	-	115,866	1,200	117,066	25,833	110,020	135,853	252,919
Depreciation	-	3,847	21,802	25,649	38,474	64,124	102,598	128,247
Affiliation dues	-	-	-	-	-	107,322	107,322	107,322
Conferences, travel, and training	-	31,744	21,728	53,472	22,924	5,737	28,661	82,133
Business/financial service fees	-	3,695	-	3,695	-	29,071	29,071	32,766
Professional fees	-	-	-	-	-	41,790	41,790	41,790
Office services and supplies	-	3,440	5,993	9,433	13,192	13,041	26,233	35,666
Computer services and supplies	-	1,669	46,903	48,572	15,701	26,168	41,869	90,441
Special events	-	10,267	7,075	17,342	64,256	-	64,256	81,598
Insurance	-	330	1,868	2,198	3,297	5,494	8,791	10,989
Interest expense	-	-	-	-	-	900	900	900
	<u>\$ 4,894,295</u>	<u>\$ 489,031</u>	<u>\$ 584,959</u>	<u>\$ 5,968,285</u>	<u>\$ 1,071,902</u>	<u>\$ 856,574</u>	<u>\$ 1,928,476</u>	<u>\$ 7,896,761</u>

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

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services				Support Services			
	Community	Direct	Community	Total	Fundraising	Administration	Total	Total
	Investments	Services	Impact					
Distributions to community agencies	\$ 3,542,581	\$ 192,808	\$ -	\$ 3,735,389	\$ -	\$ -	\$ -	\$ 3,735,389
Salaries and temporary help	-	44,220	416,821	461,041	592,008	411,860	1,003,868	1,464,909
Promotion, printing, and supplies	-	3,306	20,558	23,864	26,709	19,736	46,445	70,309
Membership dues and subscriptions	-	390	2,794	3,184	2,198	3,967	6,165	9,349
Rent and occupancy costs	-	3,085	13,277	16,362	12,297	58,735	71,032	87,394
Payroll taxes	-	2,550	32,126	34,676	42,011	27,949	69,960	104,636
Employee benefits	-	5,802	74,453	80,255	85,225	53,883	139,108	219,363
Contracted services and technical consultation	-	110,610	62,652	173,262	25,728	17,097	42,825	216,087
Depreciation	-	3,470	32,943	36,413	46,907	32,278	79,185	115,598
Affiliation dues	-	3,521	33,423	36,944	47,591	32,749	80,340	117,284
Conferences, travel, and training	-	1,317	47,168	48,485	26,866	15,052	41,918	90,403
Business/financial service fees	-	-	-	-	-	23,687	23,687	23,687
Professional fees	-	-	-	-	-	36,605	36,605	36,605
Office services and supplies	-	1,382	6,277	7,659	9,591	20,248	29,839	37,498
Computer services and supplies	-	1,842	62,090	63,932	14,917	24,770	39,687	103,619
Special events	-	689	9,606	10,295	16,931	943	17,874	28,169
Insurance	-	257	1,260	1,517	1,145	5,909	7,054	8,571
Interest expense	-	-	-	-	-	1,725	1,725	1,725
	<u>\$ 3,542,581</u>	<u>\$ 375,249</u>	<u>\$ 815,448</u>	<u>\$ 4,733,278</u>	<u>\$ 950,124</u>	<u>\$ 787,193</u>	<u>\$ 1,737,317</u>	<u>\$ 6,470,595</u>

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

UNITED WAY OF THE GREATER TRIANGLE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (48,451)	\$ 220,666
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation expense	128,247	115,598
Realized and unrealized gains on investments	-	(356)
Realized and unrealized gains on beneficial interest in pooled funds	(6,943)	(4,904)
Change in net assets and liabilities:		
Contributions receivable, net	386,451	136,157
Other receivables	122,833	(38,731)
Prepaid expenses and other	(2,813)	19,230
Donor designations payable	(7,607)	(132,505)
Allocations payable	-	550,487
Accounts payable, accrued expenses, and other liabilities	(87,651)	124,300
Deferred income	25,277	-
Deferred rent	(12,555)	29,430
Tenant lease incentives	(28,796)	(28,796)
Net cash flows from operating activities	<u>467,992</u>	<u>990,576</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(25,295)</u>	<u>(1,546)</u>
Net cash flows from investing activities	<u>(25,295)</u>	<u>(1,546)</u>
Cash flows from financing activities:		
Payments made under capital lease obligations	<u>(11,855)</u>	<u>(9,219)</u>
Net cash flows from financing activities	<u>(11,855)</u>	<u>(9,219)</u>
Net increase in cash and cash equivalents	430,842	979,811
Cash and equivalents, beginning of year	<u>3,461,385</u>	<u>2,481,574</u>
Cash and equivalents, end of year	<u>\$ 3,892,227</u>	<u>\$ 3,461,385</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 900</u>	<u>\$ 1,725</u>
Property and equipment acquired under capital lease	<u>\$ -</u>	<u>\$ 15,553</u>

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

UNITED WAY OF THE GREATER TRIANGLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Organization and significant accounting policies and practices

Organization – United Way of the Greater Triangle, Inc. (the “Organization”) was formed in 1996 for the purpose of supporting the health, education, and financial stability of every person in the community with the consolidated resources of the Durham County, Johnson County, Orange County, and Wake County United Way organizations. The Organization conducts Triangle-wide fundraising activities on behalf of the counties it encompasses.

Basis of Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting. In preparing its financial statements, the Organization’s net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which require the Organization to report information regarding its financial position and activities in the following two classes:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the mission of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors (the “Board”). The use of some net assets without donor restrictions may be further limited by board designations, including quasi-endowment or other designations.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Generally, when donors impose perpetual restrictions on their gifts, this permits the Organization to use all or part of the earnings on related investments for general or specific purposes.

Current Year Implementations – The Organization has adopted Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The Organization adopted this standard during the year ended June 30, 2020, and has adjusted the presentation of the statements accordingly. The update had no impact on prior year net assets.

The Organization also adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing the users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue. The Organization adopted this standard during the year ended June 30, 2020, and has adjusted the presentation of the statements accordingly. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Future Pronouncements – In February 2016, the Federal Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the Organization on July 1, 2022. Early adoption is permitted. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

UNITED WAY OF THE GREATER TRIANGLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Organization and significant accounting policies and practices (continued)

Cash and Cash Equivalents – The Organization considers all demand deposits at financial institutions and all highly liquid debt instruments purchased with original maturities of three months or less to be cash and cash equivalents. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. The Organization had \$3,064,315 and \$2,479,025 of cash and cash equivalents in excess of these insured amounts as of June 30, 2020 and 2019, respectively.

Investments – Investments are recorded at fair value with realized and unrealized gains and losses included in the accompanying statements of activities. The fair value of investment securities is determined by reference to exchange or dealer-quoted market prices at year-end.

Financial Instruments and Credit Risk Concentration – Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of short-term investments (cash equivalents), beneficial interest in pooled funds, and contributions receivable. The Organization's investment policy is intended to limit its exposure to credit risk. The Organization has not experienced any significant losses in such accounts and believes it is not exposed to any significant financial risk therein.

Contributions Receivable – Unconditional promises to give are expected to be collected within one campaign cycle, which is typically the 18-month period beginning each August. Conditional promises to give are not included as support until such time as the conditions upon which they depend are substantially met.

An allowance for uncollectible, undesignated promises to give is established at the completion of each annual campaign cycle. The Organization's estimate for the allowance for uncollectible promises to give is based on its historical experience of the relationship between actual bad debts for a campaign year and the related net campaign revenues for the same campaign year. The allowance for uncollectible promises to give as of June 30, 2020 and 2019 was \$376,420 and \$253,650, respectively, and represent 4.4% and 4.3% of unrestricted giving in the 2019 and 2018 campaign cycles, respectively.

Designations – Designations result from contributions directed to individual organizations and agencies by the donor. When received, these funds are distributed to the intended organizations, net of an administrative fee (if applicable).

Property and Equipment – Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years. Maintenance, repairs, and minor equipment purchases are expensed when incurred. It is the Organization's policy to capitalize expenses that are greater than \$1,500. No donated assets were received during the years ended June 30, 2020 and 2019.

Contributions – Contributions are recognized as revenue at the time the contribution or unconditional promise to give is received either by the Organization or an agent of the Organization, net of estimated uncollectible amounts. All contributions are considered available for use unless specifically restricted by the donor. Amounts restricted by time or purpose are reported as support with donor restrictions and increase those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or donor restriction is met, contributions are reported as net assets released from restrictions in the statements of activities and changes in net assets.

UNITED WAY OF THE GREATER TRIANGLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Organization and significant accounting policies and practices (continued)

Investment Income – Investment income is credited to net assets without donor restrictions in the period earned, unless such income has been designated as restricted by donors.

Grants – The Organization receives grant income from private industry sources to help support its direct service efforts. The Organization recognized \$481,155 and \$682,799 in the years ended June 30, 2020 and 2019, respectively.

Functional Classification of Expenses – Operating expenses are allocated to specific functions based on management estimates of time and resources devoted to those functions. The following functional expense classifications are included in the foregoing financial statements:

Community Investments – Community Investments result from contributions directed to the Organization's general fund or other broad based initiatives. These funds are allocated for distribution to various agencies and programs based on need and other criteria deemed appropriate by the Board. Community Investments are accrued as allocations payable when approved by the Board or subcommittees with delegated authority.

Direct Services – Includes activities that deliver services funded by other sources other than the annual campaign, including:

- United Way 2-1-1, a community human services information and referral service which links individuals in need of services to those available services in the community.
- Teaming for Technology, a community service of the Organization, refurbishes donated computer equipment for nonprofit organizations and educational institutions to help them leverage resources, enhance delivery of services, and improve technological efficiencies. The donated computer equipment received is not recorded as an asset by the Organization.

Community Impact – Includes activities for ensuring that donors' gifts are invested wisely in the community and to examine the needs in each county and to determine how Organization resources can be maximized to achieve measurable results. The Organization's Community Impact function uses assessments and other data to identify best investment opportunities for donated dollars.

Fundraising – Includes activities of the Organization's Resource Development Department, which has primary responsibility for cultivating fundraising efforts for the Organization. This department cultivates new resources and opportunities to support health and human services in the communities of Durham, Johnston, Wake, and Orange counties. Through the Organization's Give United Fund, donations are directed to meeting the most critical needs in the local community.

Administration – Includes costs of activities related to the overall direction of the Organization. These expenses are not identifiable with a particular program or fundraising activity, but are indispensable to the conduct of those activities and essential to the Organization. Specific activities include organization oversight, business management, human resources, finance, and information technology.

UNITED WAY OF THE GREATER TRIANGLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Organization and significant accounting policies and practices (continued)

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect 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.

Tax Status – The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax under the provisions of Section 501(a). Certain non-exempt activities are subject to federal income taxes. No such non-exempt activities were undertaken during the periods ended June 30, 2020 and 2019.

The Organization follows FASB guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is "more likely than not" (more than a 50% likelihood) the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2020 and 2019 and, accordingly, no liability has been accrued.

Note 2—Liquidity and availability of resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,892,227	\$ 3,461,386
Investments	20,724	20,724
Beneficial interest in pooled funds	196,705	189,762
Contributions receivable, net	2,239,718	2,626,169
Other receivables	7,070	129,903
Total financial assets	<u>6,356,444</u>	<u>6,427,944</u>
Less amounts not available for general expenditures within one year:		
Net assets with donor restrictions	(412,420)	(539,041)
Beneficial interest in pooled funds, non-spendable portion	<u>(81,591)</u>	<u>(77,689)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 5,862,433</u>	<u>\$ 5,811,214</u>

Assets without restrictions with board designation could be made available, if necessary, for general expenditure and therefore are reported in balances presented above.

UNITED WAY OF THE GREATER TRIANGLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 2—Liquidity and availability of resources (continued)

As part of the Organization’s liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. The Organization is also supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donor or grantor. Thus, financial assets maintained with restrictions may not be available for general expenditures within one year.

Note 3—Investments and beneficial interest in pooled funds

Investments and beneficial interest in pooled funds as of June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 20,724	\$ 20,724
Beneficial interest in pooled funds	196,705	189,762
Total investments and beneficial interest in pooled funds	<u>\$ 217,429</u>	<u>\$ 210,486</u>

The Organization’s investments are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the current and potential future volatility in the financial markets, it is possible that changes in the investment values and liquidity could occur in the near term and could materially affect the reported investment values in the accompanying statements of financial position.

Certificates of Deposits – For the years ended June 30, 2020 and 2019, the Organization held a certificate of deposit with a maturity in excess of three months of \$20,724 for each year. Certificates of deposit are stated at cost which approximates fair value.

Beneficial Interest in Pooled Funds – The Organization has established an endowment style pooled investment fund that is administered by the Triangle Community Foundation Legacy Society (the “Fund”). The fund consists of cash, money market, equity, fixed income, debt securities and alternative investments. The endowed assets are reported at fair value based on available market prices and data. Each year a portion of the Fund’s balance is considered spendable, without donor restrictions, and invested in cash or a similarly liquid investment. The remainder of the balance is considered endowed, non-spendable, with donor restrictions, and used to generate future earnings. For the years ended June 30, 2020 and 2019, the Organization held investments in the Fund of \$196,705 (with \$115,114 spendable) and \$189,762 (with \$112,073 spendable), respectively. The fair value of the Organization’s proportional share of alternative investments held in the Fund as of June 30, 2020 and 2019 was \$24,174 and \$26,898, respectively.

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Note 4—Property and equipment

Property and equipment consisted of the following as of June 30:

	2020	2019
Computer, equipment, and software	\$ 322,571	\$ 302,572
Furniture and fixtures	97,189	91,894
Office equipment	118,306	145,360
Leasehold improvements	362,656	335,601
	<u>900,722</u>	<u>875,427</u>
Accumulated depreciation	(512,630)	(384,383)
Property and equipment, net	<u>\$ 388,092</u>	<u>\$ 491,044</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$128,247 and \$115,598, respectively.

Note 5—Fair values of financial instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Fair value approximates book value for the following financial instruments due to their short-term nature: cash and cash equivalents, campaign promises to give, accounts payable, and accrued expenses.

Note 6—Fair value measurements of assets and liabilities

In accordance with guidance on fair value measurements for financial instruments, fair value is defined as the price that the Organization would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between 1) inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs), and 2) inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the fair value of the Organization's financial instruments.

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Note 6—Fair value measurements of assets and liabilities (continued)

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

Level 1 – Financial instruments with unadjusted, quoted prices listed on active market exchanges for identical investments at the reporting date. The types of financial instruments which would generally be included in Level 1 are listed mutual funds.

Level 2 – Financial instruments valued using pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable at the reporting date. Fair value is determined through use of models or other valuation methodologies.

Level 3 – Financial instruments that are not actively traded on a market exchange and typically require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by management or the investment manager.

The following table summarizes the valuation of the Organization’s financial assets measured at fair value on a recurring basis as of June 30, 2020 and 2019, based on the level of input utilized to measure fair value:

As of June 30, 2020	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ 20,724	\$ -	\$ -	\$ 20,724
Beneficial interest in pooled funds				196,705
Total investments and beneficial interest in pooled funds				\$ 217,429
As of June 30, 2019	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ 20,724	\$ -	\$ -	\$ 20,724
Beneficial interest in pooled funds				189,762
Total investments and beneficial interest in pooled funds				\$ 210,486

In determining fair value, the Organization uses various valuation approaches within FASB Accounting Standards Codification (“ASC”) 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy.

Certificate of Deposits – Cash equivalents are in active markets and classified within Level 1 of the valuation hierarchy.

Beneficial Interest in Pooled Funds – In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position. Beneficial interest in pooled funds are valued at the net asset value (“NAV”) provided by the administrator of the funds as a practical expedient to determine fair value. NAV is based on the value of the funds’ underlying assets and liabilities. The beneficial interest in pooled funds include equity investments, fixed investments, real assets, real estate, and private equity investments.

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Note 7—Board designated net assets

The Organization’s Board has the ability to designate net assets for certain funds. A description of those funds is as follows:

Response Funds – The intent of response funds is to allocate one-time grants to nonprofit health and human services agencies to address needs in the following categories: unanticipated emergencies, community partnership opportunities, and discretionary funds for individual/family needs. Community Investment committees, sub-committees of the Board, review and recommend grants throughout the year.

Board Designated Net Assets – As of June 30, 2020, the Board had designated net assets to specific counties in the Greater Triangle region of North Carolina as follows:

	For the Benefit of				
	Durham	Orange	Wake	Johnston	Total
Response funds	\$ 8,015	\$ 1,814	\$ 22,738	\$ 138	\$ 32,705

As of June 30, 2019, the Board had designated net assets to specific counties in the Greater Triangle region of North Carolina as follows:

	For the Benefit of				
	Durham	Orange	Wake	Johnston	Total
Response funds	\$ 8,015	\$ 1,814	\$ 22,738	\$ 138	\$ 32,705

Note 8—Net assets with donor restrictions

The Organization’s net assets with donor restrictions consist of the following as of June 30:

	2020	2019
Youth Thrive	\$ 74,883	\$ 158,388
Triangle Family Education Fund	-	4,500
Triangle Business Diversity Council	-	250
Durham One Fund	185,045	252,169
Suther Funds	40,900	40,900
Other	111,592	82,834
	\$ 412,420	\$ 539,041

Note 9—Operating leases

The Organization has an office facility lease. The 90-month lease term includes an annual escalation, with rent recognized on the straight-line basis over the full term of the lease. Rent expense related to this lease was \$112,527 and \$110,166 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the Organization had a deferred liability of \$44,746 and \$57,301, respectively, related to straight-line rent adjustments. The lease includes a tenant improvement allowance for up to \$40 per square foot. The Organization reported as of June 30, 2020 and 2019, respectively, a tenant lease incentive liability of \$148,777 and \$177,573 which is being amortized over the life of the lease.

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Note 9—Operating leases (continued)

Future minimum lease payments under the office lease is as follows:

Fiscal Years Ending June 30:

2021	\$ 113,834
2022	117,249
2023	120,767
2024	124,390
2025	128,122
Thereafter	<u>21,776</u>
	<u>\$ 626,138</u>

Note 10—Retirement plans

The Organization previously sponsored a non-contributory defined contribution pension plan, which was frozen in the 2016 fiscal year that covered all employees who qualify as to age and length of service. The Organization has stopped funding this plan.

The Organization established a thrift plan, which is available to all employees who meet the eligibility requirements. The thrift plan includes an employer match up to a maximum employee contribution of 4% of eligible salary. Employer contributions to the thrift plan for the years ended June 30, 2020 and 2019 were \$38,859 and \$45,951, respectively.

Note 11—COVID-19 pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (“COVID-19”) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Organization operates. The Organization’s office was initially closed to all staff and volunteers temporarily for the safety of employees, families, and the community. The Organization began reopening in June 2020 using a phased approach that allows a small number of employees to return to work.

While it is unknown how long these conditions will last and what the complete financial impact will be to the Organization, they are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business and are unable at this time to predict the continued impact that COVID-19 will have on the Organization, financial position, and operating results in future periods due to numerous uncertainties.

On April 29, 2020, the Organization received a Paycheck Protection Program (“PPP”) loan for \$307,000 from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This loan was funded by SunTrust Bank. PPP funds are considered conditional contributions, with right of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (rent and utilities) incurred following the receipt of the loan funds. The Organization recognized \$281,789 as miscellaneous income and \$25,277 in deferred income. The Organization elected to treat the PPP loan as deferred income and recognizes income on a systematic basis as the conditions to obtain forgiveness are met.

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Note 12—Subsequent events

The Organization has evaluated subsequent events through October 14, 2020, which represents the date the financial statements were available to be issued.