

UNITED WAY OF CENTRAL OREGON
FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Central Oregon
Bend, Oregon

We have audited the accompanying financial statements of The Deschutes United Way dba United Way of Central Oregon (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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 audits 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Deschutes United Way dba United Way of Central Oregon 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.

A handwritten signature in black ink that reads "Jones & Roth P.C." in a cursive, flowing script.

Jones & Roth, P.C.
Bend, Oregon
January 26, 2021

FINANCIAL STATEMENTS

UNITED WAY OF CENTRAL OREGON
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,804,814	\$ 934,623
Investments	126,434	133,703
Pledges receivable, net	161,501	158,179
Grant receivable	-	883,588
Other current assets	2,210	2,693
Total current assets	2,094,959	2,112,786
Beneficial interest in assets held by others	204,404	214,107
Property and equipment, net	9,558	5,004
Total assets	\$ 2,308,921	\$ 2,331,897
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 901	\$ 42,419
Accrued expenses	15,747	11,907
Donor designations payable	68,796	66,161
Grants payable	288,739	645,200
Total current liabilities	374,183	765,687
Long-term liabilities		
Paycheck Protection Program loan	56,200	-
Total liabilities	430,383	765,687
Net assets		
Net assets without donor restrictions:		
Undesignated	808,479	676,324
Board designated	35,222	38,333
Total net assets without donor restrictions	843,701	714,657
Net assets with donor restrictions:		
Restricted by purpose or time	1,004,473	821,189
Restricted in perpetuity	30,364	30,364
Total net assets with donor restrictions	1,034,837	851,553
Total net assets	1,878,538	1,566,210
Total liabilities and net assets	\$ 2,308,921	\$ 2,331,897

The accompanying notes are an integral part of these statements.

UNITED WAY OF CENTRAL OREGON
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Gross campaign results	\$ 718,082	\$ 437,275	\$ 1,155,357
Less donor designations	-	(357,743)	(357,743)
Less provision for uncollectible pledges	(50,000)	-	(50,000)
Net campaign revenue	668,082	79,532	747,614
Grant and contract revenue	241,779	1,040,000	1,281,779
In-kind support	248,032	-	248,032
Investment income, net	7,015	354	7,369
Administration fees	3,342	-	3,342
Other income	-	-	-
Net assets released from restrictions	936,602	(936,602)	-
Total public support and revenue	2,104,852	183,284	2,288,136
Expenses			
Program services:			
TRACEs	759,533	-	759,533
Community Impact Grants	613,213	-	613,213
Emergency Food & Shelter Grants	78,400	-	78,400
Copy Youth Service	285	-	285
Total program services	1,451,431	-	1,451,431
Supporting services:			
Organizational administration	227,941	-	227,941
Fundraising	296,436	-	296,436
Total supporting services	524,377	-	524,377
Total expenses	1,975,808	-	1,975,808
Change in net assets	129,044	183,284	312,328
Net assets, beginning of year	714,657	851,553	1,566,210
Net assets, end of year	\$ 843,701	\$ 1,034,837	\$ 1,878,538

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 667,890	\$ 482,698	\$ 1,150,588
-	(396,978)	(396,978)
<u>(46,000)</u>	<u>-</u>	<u>(46,000)</u>
621,890	85,720	707,610
135,117	-	135,117
132,756	-	132,756
15,217	4,645	19,862
2,964	-	2,964
588	-	588
<u>1,221,117</u>	<u>(1,221,117)</u>	<u>-</u>
<u>2,129,649</u>	<u>(1,130,752)</u>	<u>998,897</u>
1,233,132	-	1,233,132
324,862	-	324,862
78,400	-	78,400
<u>1,200</u>	<u>-</u>	<u>1,200</u>
<u>1,637,594</u>	<u>-</u>	<u>1,637,594</u>
234,407	-	234,407
<u>194,488</u>	<u>-</u>	<u>194,488</u>
<u>428,895</u>	<u>-</u>	<u>428,895</u>
<u>2,066,489</u>	<u>-</u>	<u>2,066,489</u>
63,160	(1,130,752)	(1,067,592)
<u>651,497</u>	<u>1,982,305</u>	<u>2,633,802</u>
<u>\$ 714,657</u>	<u>\$ 851,553</u>	<u>\$ 1,566,210</u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF CENTRAL OREGON
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 312,328	\$ (1,067,592)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,878	2,112
Unrealized and realized (gains) losses	8,086	(15,757)
(Increase) decrease in:		
Pledges receivable, net	(3,322)	2,903
Grant receivable	883,588	883,588
Other current assets	483	2,107
Increase (decrease) in:		
Accounts payable	(41,518)	35,692
Accrued expenses	3,840	2,073
Donor designations payable	2,635	(5,080)
Grants payable	(356,461)	636,400
	<u>812,537</u>	<u>476,446</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(7,432)	(3,703)
Proceeds from beneficial interest in assets held by others	8,886	8,783
	<u>1,454</u>	<u>5,080</u>
Net cash provided by investing activities		
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	56,200	-
	<u>56,200</u>	<u>-</u>
Net increase in cash and cash equivalents	870,191	481,526
Cash and cash equivalents, beginning of year	934,623	453,097
	<u>934,623</u>	<u>453,097</u>
Cash and cash equivalents, end of year	<u>\$ 1,804,814</u>	<u>\$ 934,623</u>

The accompanying notes are an integral part of these statements.

UNITED WAY OF CENTRAL OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services					Supporting Services			
		Community	Emergency Food & Shelter	Copy Youth	Total Program	Organizational		Total Supporting	
	TRACEs	Impact Grants	Grants	Service	Services	Administration	Fundraising	Services	Total
Allocation/awards	\$ -	\$ 915,803	\$ -	\$ -	\$ 915,803	\$ -	\$ -	\$ -	\$ 915,803
Less donor designations	-	(357,743)	-	-	(357,743)	-	-	-	(357,743)
Sub-total	-	558,060	-	-	558,060	-	-	-	558,060
Salaries	34,233	35,790	-	-	70,023	122,481	66,840	189,321	259,344
Employee benefits and taxes	9,798	10,242	-	-	20,040	33,341	19,744	53,085	73,125
Sub-total	44,031	46,032	-	-	90,063	155,822	86,584	242,406	332,469
Contract services	644,586	-	-	285	644,871	-	-	-	644,871
Grants to others	-	-	78,400	-	78,400	-	-	-	78,400
Contributed professional services	517	541	-	-	1,058	2,860	-	2,860	3,918
Awards and plaques	12	12	-	-	24	66	319	385	409
Professional fees	2,511	2,625	-	-	5,136	13,888	-	13,888	19,024
Supplies	897	938	-	-	1,835	4,960	480	5,440	7,275
Telephone and communications	275	288	-	-	563	1,522	-	1,522	2,085
Postage	404	422	-	-	826	2,233	-	2,233	3,059
Occupancy	946	989	-	-	1,935	5,229	-	5,229	7,164
Equipment rent and maintenance	1,295	1,355	-	-	2,650	7,168	-	7,168	9,818
Contributed printing and advertising	62,188	-	-	-	62,188	-	181,926	181,926	244,114
Printing and advertising	-	-	-	-	-	-	3,810	3,810	3,810
Travel	565	591	-	-	1,156	3,129	-	3,129	4,285
Meetings and events	392	407	-	-	799	2,156	15,712	17,868	18,667
Insurance	492	514	-	-	1,006	2,721	-	2,721	3,727
Fees and dues	362	379	-	-	741	1,992	7,605	9,597	10,338
Other expenses	60	60	-	-	120	338	-	338	458
Depreciation	-	-	-	-	-	2,878	-	2,878	2,878
Sub-total	715,502	9,121	78,400	285	803,308	51,140	209,852	260,992	1,064,300
UWW & UWPBW dues	-	-	-	-	-	20,979	-	20,979	20,979
Total functional expenses	\$ 759,533	\$ 613,213	\$ 78,400	\$ 285	\$ 1,451,431	\$ 227,941	\$ 296,436	\$ 524,377	\$ 1,975,808

The accompanying notes are an integral part of these statements.

UNITED WAY OF CENTRAL OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services				Supporting Services				
		Community	Emergency Food & Shelter	Copy Youth	Total	Organizational		Total	
	TRACES	Impact Grants	Grants	Service	Program Services	Administration	Fundraising	Supporting Services	Total
Allocation/Awards	\$ -	\$ 707,228	\$ -	\$ -	\$ 707,228	\$ -	\$ -	\$ -	\$ 707,228
Less donor designations	-	(396,978)	-	-	(396,978)	-	-	-	(396,978)
Sub-Total	-	310,250	-	-	310,250	-	-	-	310,250
Salaries	34,381	7,920	-	-	42,301	137,702	64,900	202,602	244,903
Employee benefits and taxes	13,846	3,191	-	-	17,037	35,885	19,573	55,458	72,495
Sub-Total	48,227	11,111	-	-	59,338	173,587	84,473	258,060	317,398
Contract services	556,607	-	-	1,200	557,807	-	-	-	557,807
Grants to others	558,000	-	78,400	-	636,400	-	-	-	636,400
Contributed professional services	458	106	-	-	564	1,836	-	1,836	2,400
Professional fees	3,333	768	-	-	4,101	13,348	-	13,348	17,449
Supplies	1,039	243	-	-	1,282	4,161	872	5,033	6,315
Telephone and communications	456	105	-	-	561	1,828	-	1,828	2,389
Postage	626	144	-	-	770	2,506	-	2,506	3,276
Occupancy	1,334	307	-	-	1,641	5,343	-	5,343	6,984
Equipment rent and maintenance	1,829	421	-	-	2,250	7,326	-	7,326	9,576
Contributed printing and advertising	53,380	-	-	-	53,380	-	76,976	76,976	130,356
Printing and advertising	8	2	-	-	10	36	3,059	3,095	3,105
Travel	881	203	-	-	1,084	3,528	-	3,528	4,612
Meetings and events	481	111	-	-	592	1,928	21,158	23,086	23,678
Insurance	630	145	-	-	775	2,525	-	2,525	3,300
Fees and dues	386	89	-	-	475	1,548	7,445	8,993	9,468
Other expenses	1,752	4	-	-	1,756	69	505	574	2,330
Depreciation	403	93	-	-	496	1,616	-	1,616	2,112
Sub-Total	1,181,603	2,741	78,400	1,200	1,263,944	47,598	110,015	157,613	1,421,557
UWW & UWPBW Dues	3,302	760	-	-	4,062	13,222	-	13,222	17,284
Total functional expenses	\$ 1,233,132	\$ 324,862	\$ 78,400	\$ 1,200	\$ 1,637,594	\$ 234,407	\$ 194,488	\$ 428,895	\$ 2,066,489

The accompanying notes are an integral part of these statements.

UNITED WAY OF CENTRAL OREGON NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Activities

The Deschutes United Way, doing business as United Way of Central Oregon (the Organization), was founded in 1952 and is organized to raise funds for partner not-for-profit agencies. The mission statement of the Organization is “Connecting caring people to improve lives and shape a better community.” The Organization is governed by a volunteer board of directors. A general campaign to raise pledges commences in the fall of each year. The Organization also accepts pledges for designated non-partner, not-for-profit agencies. The donor designated amounts to both partner and non-partner agencies are recorded as designations payable on the financial statements.

Major Programs and Services

TRACEs (2017 – Present) Is an Organization-led community initiative with a goal to improve health and well-being in Central Oregon by building resilience and helping people thrive. TRACEs is a long-term effort focused on systemic change, building resilience, and shifting our culture to become more trauma-aware and informed. National research highlights the impact of early experiences on long-term well-being and provides strong and conclusive evidence that childhood trauma and toxic stress have a measurable negative influence on educational achievement, productivity and engagement, and long-term health.

Community Impact Grants (1953 – Present) The Organization operates a rigorous volunteer driven process to change lives and build a healthier community by investing in efficient and effective programs that address critical needs. Grants are awarded, through an open RFP (Request for Proposal) process to proven successful programs that provide the building blocks for opportunity for individuals and families: health, education, and financial stability – while also building resilience. Collectively these programs provided services to more than 58,000 Central Oregonians in 2019-20.

Emergency Food & Shelter Grants (2013 – Present) Deschutes County contracts with the Organization to convene and staff a local volunteer board to assess the emergency food and shelter needs and programs in Deschutes County and determine awards, which the Organization then distributes to local emergency service programs.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

Recent Accounting Standard Adopted

The Organization adopted Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) No. 2018-08: *Not-for-Profit Entities* (Accounting Standards Codification (ASC) Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* which clarifies the accounting guidance about whether a transfer of assets is a contribution or exchange transaction. The standard effectively excludes contributions from the requirements of ASU No. 2014-09 *Revenue from Contracts with Customers* (Topic 606). The Organization adopted the standard effective July 1, 2019, using a modified prospective approach in these financial statements. No change to previously recognized revenue was required as a result of adopting ASU No. 2018-08. The Organization elected not to early implement ASU No. 2014-09 and pursuant to ASU No. 2020-05 the implementation date for ASU 2014-09 was July 1, 2020.

UNITED WAY OF CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net assets without donor restrictions – are funds available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Net assets with donor restrictions - consist of net assets that have been restricted by the donor for a specific purpose or are not available until a specified time. Net assets with donor restrictions also include net assets with donor restrictions that stipulate the resources be maintained perpetually, but permit the Organization to use or expend part of all of the income derived from the donated assets.

Revenue is reported as with or without donor restrictions based on the existence or lack of donor-imposed restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. If the donation is made in the same reporting period that the donor-imposed restriction is met, the donation is reported as an increase in net assets without restrictions.

Donors have the option of designating a portion or all of their pledges to be passed on to a specific nonprofit agency. In these cases, the Organization acts as an agent when it receives assets and agrees to remit these assets to the specified agency with no amount deducted for pledge loss or fees. On the statements of activities, these transactions have been included within “gross campaign results” and then subtracted and presented distinctly as “donor designations.”

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are comprised of equity, fixed income and alternative securities held at one financial institution and are reported at fair market value (Note 8). Income or loss (including unrealized and realized gains and losses) are included in the statements of activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by the donor or law.

UNITED WAY OF CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Pledges Receivable

Pledges (promises to give) received from companies and individuals are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when conditions on which they depend on are substantially met or promises become unconditional. Unconditional promises to give are shown as pledges receivable, net of allowance on the statements of financial position. Pledges are uncollateralized and are due within one year. Allowances are provided by campaign year based on amounts estimated to be uncollectible, which are based on past collection experience.

Allowance for Uncollectible Pledges

The allowance for uncollectible pledges is management's estimate of current campaign pledges that will not be collected in subsequent years. Consideration is given to prior collection experiences, collection averages, and current economic conditions in determining the allowance.

Grants Receivable

Credit risk associated with grants receivable are periodically reviewed by management. An allowance for uncollectible accounts is established if considered necessary by management. There was no allowance established at June 30, 2020 and 2019 as the grants receivable were considered fully collectible. The Organization does not have access to collateral for its grants receivable. Grants receivable are all considered current and stated at net realizable value.

Beneficial Interest in Assets Held by Others

The Organization follows FASB ASC 958, *Not for Profit Entities*, for amounts contributed to the Oregon Community Foundation by either the Organization or other donors on behalf of the Organization. FASB ASC 958 specifically requires that if a non-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability (Note 4). The beneficial interest in assets held by others is reported at fair market value (Note 8).

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Equipment is carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Compensated Absences

Accrued liabilities include amounts for vacation days, which are earned over time by employees during the year and vary depending on the employee's length of service to the Organization. Accrued vacation at June 30, 2020 and 2019 was \$13,935 and \$11,907, respectively, and is included in accrued expenses on the statements of financial position.

UNITED WAY OF CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Donor Designations Payable

Donor designations payable represents donor-designated contributions the Organization received as an agent that are due to partner and non-partner agencies.

Grants Payable

The Organization made commitments to certain agencies to provide grant funds. These committed funds are reflected as grants payable.

Contributed Services

The Organization receives a substantial amount of services donated by its supporters in carrying out the Organization's activities. These amounts have been reflected in the financial statements in FASB ASC 958, *Not for Profit Entities*. The majority of contributed services is comprised of free advertising and discounted professional fees. For the years ended June 30, 2020 and 2019, contributed services includes \$244,114 and \$130,356, respectively, of contributed advertising and \$3,918 and \$2,400, respectively, in contributed professional services.

Advertising

The Organization uses advertising to promote its fundraising efforts and programs among the audiences it serves. Advertising costs are expensed when incurred. Advertising costs for the years ended June 30, 2020 and 2019, was \$247,924 and \$133,461, respectively. Of this amount, \$244,114 and \$130,356, respectively, was for contributed (in-kind) advertising.

Cost Deduction Standards

The Organization is in compliance with United Way Worldwide cost deduction standards, which state that United Way organizations may charge fees that are based on actual expenses and will not deduct fundraising or processing fees from designated gifts originating by or from any other United Way organization. The Organization does not charge any fees for designated gifts.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization has been classified as an organization other than a private foundation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provisions for income taxes have been made in the financial statements.

UNITED WAY OF CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

The carrying amount of the Organization's cash and cash equivalents balance was \$1,804,814 and \$934,623 at June 30, 2020 and 2019, respectively, and the bank balance was \$1,866,201 and \$1,014,850, respectively. Balances in bank accounts exceeded the coverage of federal depository insurance by \$370,652 and \$88,599, at June 30, 2020 and 2019, respectively. The Organization uses a rating system to rate the banks used for deposits, and feels the risk of loss due to any excess deposits is low. There was no restricted cash at June 30, 2020 and 2019. Subsequent to year end, \$240,000 was transferred to another bank in order to reduce the amount of cash held in excess of federal depository insurance.

3. Pledges Receivable

As of June 30, 2020 and 2019, \$211,501 and \$204,179, respectively, remained uncollected from the annual campaign. As of June 30, 2020 and 2019, the Organization has estimated an allowance considered doubtful of \$50,000 and \$46,000, respectively. The provision for uncollectible pledges is computed based upon a three-year historical average and analysis of current conditions, applied to gross campaign, including donor designations. All pledges, net of the allowance, are expected to be received within one year.

4. Contributions to the Oregon Community Foundation Endowment Fund

The Organization established two funds at the Oregon Community Foundation (the Foundation) with its own funds and specified itself as the beneficiary of the funds. The Foundation refers to such funds as endowment partner funds. The Foundation maintains variance power and legal ownership of all funds, including endowment partner funds, and as such continues to report the funds as assets of the Foundation.

The first fund, The United Way of Central Oregon Community Endowment, is a combination of amounts that the Organization has transferred to the Foundation for its own benefit and of donors' contributions to the Foundation on behalf of the Organization. The fair market value of the fund at June 30, 2020 and 2019 was \$65,587 and \$68,697, respectively, all of which is recorded as a beneficial interest in assets held by others and is considered to be restricted by the donor.

The second fund is the United Way of Central Oregon Endowment Fund. This fund contains amounts transferred by the Organization for its own benefit. The fair market value of the Fund at June 30, 2020 and 2019 was \$138,817 and \$145,410, respectively, and in accordance with FASB ASC 958, the entire amount has been recorded as a beneficial interest in assets held by others and is considered to be without donor restriction.

The Organization's two funds (the Endowment) at the Foundation were established to account for donor restricted contributions and to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign. The Endowment, which is comprised of these two accounts, includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF CENTRAL OREGON
NOTES TO FINANCIAL STATEMENTS

4. Contributions to the Oregon Community Foundation Endowment Fund, continued

Changes in endowment assets for the fiscal years ended June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2019	\$ 145,410	\$ 68,697	\$ 214,107
Investment return:			
Investment income	988	467	1,455
Realized gains	548	259	807
Unrealized gains (loss)	(787)	(372)	(1,159)
Total investment return	749	354	1,103
Appropriation of endowment:			
Disbursements	(6,038)	(2,848)	(8,886)
Investment fees	(1,304)	(616)	(1,920)
Total appropriation of endowment	(7,342)	(3,464)	(10,806)
Endowment net assets, June 30, 2020	<u>\$ 138,817</u>	<u>\$ 65,587</u>	<u>\$ 204,404</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ 142,761	\$ 67,429	\$ 210,190
Investment return:			
Investment income	1,054	498	1,552
Realized gains	773	365	1,138
Unrealized gains	8,023	3,791	11,814
Total investment return	9,850	4,654	14,504
Appropriation of endowment:			
Disbursements	(5,976)	(2,807)	(8,783)
Investment fees	(1,225)	(579)	(1,804)
Total appropriation of endowment	(7,201)	(3,386)	(10,587)
Endowment net assets, June 30, 2019	<u>\$ 145,410</u>	<u>\$ 68,697</u>	<u>\$ 214,107</u>

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4. Contributions to the Oregon Community Foundation Endowment Fund, continued

The Foundation does not provide the Organization information on the purchases and sales of investments held at the Foundation. As such, the Organization reports as the change in value of the endowment funds the net amount for investment income, disbursements, and investment fees realized in the endowment funds.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-specified funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. The Organization's endowment funds are held with the Foundation. It is the Organization's belief that the Foundation invests conservatively and therefore, the endowment funds may earn a rate slightly below average.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation distributes, not less than annually, an appropriate percentage of the fair market value of the principal and income of the Endowment to the Organization. The Foundation may make distributions from the Endowment to the Organization in addition to the annual distribution upon a majority vote of the Organization's board of directors if in the sole judgment of the board of directors of the Foundation the requested distribution is consistent with the objectives and purposes of the Organization and with the charitable, educational, and scientific needs of the state of Oregon.

It is the Organization's policy that Endowment generated income can be used to respond to crises, fund new or high priority projects, underwrite research, provide for expansion, and for other uses consistent with the mission of the Organization. This policy provides the Organization income to respond to current priorities and to ensure funds will be available for future needs.

5. Property and Equipment

Property and equipment is reported at cost if purchased or at fair market value at the date of donation if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Gross equipment at June 30, 2020 and 2019 totaled \$37,390 and \$29,958, respectively. Accumulated depreciation totaled \$27,832 and \$24,954 for the years ended June 30, 2020 and 2019, respectively. Office equipment is depreciated over an estimated useful life of 5 years. Depreciation expense for the years ended June 30, 2020 and 2019 was \$2,878 and \$2,112, respectively.

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6. Board Designated Net Assets

The Board of Directors of the Organization has made certain designations of net assets without donor restrictions. These designations are as follows:

Operating Reserve - The operating reserve is for cash flow deficiencies or community emergencies. The target for this reserve is one-half of the previous year's overhead expenses.

Endowment Reserves - The purpose of the endowment reserves is to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign.

7. Grant and Contract Revenue

For the years ended June 30, grant and contract revenue consisted of the following:

	<u>2020</u>	<u>2019</u>
Central Oregon 2-1-1	\$ 10,000	\$ 10,250
TRACEs	750,000	46,000
Emergency food and shelter	78,400	78,400
Foster services	300,000	-
COVID-19 response	130,679	-
Other programs	<u>12,700</u>	<u>467</u>
Total grant and contract revenue	<u>\$ 1,281,779</u>	<u>\$ 135,117</u>

8. Fair Value Measurements

The Organization has adopted authoritative guidance on fair value measurements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. The Organization classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which the Organization has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices in active markets included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

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8. Fair Value Measurements, continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement.

The Organization has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (or at least annually) into the most appropriate level within the fair value hierarchy based on inputs used to determine the fair value at the measurement date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30:

	2020			
	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Mutual funds - equity securities	\$ 120,577	\$ -	\$ -	\$ 120,577
Mutual funds - alternatives	5,857	-	-	5,857
Beneficial interest in the Foundation	-	-	204,404	204,404
Total investments, at fair value	<u>\$ 126,434</u>	<u>\$ -</u>	<u>\$ 204,404</u>	<u>\$ 330,838</u>

	2019			
	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Mutual funds - equity securities	\$ 62,007	\$ -	\$ -	\$ 62,007
Mutual funds - fixed income	49,480	-	-	49,480
Mutual funds - alternatives	22,216	-	-	22,216
Beneficial interest in the Foundation	-	-	214,107	214,107
Total investments, at fair value	<u>\$ 133,703</u>	<u>\$ -</u>	<u>\$ 214,107</u>	<u>\$ 347,810</u>

Level 3 measurements: The Foundation's management represents the Organization's share of assets held by the Foundation and consist of financial assets the fair value of which is measured using a variety of valuation methods including the use of Level 1, Level 2, and Level 3 inputs. As such, the Organization considers the fair value of the beneficial interest in the assets of the Foundation to be determined using Level 3 inputs.

9. Retirement Plan

The Organization maintains a simplified employee retirement plan, which is a defined contribution plan, for its employees. All employees who have attained the age of 21 and have earned at least \$450 of compensation during the year are eligible for the plan beginning January of the following year. The Organization contributes 6.0 percent of the employees' compensation to the plan. The contribution for the years ended June 30, 2020 and 2019 was \$16,450 and \$15,635, respectively.

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10. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the previous years and settlements have not exceeded coverage in the past three years.

11. Concentrations

The Organization's revenue is comprised substantially of donations in Deschutes County, Oregon. For the years ended June 30, 2020 and 2019, 19 percent and 27 percent of the Organization's net campaign revenue came from two and three campaigns, respectively. Additionally, for the years ended June 30, 2020 and 2019, 78 percent and 58 percent of the Organization's grant and contract revenue came from three agencies and one agency, respectively.

12. Credit Risk

The Organization has credit risk arising from pledge receivables. The maximum potential loss at June 30, 2020 and 2019 was net pledges receivable of \$161,501 and \$158,179, respectively. The maximum risk of loss related to investments and the beneficial interest in assets held by others equals the carrying amounts presented in the financial statements.

13. Revocable Split-Interest Agreements and Wills

The Organization has been named as a beneficiary in split-interest agreements and wills; however, no assets or revenue have been recognized related to these agreements or wills as the Organization had not received an irrevocable right to these benefits as of June 30, 2020 and 2019.

14. Operating Lease

The Organization's office space is leased from Deschutes County under a lease that was extended until June 30, 2023, with an option to extend for an additional three years. The new lease extension is for 733 square-feet of office space. Payments are scheduled to escalate throughout the term of the lease. The lease has an early termination clause allowing the Organization to terminate their lease without penalty upon sixty days' notice. Rental payments were \$597 and \$582 per month for the years ended June 30, 2020 and 2019, respectively. Rental expense for the years ended June 30, 2020 and 2019 was \$7,164 and \$6,984, respectively.

Minimum future payments under the noncancelable lease term are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 6,252
2022	6,444
2023	<u>6,636</u>
Total	<u>\$ 19,332</u>

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15. Liquidity and Availability of Resources

The Organization has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. The following table reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general expenditures within one year:

	2020	2019
Cash and cash equivalents	\$ 1,804,814	\$ 934,623
Investments	126,434	133,703
Pledges receivable, net	161,501	158,179
Grants and program receivable	-	883,588
Beneficial interest in assets held by others	204,404	214,107
 Total financial assets	 2,297,153	 2,324,200
 Less those unavailable for general expenditure within one year due to:		
Donor designations payable	(68,796)	(66,161)
Board designated reserves	(35,222)	(38,333)
Donor purpose restrictions	(1,004,473)	(821,189)
Perpetual endowment funds	(30,364)	(30,364)
 Financial assets available for general expenditure	 \$ 1,158,298	 \$ 1,368,153

16. Paycheck Protection Program Loan

The Organization applied for and was awarded a Paycheck Protection Program (PPP) loan under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) through Umpqua Bank. The Organization was approved for a loan in the amount of \$56,200 as evidenced by a promissory note dated May 9, 2020. The loan accrues interest at a rate of 1.00 percent (simple interest). The loan is unsecured.

The provisions of the CARES Act and the loan agreement state that the Organization may apply to the lender for forgiveness of the loan in the amount equal to the sum of eligible costs incurred by the Organization as defined in the CARES Act and the loan agreement. If not forgiven, repayments of the loan begin August 2021 and the loan matures May 2022.

As of the date of the independent auditor's report, the Organization had not yet applied for forgiveness of the loan; however, management anticipates full forgiveness will be granted. Upon forgiveness of the loan, the Organization will recognize income for the amount forgiven in accordance with FASB ASC 470-20, *Liabilities: Extinguishment of Liabilities*.

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17. Economic Uncertainties

As a result of the COVID-19 coronavirus pandemic, for the year ended June 30, 2020, the Organization received several private and governmental grants that were and will continue to be distributed to the communities served by the Organization. The Organization's management anticipates that the pandemic may negatively impact further campaign results; however, any such impact is not estimable at this time. As of the date of the independent auditor's report, there still exists certain economic uncertainties related to the COVID-19 coronavirus pandemic. These continued uncertainties have the potential to result in a significant impact to the Organization's future financial condition and operating results; however, any such future impact and duration of such impact cannot be reasonably estimated at this time.

18. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.