

LIVE UNITED



UNITED WAY OF
MISSOULA COUNTY

AUDITED FINANCIAL STATEMENTS
For The Years Ended
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
United Way of Missoula County
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Missoula County, a nonprofit organization, which comprise the statements of financial position as of December 31, 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 United Way of Missoula County as of December 31, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of 2020 Campaign Revenue on page 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carver Florek & James, CPAs

Carver Florek & James, CPA's
Missoula, Montana
November 10, 2021

FINANCIAL STATEMENTS

UNITED WAY OF MISSOULA COUNTY
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2020 and 2019

| | 2020 | 2019 |
|-----------------------------------|--------------|--------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 629,175 | \$ 184,989 |
| Accounts receivable | 12,141 | - |
| Contributions receivable, net | 129,806 | 160,396 |
| Prepaid expenses | 7,666 | 4,451 |
| Funds held in trust | 12,088 | 12,146 |
| Investments | 598,390 | 488,834 |
| Property and equipment, net | 378,262 | 381,275 |
| Endowment investments | 550,452 | 545,272 |
| Total Assets | \$ 2,317,980 | \$ 1,777,363 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 30,621 | \$ 17,880 |
| Accrued payroll and payroll taxes | 3,035 | 4,398 |
| Funds held in trust liability | 5,457 | 5,457 |
| Compensated absences | 23,049 | 11,192 |
| Deferred Revenue | 160,297 | 79,392 |
| Mortgage payable | 136,074 | 204,494 |
| Total Liabilities | 358,533 | 322,813 |
| NET ASSETS | | |
| Without donor restrictions | 1,156,430 | 617,224 |
| With donor restrictions | 803,017 | 837,326 |
| Total Net Assets | 1,959,447 | 1,454,550 |
| Total Liabilities and Net Assets | \$ 2,317,980 | \$ 1,777,363 |

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

UNITED WAY OF MISSOULA COUNTY

STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| REVENUE AND SUPPORT | | |
| Contributions | \$ 1,006,442 | \$ 526,873 |
| Investment income/(loss), net | 104,745 | 148,759 |
| Grant income | 380,508 | 101,108 |
| Sponsorship income | 2,168 | 30,107 |
| Bad debt recovery | 33,113 | - |
| Administrative fee income | - | - |
| Other income | 536 | 487 |
| PPP income | 91,812 | - |
| Net assets released from restrictions | 202,863 | 314,918 |
| TOTAL REVENUE AND SUPPORT | 1,822,187 | 1,122,252 |
| EXPENSES | | |
| Program services | 998,810 | 637,112 |
| Management and general | 177,607 | 162,226 |
| Fundraising | 106,564 | 97,337 |
| TOTAL EXPENSES | 1,282,981 | 896,675 |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 539,206 | 225,577 |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 163,374 | 213,017 |
| Endowment contributions | 5,180 | 5,562 |
| Net assets released from restrictions | (202,863) | (314,918) |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | (34,309) | (96,339) |
| CHANGE IN TOTAL NET ASSETS | 504,897 | 129,238 |
| NET ASSETS, beginning of year | 1,454,550 | 1,325,312 |
| NET ASSETS, end of year | \$ 1,959,447 | \$ 1,454,550 |

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF MISSOULA COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

| Expense Description | Program Services | Management & General | Fund- Raising | TOTAL |
|--|---------------------|-------------------------|-------------------|---------------------|
| Community grants | \$ 143,176 | \$ - | \$ - | \$ 143,176 |
| Special project payments | 429,403 | - | - | 429,403 |
| Salaries and wages | 265,878 | 110,788 | 66,473 | 443,139 |
| Payroll taxes and workers compensation | 23,385 | 9,744 | 5,846 | 38,975 |
| Health insurance, retirement, and HSA | 24,857 | 10,358 | 6,215 | 41,430 |
| Marketing | 25,853 | 10,773 | 6,464 | 43,090 |
| Occupancy | 12,587 | 5,245 | 3,147 | 20,979 |
| Office costs | 22,474 | 9,364 | 5,619 | 37,457 |
| Professional fees | 22,325 | 9,302 | 5,581 | 37,208 |
| Equipment rental and maintenance | 1,856 | 774 | 464 | 3,094 |
| United Way Worldwide | 6,006 | 2,503 | 1,502 | 10,011 |
| Travel and training | 4,928 | 2,053 | 1,232 | 8,213 |
| Insurance | 2,461 | 1,026 | 615 | 4,102 |
| Depreciation | 8,518 | 3,550 | 2,130 | 14,198 |
| Interest | 5,103 | 2,127 | 1,276 | 8,506 |
| TOTAL EXPENSES | \$ 998,810 | \$ 177,607 | \$ 106,564 | \$ 1,282,981 |
| | 77.85% | 13.84% | 8.31% | 100.00% |

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF MISSOULA COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

| <u>Expense Description</u> | <u>Program Services</u> | <u>Management & General</u> | <u>Fund- Raising</u> | <u>TOTAL</u> |
|--|-----------------------------|-------------------------------------|--------------------------|--------------------------|
| Community grants | \$ 155,978 | \$ - | \$ - | \$ 155,978 |
| Special project payments | 67,793 | - | - | 67,793 |
| Uncollectible contributions receivable | 24,000 | - | - | 24,000 |
| Salaries and wages | 211,821 | 88,259 | 52,955 | 353,035 |
| Payroll taxes and workers compensation | 20,566 | 8,569 | 5,142 | 34,277 |
| Health insurance, retirement, and HSA | 27,835 | 11,598 | 6,959 | 46,392 |
| Marketing | 43,509 | 18,129 | 10,877 | 72,515 |
| Occupancy | 14,834 | 6,181 | 3,709 | 24,724 |
| Office costs | 15,707 | 6,545 | 3,927 | 26,179 |
| Professional fees | 17,551 | 7,313 | 4,388 | 29,252 |
| Equipment rental and maintenance | 2,083 | 868 | 521 | 3,472 |
| United Way Worldwide | 5,035 | 2,098 | 1,259 | 8,392 |
| Travel and training | 14,962 | 6,234 | 3,740 | 24,936 |
| Insurance | 1,586 | 661 | 397 | 2,644 |
| Depreciation | 6,646 | 2,769 | 1,662 | 11,077 |
| Interest | 7,206 | 3,002 | 1,801 | 12,009 |
| TOTAL EXPENSES | \$ <u>637,112</u> | \$ <u>162,226</u> | \$ <u>97,337</u> | \$ <u>896,675</u> |
| | 71.05% | 18.09% | 10.86% | 100.00% |

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF MISSOULA COUNTY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from/for: | | |
| Contributions | \$ 1,238,699 | \$ 768,985 |
| Grants and sponsors | 451,440 | 210,607 |
| Investments | - | 259 |
| Other activities | 92,348 | 487 |
| Cash paid for/to: | | |
| Employees | (513,050) | (431,415) |
| Agency allocations | (572,579) | (224,500) |
| Vendors | (154,570) | (175,687) |
| Investment fees | (9,991) | - |
| Interest | (8,506) | (12,009) |
| Net Cash Flows from Operating Activities | 523,791 | 136,727 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of capital assets | (11,185) | (32,872) |
| Net Cash Flows from Investing Activities | (11,185) | (32,872) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal paid on long-term debt | (68,420) | (114,381) |
| Net Cash Flows from Financing Activities | (68,420) | (114,381) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 444,186 | (10,526) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 184,989 | 195,515 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 629,175 | \$ 184,989 |

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

UNITED WAY OF MISSOULA COUNTY

STATEMENTS OF CASH FLOWS, Continued
For the Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 504,897 | \$ 129,238 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities | | |
| Items Not Affecting Cash: | | |
| Allowance for uncollectible pledges | (55,093) | 8,060 |
| Net realized and unrealized (gain) loss on investment | (114,736) | (148,500) |
| Depreciation | 14,198 | 11,077 |
| Changes in Operating Assets and Liabilities | | |
| (Increase)/Decrease in: | | |
| Accounts receivable | (12,141) | 10,805 |
| Contributions receivable | 85,683 | 28,668 |
| Prepaid expenses | (3,215) | 15,434 |
| Funds held in trust | 58 | 11,153 |
| Increase/(Decrease) in: | | |
| Accounts payable | 12,741 | (910) |
| Accrued payroll and payroll taxes | (1,363) | 3,462 |
| Designations to agencies | - | (729) |
| Funds held in trust liability | - | (9,250) |
| Compensated absences | 11,857 | (1,173) |
| Deferred revenue | 80,905 | 79,392 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>\$ 523,791</u> | <u>\$ 136,727</u> |

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

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Way of Missoula County (United Way), founded in 1931, is a nonprofit corporation under Internal Revenue Code 501(c)(3), located in Missoula, Montana. United Way builds a better community by improving lives and creating lasting changes in community conditions. The organization accomplishes this by bringing people and organizations together to identify problems and craft creative, lasting solutions across multiple sectors that improve outcomes in the areas of education, financial stability, and health.

Through broad-based, results-oriented collaborations with other nonprofits, donors, businesses, the University of Montana, local and county government, K-12 schools, the faith community and other diverse partners, United Way drives progress in implementing solutions to identified priorities in its three areas of focus. United Way also serves as a conduit for donors who desire a trusted, one-stop way to invest in high-quality programs that produce measurable results, ensuring that charitable dollars are spent wisely and well in the community. Current initiatives in which United Way plays a leadership role in terms of visioning, convening, leading, funding, staffing, and/or providing in-kind assistance include the following:

EDUCATION: Zero to Five Missoula (improving outcomes for families and kids ages 0-5, so that young kids get a strong start in life); Dolly Parton's Imagination Library (a book-gifting program that promotes kindergarten readiness); Graduation Matters Missoula (various initiatives advancing student success); and annually providing Missoula's most impoverished students with new backpacks fully stuffed with school supplies.

FINANCIAL STABILITY: Reaching Home: Missoula's 10-Year Plan to End Homelessness. United Way is the principal private-sector fundraiser and advocate for this public-private collaboration, supporting key components of the plan not funded by public monies. Reaching Home has made critical strides in addressing homelessness, including by implementing the necessary systems-change required to make homelessness in Missoula rare, brief, and nonrecurring. It is entering its next phase of ensuring sustainability.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Organization (continued)

HEALTH: 5-2-1-0 Let's Move! Missoula (preventing childhood obesity by encouraging increased physical activity and healthy eating) and Project Tomorrow Montana (preventing suicide) are two broad-based efforts operated collaboratively by United Way – which provides them with financial and in-kind support – and the Missoula City-County Health Department. In 2020, United Way hired a part-time Coordinator for Project Tomorrow, moving staffing from the health department to United Way. Project Tomorrow has trained thousands of Missoulians in suicide-prevention strategies, distributed thousands of gunlocks, and raised community awareness of suicide and mental-health issues – and effective strategies to address them – through teaching, training, public health measures, and the arts. Missoula Substance Use Disorder (SUD) Connect, new in 2020, is a federally funded, community-wide collaboration to address substance use through prevention, treatment, and support for those in recovery.

EMERGENCY AND DISASTER RELIEF: United Way is also Missoula County's designated financial partner, serving as a repository for private donations to alleviate natural disasters, such as fire and floods. United Way receives, acknowledges and, with a panel of volunteer advisors, disburses donated funds to help families and organizations affected by emergencies and natural disasters. In 2020, United Way's Covid-19 Emergency Assistance Fund provided hundreds of grants to individuals, nonprofit organizations and child-care facilities adversely affected by the COVID-19 pandemic, placing the organization on the front lines of Missoula's COVID-19 response. Also under United Way's Emergency/Disaster umbrella is Wildfire Ready Missoula, a public-private collaboration with the Missoula County Office of Emergency Services that works with homeowners to reduce fire risk and catastrophic property loss in the wildland-urban interface.

OTHER IMPACT: United Way also operates and staffs the Missoula Nonprofit Center, which provides training, education, and networking opportunities to 120 members of Missoula's diverse nonprofit community. MNC also hosts Missoula's annual Philanthropy Day celebration, honoring organizational and individual champions of giving and serving. Membership in MNC includes access to Volunteer Missoula, a web-based platform that links people with volunteer opportunities at member nonprofit organizations.

Annually, United Way also mobilizes volunteers to complete hands-on service projects. In 2020, more than 100 volunteers completed projects throughout Missoula.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Organization (continued)

In addition to the above activities, from time to time United Way provides funding to carefully screened and qualified nonprofit organizations in Missoula, Mineral, and Ravalli counties whose work aligns with and advances the goals of the above education, financial stability and health initiatives. Funding decisions are made collaboratively by United Way staff and board of directors. Funded programs comply with certain mutually agreed-upon conditions, spelled out in written memoranda of understanding, and results are evaluated by United Way, in order to ensure that donor dollars are invested wisely and well. United Way also supports numerous mission-aligned local nonprofits through purchasing tickets to their fundraising events.

Seventeen volunteer members serve on United Way's board of directors, providing oversight and guidance to the CEO, and ensuring high standards of financial and programmatic excellence. The board meets nine times annually. As a member in good standing of United Way Worldwide, the world's largest privately supported nonprofit organization, United Way of Missoula County annually must demonstrate compliance with rigorous standards in the areas of fiscal oversight, governance, management, fundraising, recordkeeping, and donor stewardship.

United Way's board of directors also includes several committees. The Administrative Committee ensures careful stewardship of financial resources, including oversight of the organization's permanent endowment.

Reporting directly to the board, the Audit Committee ensures sound financial oversight by overseeing the annual audit process with an independent auditor and management. Comprising members with financial expertise, the committee selects, reviews, and evaluates the performance of independent auditors and staff members with audit responsibilities; reviews the annual financial statements (audit report, notes, schedules); provides an avenue of communication between independent auditors, management, and the board of directors; and oversees the integrity and adequacy of the financial accounting processes and internal controls.

The Executive Committee comprises board officers and the CEO. It serves as a board development committee and occasionally takes acts on behalf of the board, if urgent matters arise between board meetings.

The Development Committee helps United Way staff design and execute year-round marketing and fundraising efforts, with an emphasis on corporate and workplace campaigns, major gifts and planned giving.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Organization (continued)

United Way also administers The Fund for Ravalli County, an internally designated fund to benefit qualified nonprofit organizations serving Ravalli County.

Under the guidance of the board of directors, and via a formal memorandum of understanding, United Way also serves as the fiscal sponsor of Missoula Youth Philanthropy Club, which educates and empowers the next generation of philanthropists. In 2020, United Way entered into talks with the Montana Black Collective – Missoula, which seeks to engage and empower people of African ancestry living in the Missoula community by stimulating intellectual, political, spiritual and social growth among its members, and deconstructing racism in all forms throughout the larger community. United Way expects to become the fiscal sponsor of the Collective in early 2021.

Basis of Accounting

United Way's financial statements have been prepared on the accrual basis of accounting and are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the United Way considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. From time to time, certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may exceed their insured limits. At December 31, 2020 and 2019, the United Way's bank accounts were fully insured by the FDIC. Accordingly, the United Way does not believe it is exposed to any significant credit risk on its cash balances.

Accounts Receivable and Contributions Receivable

Accounts receivable represent amounts owed to the United Way for reimbursements of costs from the Combined Federal Campaign and other organizations and are stated at unpaid balances. All amounts are considered collectible by management. Therefore, no allowance was made for 2020 and 2019. Due to inherent uncertainties in estimated the allowance for uncollectible accounts; it is at least reasonably possible that this estimate could change in the near term. Accounts receivable are considered impaired if payments are not received in accordance with terms of agreements. It is the United Way's policy to write off accounts receivable when management determined they will not be collected. At December 31, 2020 and 2019, all receivables were current. Interest is not charged on accounts receivable.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Accounts Receivable and Contributions Receivable (continued)

Contributions receivable represent unconditional promises to give through written agreements to contribute cash or other assets to the United Way. These promises to give (pledges) are reported as contribution revenue and receivables even if the promise is legally unenforceable. Unconditional promises to give are reported at unpaid principal balances less an allowance account of \$10,000 and \$65,093 for December 31, 2020 and 2019, respectively. Management determines the allowance account based on historical collection percentages, an evaluation of individual contributions receivable, and consideration of economic conditions, among other factors. Due to inherent uncertainties in estimated the allowance for uncollectible accounts receivable, it is at least reasonably possible that this estimate could change in the near term.

Investments

Investments are reported at fair value using the market approach. Investments consist primarily of mutual funds. Increases or decreases in fair value are recognized in the current period as investment gains or losses. Investment income includes interest, dividends, and realized and unrealized gains and losses. The United Way's investment values are determined using either Level 1 inputs or Level 2 inputs. Level 1 inputs are quoted prices in active markets for identical assets as of the measurement date. Level 2 inputs are quoted priced in active markets for similar assets that are observable through the measurement date. Investments are classified as available-for-sale investments.

The United Way's investment in securities is exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the financial statements.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value if donated. Generally, repairs and maintenance are expensed as incurred and purchases and betterments with a useful live of three years or more (regardless of cost) are capitalized. Capitalized assets are depreciated on a straight-line basis over the estimated useful lives ranging from five to thirty nine years. Property and equipment is reported net of accumulated depreciation.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Compensated Absences

United Way's employees are entitled to paid time off depending on the length of employment, hours worked, and other factors after a thirty day probation period. Vacation leave earned ranges from 80 hours to 200 hours depending on the number of years of service. Vacation is paid out at the current employees' rate of pay upon termination. The United Way records an expense for vacation leave as it is paid.

Sick leave is accrued at up to 8 hours per month from the date of hire and may be carried over year to year. Sick leave is not paid out to the employee upon leaving the United Way.

Deferred Gift Annuity

The United Way was the recipient of a deferred gift annuity to their endowment and was recorded at fair market value. The annuity amount will be distributed to the donors in annual installments beginning November 2041. The present value of the future annuity payments is recorded as a liability using a discount rate of 4.6% and standard actuarial tables for remaining lives of donors and beneficiaries, with the difference recorded as contribution revenue. The changes in the fair market value of the gift annuity are recognized as changes in the value of the annuity agreement at year-end.

Deferred Revenue

Deferred revenue consists of cash advanced from grantors that had not yet been expended under the conditions of the grant.

Net Asset Classification

The net assets of the United Way are reported in the following categories:

Net assets are classified as *without donor restrictions* in the absence of donor imposed restrictions. This category includes those revenues and expense associated with generally unrestricted activities and with the United Way's primary exempt functions. The board has designated certain funds for reserves or use in future period totaling \$63,056 and \$62,852 at December 31, 2020 and 2019, respectively.

Net assets classified as *with donor restrictions* have donor-imposed restrictions that have not been met. Such restrictions may be met by the passage of time or use for a specific purpose, or the assets may be expected to be maintained in perpetuity.

Some donors specify certain recipient organizations for cash donations and promises to give. Because the United Way acts solely as an intermediary, such donations are excluded from the statement of activities and are reflected as custodial funds liability in the statement of financial position until the funds are distributed to the recipient organizations

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

In-Kind Donations

The United Way seeks and receives volunteer efforts of community members to attain its goals and objections. Donated services meeting the criteria of GAAP for recognition are reported as donated services in the statement of activities with a corresponding expense recorded in program expenses. The value of donated services is determined by the donors at the usual fee they would receive for such services in the normal course of their profession. No amounts are recorded in the statement of activities for donated services for 2020 and 2019.

Expense Allocation and Functional Activities

The United Way allocates costs that can be identified specifically with a particular cost objective directly to the benefitting services. Joint costs are allocated to fundraising, management and general, and program activities on the basis of estimated time identifiable with such services.

Program Services consist of funds utilized for community building and community impact work, specifically those funds that help provide critical community resources in the areas of education, income, and health support. Such services include community grants, opportunity grants, emergency grants, mentoring, advocacy, volunteers, networking, supply drives, and other efforts.

Management and General consist of funds that are used for administering the United Way and processing donor contributions.

Fundraising expenses are for activities and events designed to create public awareness and support for the United Way's programs; principally its grant making to education, income, and health programs in the community.

Marketing Expenses

The United Way expenses the costs of marketing as incurred. Marketing expenses totaled \$43,090 and \$72,515 in 2020 and 2019, respectively.

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Tax Status

The United Way is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been recorded in the financial statements because the United Way did not have any unrelated business income in 2020. With few exceptions, United Way's federal Return of Organization Exempt from Income Tax (Form 990) is not subject to examination for tax years prior to 2017.

2. CONTRIBUTIONS RECEIVABLE

The United Way's contributions receivable are due in less than one year and are reported on the statement of financial position at unpaid principal amounts, net of an allowance account. A summary is as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|-------------------|
| Contributions receivable | \$ 139,806 | \$ 225,489 |
| Allowance | <u>(10,000)</u> | <u>(65,093)</u> |
| Contributions receivable, net | <u>\$ 129,806</u> | <u>\$ 160,396</u> |

3. INVESTMENTS

A framework for measuring fair value and defining fair value is provided by GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also established a fair value hierarchy prioritizing the valuation of inputs into three broad levels as described below:

Level 1 – unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

3. INVESTMENTS (CONTINUED)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The United Way's policy for determining the timing of significant transfers between Level 1 and Level 2 is at the end of the reporting period.

Marketable equity securities are stated at fair value based on quoted market prices in active markets. Mutual funds are valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned, minus its liabilities, and then divided by the number of shares held at year-end. The NAV is quoted in an active market.

The cost and fair value of investments at December 31, 2020 was as follows:

| | Cost or Amortized Cost | Net Unrealized Gain (Loss) | Fair Value |
|-------------------|---------------------------|----------------------------------|---------------------|
| Money market | \$ 27,610 | \$ - | \$ 27,610 |
| LEVEL 1 | | | |
| Mutual Funds | | | |
| Bond funds | 217,470 | 42,141 | 259,611 |
| Equity funds | <u>653,903</u> | <u>207,718</u> | <u>861,621</u> |
| Total | <u>871,373</u> | <u>249,859</u> | <u>1,121,232</u> |
| TOTAL INVESTMENTS | \$ <u>898,983</u> | \$ <u>249,859</u> | \$ <u>1,148,842</u> |

Net investment income for the year ended December 31, 2020 was as follows:

| | |
|-----------------------------------|-------------------|
| Interest and dividends | \$ 30,457 |
| Net realized and unrealized gains | 84,644 |
| Investment management fees | <u>(10,356)</u> |
| Net investment income | <u>\$ 104,745</u> |

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

3. INVESTMENTS (CONTINUED)

The cost and fair value of investments at December 31, 2019 was as follows:

| | <u>Cost or Amortized Cost</u> | <u>Net Unrealized Gain (Loss)</u> | <u>Fair Value</u> |
|-----------------------|-----------------------------------|---|-------------------------|
| Money market | \$ 13,664 | \$ - | \$ 13,664 |
| LEVEL 1 | | | |
| Mutual Funds | | | |
| Bond funds | 203,316 | (1,946) | 201,370 |
| Equity funds | <u>616,426</u> | <u>202,646</u> | <u>819,072</u> |
| Total | <u>819,742</u> | <u>200,700</u> | <u>1,020,442</u> |
| TOTAL INVESTMENTS | <u>\$ 833,406</u> | <u>\$ 200,700</u> | <u>\$ 1,034,106</u> |

3. INVESTMENTS (CONTINUED)

Net investment income for the year ended December 31, 2019 was as follows:

| | |
|-----------------------------------|-------------------|
| Interest and dividends | \$ 30,779 |
| Net realized and unrealized gains | 128,011 |
| Investment management fees | <u>(10,031)</u> |
| Net investment income | <u>\$ 148,759</u> |

UNITED WAY OF MISSOULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

4. PROPERTY AND EQUIPMENT

The United Way's property and equipment consisted of the following at December 31, 2020 and 2019:

| | December 31, <u>2018</u> | <u>Additions</u> | December 31, <u>2019</u> |
|-----------------------------|-----------------------------|------------------|-----------------------------|
| Land | \$ 72,000 | \$ - | \$ 72,000 |
| Furniture and equipment | 35,948 | 11,482 | 47,430 |
| Building | <u>344,316</u> | <u>21,390</u> | <u>365,706</u> |
| | 452,264 | 32,872 | 485,136 |
| Accumulated depreciation | <u>(92,784)</u> | <u>(11,077)</u> | <u>(103,861)</u> |
| Property and equipment, net | <u>\$ 359,480</u> | <u>\$ 21,795</u> | <u>\$ 381,275</u> |

| | December 31, <u>2019</u> | <u>Additions</u> | December 31, <u>2020</u> |
|-----------------------------|-----------------------------|-------------------|-----------------------------|
| Land | \$ 72,000 | \$ - | \$ 72,000 |
| Furniture and equipment | 47,430 | 7,160 | 54,590 |
| Building | <u>365,706</u> | <u>4,025</u> | <u>369,731</u> |
| | 485,136 | 11,185 | 496,321 |
| Accumulated depreciation | <u>(103,861)</u> | <u>(14,198)</u> | <u>(118,059)</u> |
| Property and equipment, net | <u>\$ 381,275</u> | <u>\$ (3,013)</u> | <u>\$ 378,262</u> |

5. LEASES

The United Way leases certain office equipment under terms of an operating lease on a month-to-month basis. Rent is determined based on usage. Total rent expense paid under this lease was \$3,094 and \$2,777 in 2020 and 2019, respectively, which is expected to approximate future amounts.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

6. ENDOWMENT

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment from donors, (b) the original value of subsequent gifts to the permanent endowment from donors, and (c) any accumulations made to the permanent endowment made in accordance with the director of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted permanent endowment fund that is not classified as with donor restrictions is classified as without donor restrictions, until those amounts are appropriated for expenditure by the United Way in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the fund and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the fund;
- The investment policies of the fund

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor, board of directors, or MUPMIFA requires the United Way to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are required to be reported in net assets without donor restrictions. There were no funds with deficiencies in 2020 and 2019.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

6. ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the United Way must hold in perpetuity or for a donor-specified period as well as board-designated endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of 5%. The United Way expects its endowment funds over time to provide a reasonable level of income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the United Way 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). The United Way targets a diversified asset allocation including cash, cash equivalents, equity securities, and mutual funds to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The United Way's spending policy allows for an annual distribution up to 5% of the three-year average market value of the funds as calculated on 4 quarters ending December 31, not to exceed the average net earnings, growth, and income of the three-year period. The United Way expects its spending policy to allow the endowment to grow and to maintain the purchasing power of the endowment assets.

UNITED WAY OF MISSOULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

6. ENDOWMENT (CONTINUED)

Changes in the endowment net assets composition by fund type for the years ended December 31, 2020 and 2019 are as follows:

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|---------------------|
| Endowment Net Assets, January 1, 2019 | \$ 345,896 | \$ 539,710 | \$ 885,606 |
| Investment Return | | | |
| Investment Income | 30,779 | - | 30,779 |
| Net Depreciation (realized and unrealized) | <u>122,190</u> | <u>-</u> | <u>122,190</u> |
| Total Investment Return | 152,969 | - | 152,969 |
| Contributions | - | 5,562 | 5,562 |
| Appropriations for Expenditures and Fees | <u>(10,031)</u> | <u>-</u> | <u>(10,031)</u> |
| Endowment Net Assets, December 31, 2019 | 488,834 | 545,272 | 1,034,106 |
| Investment Return | | | |
| Investment Income | 30,457 | - | 30,457 |
| Net Depreciation (realized and unrealized) | <u>89,455</u> | <u>-</u> | <u>89,455</u> |
| Total Investment Return | 119,912 | - | 119,912 |
| Contributions | - | 5,180 | 5,180 |
| Appropriations for Expenditures and Fees | <u>(10,356)</u> | <u>-</u> | <u>(10,356)</u> |
| Endowment Net Assets, December 31, 2020 | \$ <u>598,390</u> | \$ <u>550,452</u> | \$ <u>1,148,842</u> |

7. LINE OF CREDIT

The United Way has line of credit from a financial institution that can be renewed annually. The line of credit was last renewed in November of 2019 with a maximum limit of \$100,000. The amount outstanding at December 31, 2020 and 2019 was \$0. The note is payable on demand. Interest is variable at the Wall Street Journal prime rate (4.75% and 5.5% at December 31, 2020 and 2019, respectively plus 1.0% point and is payable monthly. The line of credit is secured by the United Way's assets.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

8. MORTGAGE PAYABLE

The United Way has a mortgage payable with an outstanding balance due of \$136,074 and \$204,494 at December 31, 2020 and 2019. The mortgage payable originated in June 2012 for \$375,000 and matures in August 2037. Interest is 5.0%. Repayment is in monthly principal and interest payments of \$2,199. Collateral is the United Way's office building.

Annual maturities at December 31, 2020 are as follows:

| <u>Years Ending December 31,</u> | |
|----------------------------------|-------------------|
| 2021 | 20,042 |
| 2022 | 21,067 |
| 2023 | 22,145 |
| 2024 | 23,278 |
| 2025 | 24,469 |
| Thereafter | <u>25,073</u> |
| | <u>\$ 136,074</u> |

9. EMPLOYEE BENEFITS

The United Way participates in a SIMPLE IRA retirement plan for employees who had completed one year of service and earned at least \$5,000 in compensation. The United Way contributed 3% for 2019 and 2018 of employee compensation. Employees may make elective deferrals up to the amount allowed by law. The United Way contributed \$7,512 and \$5,623 in 2020 and 2019, respectively.

The United Way provides health insurance for full time employees after thirty days of employment. Family coverage is available at the employee's expense. The United Way paid insurance premiums of \$28,942 and paid \$3,805 in health savings account fees for its employees in 2020. The United Way paid insurance premiums of \$35,934 and paid \$3,797 in health savings account fees for its employees in 2019.

10. RELATED PARTIES

The United Way is an affiliate of the United Way Worldwide, meeting high standards of accountability in the areas of financial reporting, governance, ethics, and operations. Membership dues attributed to United Way Worldwide totaled \$10,011 and \$8,391 in 2020 and 2019, respectively.

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 consist of the following:

Promises to give - The United Way's promises to give are considered with donor restrictions until collected. As of December 31, 2020 and 2019, \$129,806 and \$160,396 represent promises to give, these amounts are included in net assets with donor restrictions.

Endowment Fund - The United Way's endowment fund contains net assets with donor restrictions at December 31, 2020 and 2019 of \$550,452 and \$545,272.

The United Way receives donor restricted contributions for specified purposes, unspent amounts at year end are carried forward to the next year and are considered net assets with donor restrictions. Changes in these donor restricted net assets for the years ended December 31, 2020 and 2019 are as follows:

| | Special Projects | | | |
|----------------------------|--------------------|---------------------|--------------------|------------------|
| | Disaster Relief | KYSSmas for Kids | Diversion Funds | Building Funds |
| Balance, January 1, 2019 | \$ 146,081 | \$ 750 | \$ - | \$ 50,000 |
| Additions | 100 | 43,421 | 9,100 | 50,000 |
| Released | <u>(25,036)</u> | <u>(42,758)</u> | <u>-</u> | <u>(100,000)</u> |
| Balance, December 31, 2019 | 121,145 | 1,413 | 9,100 | - |
| Additions | - | 33,404 | 164 | - |
| Released | <u>(4,908)</u> | <u>(30,008)</u> | <u>(7,551)</u> | <u>-</u> |
| Balance, December 31, 2020 | <u>\$ 116,237</u> | <u>\$ 4,809</u> | <u>\$ 1,713</u> | <u>\$ -</u> |

UNITED WAY OF MISSOULA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

12. LIQUIDITY AND AVAILABILITY OF RESOURCES.

The following table presents the financial assets available for general expenditures within one year at December 31, 2020 and 2019:

| | 2020 | 2019 |
|--|--------------|------------|
| Financial assets at year-end | | |
| Cash and cash equivalents | \$ 629,175 | \$ 184,989 |
| Accounts receivable | 12,141 | - |
| Contributions receivable | 129,806 | 160,396 |
| Investments | 598,390 | 488,834 |
| Endowment | 550,452 | 545,272 |
| Total financial assets | 1,919,964 | 1,379,491 |
| Less amounts not available to be used within one year | | |
| Endowment | (550,452) | (545,272) |
| Fixed assets available to meet general expenditures within one year | \$ 1,369,512 | \$ 834,219 |

As part of the United Way's liquidity management, it has a line of credit of \$100,000 (as discussed in Note 8) in the event of unanticipated liquidity need.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2021 the date the financial statements were available for issue.

SUPPLEMENTAL INFORMATION

UNITED WAY OF MISSOULA COUNTY
 SCHEDULE OF 2020 CAMPAIGN REVENUE
 For the Year Ended December 31, 2020

| | | 1/1/2020 to 12/31/2020 |
|---------------------------------------|----|---------------------------|
| CAMPAIGN REVENUES | | |
| Undesignated Contributions | \$ | 1,261,690 |
| Designated Contributions | | 7,708 |
| Endowment Contributions | | 5,180 |
| | | 1,274,578 |
| Campaign Revenues, Gross | \$ | <u>1,274,578</u> |
| DESIGNATIONS | | |
| Designated Contributions (from above) | \$ | 7,708 |
| Designation Fees | | - |
| | | - |
| Designations, Net | \$ | <u>7,708</u> |
| Campaign Revenues, Net | \$ | <u>1,274,578</u> |

See Independent Auditor's Report