UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC. AND UNITED WAY CAPITAL CORPORATION

YEARS ENDED JUNE 30, 2020 AND 2019

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

YEARS ENDED JUNE 30, 2020 AND 2019

CONTENTS

Independent Auditors' Report

Board of Directors and Management
United Way of Tucson and Southern Arizona, Inc.
and United Way Capital Corporation
Tucson, Arizona

We have audited the accompanying consolidated financial statements of United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 29 and 30 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BeachFleischman PC

Tucson, Arizona
November 18, 2020

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	$ 4,828,395	$ 3,966,006
Certificates of deposit	373,225	-
Short-term investments	3,680,459	3,786,754
Government grants receivable	1,563,953	1,924,406
Pledges receivable, net	3,424,860	2,128,779
Other receivables	28,845	207,984
Prepaid expenses and deposits	99,898	98,238
Total current assets	13,999,635	12,112,167
Long-term investments with donor restrictions	1,683,682	1,687,554
Beneficial interest in funds held by others	168,712	165,634
Cash surrender value of life insurance	16,186	15,145
Property and equipment, net	3,167,282	3,232,704
Total assets	$ 19,035,497	$ 17,213,204

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Accounts payable	$ 107,068	$ 144,285
Subrecipient awards payable	572,628	482,106
Accrued expenses and other liabilities	592,572	570,192
Custodial and agency liabilities	660,494	661,295
Capital lease obligations, current portion	5,431	-
Refundable security deposits	12,808	12,808
Annuity obligations, current portion	7,390	6,954
Deferred revenue and support	821,920	564,181
Total current liabilities	2,780,311	2,441,821
Capital lease obligations, net of current portion	18,702	-
Long-term annuity obligations	61,422	68,813
Total liabilities	2,860,435	2,510,634
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Undesignated	4,278,546	3,525,938
Designated for donor advised funds	1,076,257	1,127,319
Board designated reserves	1,721,178	1,849,298
Invested in property and equipment	3,143,149	3,232,704
Total net assets without donor restrictions	10,219,130	9,735,259
With donor restrictions	5,955,932	4,967,311
Total net assets	16,175,062	14,702,570
Total liabilities and net assets	$ 19,035,497	$ 17,213,204

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue, support and gains:			
Total campaign support	$ 3,736,733	$ 1,678,668	$ 5,415,401
Less amounts raised on behalf of others	(851,145)	-	(851,145)
	2,885,588	1,678,668	4,564,256
Less provision for uncollectible pledges	(305,115)	-	(305,115)
Net campaign support	2,580,473	1,678,668	4,259,141
Government grants	286,153	6,271,920	6,558,073
Other gifts, grants and scholarships	5,495	2,591,947	2,597,442
Donated rent, materials and services	167,818	33,970	201,788
Service fee income	104,572	-	104,572
Rent revenue	645,593	-	645,593
Investment income, net	112,402	34,524	146,926
Net assets released from restriction	9,669,408	(9,669,408)	-
Total revenue, support and gains	13,571,914	941,621	14,513,535
Allocations and expenses:			
Program services:			
Collective impact:			
Allocations and grants	2,094,096	-	2,094,096
Less amounts raised on behalf of others	(851,145)	-	(851,145)
	1,242,951	-	1,242,951
Subrecipient awards	5,000,879	-	5,000,879
Other collective impact expenses	3,829,809	-	3,829,809
	10,073,639	-	10,073,639
Office rental expense to nonprofits	845,857	-	845,857
Total program services	10,919,496	-	10,919,496
Fundraising	1,168,153	-	1,168,153
Management and general	953,394	-	953,394
Total allocations and expenses	13,041,043	-	13,041,043
Change in net assets before fund transfers	530,871	941,621	1,472,492
Transfers per donor request	(47,000)	47,000	-
Change in net assets	483,871	988,621	1,472,492
Net assets, beginning	9,735,259	4,967,311	14,702,570
Net assets, ending	$ 10,219,130	$ 5,955,932	$ 16,175,062

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue, support and gains:			
Total campaign support	$ 3,580,010	$ 1,399,228	$ 4,979,238
Less amounts raised on behalf of others	(843,336)	-	(843,336)
	2,736,674	1,399,228	4,135,902
Less provision for uncollectible pledges	(329,325)	-	(329,325)
Net campaign support	2,407,349	1,399,228	3,806,577
Government grants	-	6,120,822	6,120,822
Other gifts, grants and scholarships	21,488	1,160,950	1,182,438
Donated rent, materials and services	194,467	36,704	231,171
Service fee income	121,486	-	121,486
Program fees	3,181	-	3,181
Rent revenue	655,388	-	655,388
Investment income, net	200,540	65,325	265,865
Net assets released from restriction	8,512,290	(8,512,290)	-
Total revenue, support and gains	12,116,189	270,739	12,386,928
Allocations and expenses:			
Program services:			
Collective impact:			
Allocations and grants	1,972,097	-	1,972,097
Less amounts raised on behalf of others	(843,336)	-	(843,336)
	1,128,761	-	1,128,761
Subrecipient awards	4,699,932	-	4,699,932
Other collective impact expenses	3,394,988	-	3,394,988
	9,223,681	-	9,223,681
Office rental expense to nonprofits	716,013	-	716,013
Total program services	9,939,694	-	9,939,694
Fundraising	1,173,414	-	1,173,414
Management and general	865,684	-	865,684
Total allocations and expenses	11,978,792	-	11,978,792
Change in net assets before fund transfers	137,397	270,739	408,136
Transfers per donor request	(34,500)	34,500	-
Change in net assets	102,897	305,239	408,136
Net assets, beginning	9,632,362	4,662,072	14,294,434
Net assets, ending	$ 9,735,259	$ 4,967,311	$ 14,702,570

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program services			Supporting services			
	Collective impact	Office rental expense to nonprofits	Total program services	Fundraising	Management and general	Total supporting services	Total expenses
Allocations and grants	$ 2,094,096	$ -	$ 2,094,096	$ -	$ -	$ -	$ 2,094,096
Less amounts raised on behalf of others	(851,145)	-	(851,145)	-	-	-	(851,145)
	1,242,951	-	1,242,951	-	-	-	1,242,951
Subrecipient awards	5,000,879	-	5,000,879	-	-	-	5,000,879
Net allocations and grants	6,243,830	-	6,243,830	-	-	-	6,243,830
Salaries	2,024,249	24,403	2,048,652	778,673	586,764	1,365,437	3,414,089
Employee benefits	256,004	4,881	260,885	95,943	82,314	178,257	439,142
Payroll taxes	155,529	1,867	157,396	56,736	44,637	101,373	258,769
Total personnel expenses	2,435,782	31,151	2,466,933	931,352	713,715	1,645,067	4,112,000
Advertising	50,831	100	50,931	15,912	7,154	23,066	73,997
Bank fees	-	132	132	-	15,916	15,916	16,048
Conferences and meetings	53,575	-	53,575	7,708	10,605	18,313	71,888
Donated rent, materials and services	61,725	140,063	201,788	-	-	-	201,788
Equipment	139,637	-	139,637	38,975	25,753	64,728	204,365
Events and promotional supplies	69,103	-	69,103	21,868	60	21,928	91,031
Insurance	547	19,136	19,683	-	13,791	13,791	33,474
Interest	-	-	-	-	5,608	5,608	5,608
Miscellaneous	-	-	-	-	4,823	4,823	4,823
Occupancy	22,339	341,998	364,337	4,354	2,708	7,062	371,399
Office supplies	17,623	-	17,623	2,055	3,174	5,229	22,852
Postage and shipping	773	8	781	6,490	1,462	7,952	8,733
Printing and artwork	153,013	-	153,013	36,753	5,287	42,040	195,053
Professional dues	12,432	-	12,432	2,243	8,550	10,793	23,225
Professional outside services	623,426	46,451	669,877	55,155	75,797	130,952	800,829
Subscriptions and publications	5,721	-	5,721	2,162	2,762	4,924	10,645
Technical and direct assistance	7,786	-	7,786	-	-	-	7,786
Telephone	22,517	671	23,188	4,490	4,793	9,283	32,471
Travel	64,911	-	64,911	5,073	3,946	9,019	73,930
United Way Worldwide dues	88,068	-	88,068	33,563	20,780	54,343	142,411
	10,073,639	579,710	10,653,349	1,168,153	926,684	2,094,837	12,748,186
Depreciation	-	266,147	266,147	-	26,710	26,710	292,857
	$ 10,073,639	$ 845,857	$ 10,919,496	$ 1,168,153	$ 953,394	$ 2,121,547	$ 13,041,043

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program services			Supporting services			
	Collective impact	Office rental expense to nonprofits	Total program services	Fundraising	Management and general	Total supporting services	Total expenses
Allocations and grants	$ 1,972,097	$ -	$ 1,972,097	$ -	$ -	$ -	$ 1,972,097
Less amounts raised on behalf of others	(843,336)	-	(843,336)	-	-	-	(843,336)
	1,128,761	-	1,128,761	-	-	-	1,128,761
Subrecipient awards	4,699,932	-	4,699,932	-	-	-	4,699,932
Net allocations and grants	5,828,693	-	5,828,693	-	-	-	5,828,693
Salaries	1,650,713	23,691	1,674,404	775,800	491,374	1,267,174	2,941,578
Employee benefits	241,721	4,738	246,459	106,288	81,115	187,403	433,862
Payroll taxes	131,643	1,812	133,455	57,950	38,293	96,243	229,698
Total personnel expenses	2,024,077	30,241	2,054,318	940,038	610,782	1,550,820	3,605,138
Advertising	43,952	100	44,052	11,746	6,720	18,466	62,518
Bank fees	-	366	366	-	16,813	16,813	17,179
Combined federal campaign	-	-	-	349	-	349	349
Conferences and meetings	50,690	-	50,690	6,672	17,823	24,495	75,185
Donated rent, materials and services	178,683	52,488	231,171	-	-	-	231,171
Equipment	96,228	-	96,228	27,667	19,306	46,973	143,201
Events and promotional supplies	78,250	-	78,250	34,116	2,840	36,956	115,206
Insurance	407	16,397	16,804	-	13,534	13,534	30,338
Interest	-	-	-	-	5,136	5,136	5,136
Loss on disposal of assets	-	-	-	-	8,544	8,544	8,544
Miscellaneous	1,200	-	1,200	-	866	866	2,066
Occupancy	22,432	337,775	360,207	4,965	2,889	7,854	368,061
Office supplies	26,463	-	26,463	2,610	4,672	7,282	33,745
Postage and shipping	496	-	496	7,024	1,292	8,316	8,812
Printing and artwork	127,135	-	127,135	52,844	5,317	58,161	185,296
Professional dues	4,477	-	4,477	3,726	10,202	13,928	18,405
Professional outside services	516,460	45,656	562,116	37,049	79,584	116,633	678,749
Subscriptions and publications	12,344	-	12,344	2,460	4,262	6,722	19,066
Technical and direct assistance	8,034	-	8,034	-	-	-	8,034
Telephone	25,036	671	25,707	5,028	5,188	10,216	35,923
Travel	108,609	-	108,609	6,665	5,861	12,526	121,135
United Way Worldwide dues	70,015	-	70,015	30,455	17,422	47,877	117,892
	9,223,681	483,694	9,707,375	1,173,414	839,053	2,012,467	11,719,842
Depreciation	-	232,319	232,319	-	26,631	26,631	258,950
	$ 9,223,681	$ 716,013	$ 9,939,694	$ 1,173,414	$ 865,684	$ 2,039,098	$ 11,978,792

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 1,472,492	$ 408,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	292,857	258,950
Loss (gain) on disposal of assets	(150)	8,544
Donated securities	(103,123)	(46,369)
Realized loss on investments	220,045	5,805
Unrealized gain on investments	(230,313)	(108,132)
Cash receipts resulting from sale of donated financial assets	103,173	46,471
Provision for allowance on pledges receivable	305,115	329,325
Beneficial interest in funds held by others	(2,889)	(7,222)
Changes in operating assets and liabilities:		
Government grants receivable	360,453	50,780
Pledges receivable	(1,601,196)	(1,011)
Other receivables	179,139	(123,662)
Prepaid expenses and deposits	(1,660)	(35,288)
Cash surrender value of life insurance	(1,041)	(1,116)
Accounts payable	(37,217)	17,032
Subrecipient awards payable	90,522	(112,872)
Accrued expenses and other liabilities	22,380	86,843
Custodial and agency liabilities	(801)	(261,060)
Annuity obligations	(6,955)	(6,544)
Deferred revenue and support	257,739	-
Total adjustments	(153,922)	100,474
Net cash provided by operating activities	1,318,570	508,610
Cash flows from investing activities:		
Purchases of investments	(5,028,488)	(1,247,500)
Purchases of certificates of deposit	(373,225)	-
Proceeds from sales or maturities of investments	5,148,684	1,351,699
Purchases of property and equipment	(198,938)	(299,363)
Proceeds from disposal of assets	150	-
Net cash used in investing activities	(451,817)	(195,164)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(4,364)	-
Net cash used in financing activities	(4,364)	-
Net increase in cash and cash equivalents	862,389	313,446
Cash and cash equivalents, beginning	3,966,006	3,652,560
Cash and cash equivalents, ending	$ 4,828,395	$ 3,966,006

See notes to consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of organization and summary of significant accounting policies:

Nature of Organization:

United Way of Tucson and Southern Arizona, Inc. ("UWTSA") is a nonprofit organization incorporated in Arizona in September 1942 and governed by greater Tucson area community leaders who have been elected to its Board of Directors. UWTSA's mission is building a thriving community by uniting people, ideas and resources. UWTSA goes beyond temporary fixes to create lasting change in our community in quality education, financial wellness and healthy communities. UWTSA convenes people and organizations to find innovative solutions that positively impact more than 180,000 lives in Southern Arizona. UWTSA also conducts an annual fundraising campaign in the greater Tucson area. Pledges are received from corporations, private foundations and individuals and are used to fund organizations assisting children, families and seniors in need and to cover current administrative and fundraising expenses.

United Way Capital Corporation ("UWCC") is a nonprofit organization incorporated in Arizona in April 2001. UWCC was established to conduct nonprofit activities consistent with and in furtherance of the principles and purposes of UWTSA. UWCC owns real estate in Southern Arizona that it rents at below market rates to nonprofit and governmental organizations that provide services which contribute to UWTSA's mission.

UWTSA and UWCC are hereinafter collectively referred to as "United Way" or the "Organization."

The following are descriptions of program service categories:

Collective impact:

UWTSA's vision is a community where every child receives a high-quality education from birth to career, every adult has the opportunity to thrive financially and in the workplace, and every older person can retire and age with dignity and independence. UWTSA transforms individual lives and brings long-lasting, systemic change to our community by focusing on the key, underlying issues. We fight for quality education, financial wellness, and healthy communities for every person in Tucson and Southern Arizona from birth to the end of life. Our role as community convener enables us to form strategic partnerships, mobilize the best resources and be the catalyst for needed, positive change.

Office rental expense to nonprofits:

UWCC provides office and program space at below market rates to nonprofit and governmental organizations, which provide services that contribute to UWTSA's mission.

Principles of consolidation:

The consolidated financial statements presented as United Way of Tucson and Southern Arizona, Inc. and United Way Capital Corporation include all accounts of UWTSA and UWCC, which have been consolidated in accordance with accounting principals generally accepted in the United States of America (GAAP). All significant intercompany accounts and transactions have been eliminated.

1. Description of organization and summary of significant accounting policies (continued):

Net assets:

Net assets, support, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant estimates included in these consolidated financial statements are management's estimate of the collectibility of pledges receivable, the useful lives of assets, the valuation of annuity payment obligations, the valuation of the fair values of the remainder beneficiary trust and the valuation of non-cash donations. These estimates are subject to change in the near term.

Adoption of new accounting standards:

In June 2018, the FASB issued ASU No. 2018-08, "Not-for-Profit Entities (Topic 958)". The update clarifies the scope and accounting guidance for contributions received and contributions made. Effective July 1, 2019, United Way adopted ASU 2018-08 utilizing the full retrospective method. United Way's support recognition practices for contributions under Topic 958 do not differ significantly from prior practices. Therefore, no changes were required to previously reported support as a result of the adoption and a retrospective analysis of account balance changes was not required.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01)". ASU 2016-01 requires all investments be measured at fair value, clarifies certain investment disclosures and provides prescribed measurement for equity investments without readily determinable fair values. Effective July 1, 2019, United Way adopted ASU 2016-01 utilizing the retrospective method. There was no effect on net assets or the change in net assets for any period presented related to the adoption.

1. Description of organization and summary of significant accounting policies (continued):

Public support and revenue:

An annual fundraising campaign is conducted to raise support for UWTSA and allocations to other organizations and agencies that provide services that assist children, families and seniors. As described further in these notes, contributions received that are intended to be used in a subsequent year or for a specific purpose are time- and/or purpose- restricted contributions and are recorded as net assets with donor restrictions until the time expires or the purpose is fulfilled.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions are recorded as received and allowances are provided for amounts estimated to be uncollectible. Funds that have been designated by the donor to agencies or collected for others are reported in the consolidated financial statements as custodial and agency liabilities.

Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

United Way receives grants from government agencies, nonprofit organizations and private companies for various programs and projects. All grants are nonexchange transactions. Revenue derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when expenditures are incurred in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances and included in deferred revenue and support in the consolidated statement of financial position.

Donated rent, materials and services:

Support arising from donated rent and materials are valued at their fair market value when received. Donated services are recognized in the consolidated financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills; and
- The services would typically need to be purchased if not donated.

Although United Way may utilize the services of outside volunteers, the fair value of many of these services have not been recognized in the accompanying consolidated financial statements since they do not meet the criteria for recognition under GAAP.

1. Description of organization and summary of significant accounting policies (continued):

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC and SIPC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Certificates of deposit:

Certificates of deposit are placed with various credit institutions. At times, such amounts may be in excess of the FDIC and SIPC insurance limits; however, management does not believe they are exposed to any significant credit risk on certificates of deposit.

Investments:

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Donated investments are recorded at their fair value at the date of gift. Investment gains and losses are included in the consolidated statement of activities as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or legal requirements.

Pledges receivable:

Unconditional pledges receivable are recognized as revenues or gains at their estimated net realizable value in the period received and as assets, decreases of liabilities or expense depending on the form of the benefits received. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Pledges receivable that are collectible over future periods are discounted to their net present value. The provision for uncollectible pledges is based on management's estimate of current economic factors, applied as a percentage to gross campaign revenues. Pledges are periodically reviewed for collectibility and written off to the provision for uncollectible pledges at the time of such determination.

Property, equipment, depreciation and amortization:

Property and equipment are stated at cost or, if acquired by gift, at estimated fair market value at the date of donation. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 31.5 years. Maintenance, repairs and minor renewals are expensed as incurred while expenditures for additions and improvements with a useful life greater than a year and over $5,000 are capitalized.

1. Description of organization and summary of significant accounting policies (continued):

Permanent collection:

UWCC owns a mineral deposit on display that it has opted to treat as a permanent collection that is not recorded on the consolidated statements of financial position. Any additional minerals, sculptures or other artwork on display as part of its permanent collection that are purchased will be expensed and, if donated, will not be recorded.

Beneficial interest in trust:

Under remainder trusts, individuals establish and fund trusts with specified distributions to be made to beneficiaries over the trusts' terms. UWTSA records irrevocable remainder trusts for which it is not the trustee at the net present value of the projected cash flows, and these amounts are included in the accompanying consolidated statements of financial position as beneficial interest in funds held by others.

Endowments:

UWTSA's endowments consist of three funds established under donor restriction for charitable purposes. 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.

The Board of Directors of UWTSA has interpreted the State of Arizona's Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UWTSA retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by UWTSA in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, UWTSA considers the following factors in making a determination to appropriate or accumulate endowment funds:

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

1. Description of organization and summary of significant accounting policies (continued):

Cost deduction standards:

UWTSA adheres to the following cost deduction standards set by United Way Worldwide on designated contributions (amounts raised on behalf of others):

- Fees charged are based on actual expenses
- Fundraising fees are not deducted from designated gifts originating by or from another United Way

Technical and direct assistance:

Technical and direct assistance is provided directly to intended beneficiaries of a grant and/or program.

Functional expense allocations:

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting services of United Way. Those expenses include the marketing and communication, management information systems, and facilities business units. These costs are allocated based on employee headcount.

Advertising:

Advertising costs are expensed as incurred and totaled $73,997 and $62,518 for the years ended June 30, 2020 and 2019.

Tax exempt status:

Both UWTSA and UWCC are exempt from income taxes under both Federal (Internal Revenue Code Section 501(c)(3)) and Arizona income tax laws. They are both classified as other than private foundations under Internal Revenue Code Section 509(a). Income from certain activities not directly related to their tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income.

Subsequent events:

Management has evaluated the events that have occurred subsequent to June 30, 2020 through November 18, 2020, the date that the consolidated financial statements were available to be issued. Management has no responsibility to update these consolidated financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:

The following reflects United Way's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing and for operating and maintenance reserves that could be drawn upon if the governing board approves that action.

2. Liquidity and availability of financial assets (continued):

	2020	2019
Cash and cash equivalents	$ 4,828,395	$ 3,966,006
Certificates of deposit	373,225	-
Investments	5,364,141	5,474,308
Government grants receivable	1,563,953	1,924,406
Pledges receivable, net	3,424,860	2,128,779
Other receivables	28,845	207,984
Beneficial interest in funds held by others	168,712	165,634
Total financial assets	15,752,131	13,867,117
Contractual or donor-imposed restrictions:		
Endowment funds	(1,683,682)	(1,687,554)
Accumulated investment earnings, endowment funds	(151,032)	(186,363)
Donor restricted for specific purpose	(3,983,289)	(2,957,982)
Beneficial interest in funds held by others	(137,929)	(135,412)
Board designations:		
Designated for donor-advised funds	(1,076,257)	(1,127,319)
Operating reserves	(1,261,498)	(1,394,718)
Maintenance reserve	(459,680)	(454,580)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,998,764	$ 5,923,189

As part of United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, United Way invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, United Way has a committed line of credit in the amount of $400,000, which it could draw upon. Additionally, United Way has board designated net assets without donor restrictions that, while United Way does not intend to spend these for purposes other than those identified, the amount could be made available for current operations, if necessary.

3. Certificates of deposit:

The certificates bear interest ranging from .15% to .65% at June 30, 2020 and have maturities of four months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the consolidated financial statements.

4. Investments:

	2020	2019
Mutual funds	$ 1,854,315	$ 1,898,973
Equity securities	576,153	796,314
Bond and bond funds	2,852,395	2,688,562
Real estate investment trusts	81,278	90,459
	5,364,141	5,474,308
Less investments with donor restrictions	(1,683,682)	(1,687,554)
	$ 3,680,459	$ 3,786,754

Investment income for the years ended June 30, 2020 and 2019 was as follows:

	2020	2019
Dividends and interest	$ 170,950	$ 198,159
Realized losses on investments	(220,045)	(5,805)
Unrealized gains on investments	230,313	108,132
Investment fees	(34,292)	(34,621)
	$ 146,926	$ 265,865

5. Fair value measurements and investments:

At June 30, 2020, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Level 1	Level 2	Level 3
U.S. mutual funds	$ 1,514,434	$ 1,514,434	$ -	$ -
U.S. equities	330,383	330,383	-	-
International mutual funds	339,881	339,881	-	-
International equities	245,770	245,770	-	-
Bonds and bond funds	2,852,395	2,852,395	-	-
Real estate investment trusts	81,278	81,278	-	-
Total investments	5,364,141	5,364,141	-	-
Beneficial interest in funds held by others	168,712	-	-	168,712
	$ 5,532,853	$ 5,364,141	$ -	$ 168,712

5. Fair value measurements and investments (continued):

At June 30, 2019, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Level 1	Level 2	Level 3
U.S. mutual funds	$ 1,446,178	$ 1,446,178	$ -	$ -
U.S. equities	513,072	513,072	-	-
International mutual funds	452,795	452,795	-	-
International equities	283,242	283,242	-	-
Bonds and bond funds	2,688,562	2,688,562	-	-
Real estate investment trusts	90,459	90,459	-	-
Total investments	5,474,308	5,474,308	-	-
Beneficial interest in funds held by others	165,634	-	-	165,634
	$ 5,639,942	$ 5,474,308	$ -	$ 165,634

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that United Way has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets or active markets that United Way does not have access to;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

5. Fair value measurements and investments (continued):

The following is a description of the valuation methodologies used for assets measured at fair value:

The fair value of UWTSA's mutual funds, equity securities, and debt securities are valued at the closing price reported in the active market on which the individual securities are traded (Level 1).

UWTSA's assets held in charitable trust are valued at the present value of expected future cash receipts adjusted for the actuarial life expectancy of the beneficiary that is receiving payments, including survivors. UWTSA's beneficial interest in perpetual trust is valued at UWTSA's proportionate share of the fair value of the trust investments (Level 3).

At June 30, 2020 and 2019, the fair value of other assets and liabilities measured using Level 3 inputs on a nonrecurring basis consisted of pledges receivable totaling $3,424,860 and $2,128,779, and annuity payment obligations totaling $68,812 and $75,767.

A reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from July 1, 2018 to June 30, 2020 is as follows:

	2020	2019
Beginning balance	$ 165,634	$ 158,412
Investment activity	3,078	7,222
Ending balance	$ 168,712	$ 165,634

6. Pledges receivable:

Campaign pledges receivable consist of unconditional promises to give from corporations, foundations, corporate employees and individual donors. All pledges are considered current as of June 30, 2020 and 2019.

Pledges receivable at June 30, 2020 and 2019 are as follows:

	2020	2019
Pledges receivable in less than one year	$ 3,793,363	$ 2,453,541
Less allowance for uncollectible pledges	(368,503)	(324,762)
Net pledges receivable	$ 3,424,860	$ 2,128,779

7. Property and equipment:

	2020	2019
Land	$ 102,000	$ 102,000
Building and improvements	7,371,478	7,084,605
Computer equipment	94,045	94,045
Construction in progress	-	276,016
Furniture and fixtures	443,711	239,874
	8,011,234	7,796,540
Less accumulated depreciation and amortization	(4,843,952)	(4,563,836)
	$ 3,167,282	$ 3,232,704

8. Beneficial interest in funds held by others:

UWTSA is the beneficiary of funds held at Community Foundation for Southern Arizona (CFSA). CFSA does not have variance power over the funds. The balance in this fund was $30,783 and $30,222 at June 30, 2020 and 2019.

UWTSA is named as a remainder beneficiary of an irrevocable trust. The recording of this trust was based on several management estimates, including the life expectancy of the current trust recipient, and is based primarily on the fair value of the principal portion of the trust's assets at June 30, 2017. At June 30, 2020 and 2019, the net present value of UWTSA's interest in this remainder trust was $137,929 and $135,412.

9. Paycheck Protection Program (PPP) loan:

In April 2020, UWTSA was granted an unsecured PPP loan from National Bank of Arizona in the amount of $661,300, pursuant to the CARES Act and the PPP Flexibility Act (the Acts). The loan bears interest at a rate of 1%. The Acts defer repayment of principal and interest to the earlier of the date of loan forgiveness or ten months after the last day of the chosen covered period. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for covered expenses as described in the Acts. UWTSA plans to use the entire loan amount for covered expenses. Under the PPP program, the Small Business Administration may undertake an audit of a loan of any size. The audit will include the loan forgiveness application as well as whether UWTSA met the eligibility requirements of the program and received the proper loan amount. UWTSA has not applied for forgiveness as of November 18, 2020.

9. Paycheck Protection Program (PPP) loan (continued):

UWTSA accounts for the PPP loan as a conditional grant in accordance with ASC 958-605. The grant is conditional based on UWTSA incurring covered expenses, maintaining employee count, and limiting salary reductions. During 2020, UWTSA recorded $286,153 as support based on their assessment of conditions that have been substantially met. The remaining portion of $375,147 is recorded as deferred support at June 30, 2020, and will be recognized as support when the remaining conditions are considered substantially met.

10. Line of credit:

UWTSA has an unsecured $400,000 revolving line of credit from a financial institution. This line of credit expires in April 2021. Interest is payable monthly at the prime rate (3.25% and 5.5% at June 30, 2020 and 2019) with a minimum rate of 4%. At June 30, 2020 and 2019, there was no outstanding balance on this note.

11. Charitable gift annuity agreements:

UWTSA has entered into charitable gift annuity agreements with various individuals. Under the terms of the agreements, UWTSA receives lump sum amounts and agrees to make distributions for a specified period of time to the donor or other beneficiaries. Assets received are recorded at fair value on the date the agreement is executed and a liability equal to the present value of the future distributions is recorded. Payments to annuitants are remitted based on the terms of the agreements and amount to $11,716 annually. The original contribution and any net investment earnings may not be sufficient to make the required periodic payments for an annuity payment obligation. If any insufficiency results, UWTSA has a continuing financial commitment to each annuitant until his/her death. Management believes that any insufficiency is not material to UWTSA's net assets without donor restrictions.

The charitable gift annuities received by UWTSA are without donor restrictions. Adjustments to the annuity liability to reflect amortization of the discount and revaluations due to changes in life expectancy are reported in the current year as a change in value of split-interest agreements. Discount rates on these obligations ranged from 5.9% to 6.7% for the years ended June 30, 2020 and 2019. At June 30, 2020 and 2019, the net present value of the charitable gift annuity contracts totaled $68,812 and $75,767.

12. Custodial and agency liabilities:

Custodial liabilities represent those funds that UWTSA is holding at the discretion of affiliated and other charitable organizations. Agency liabilities represent funds that have been designated to agencies that UWTSA has not remitted. Custodial and agency liabilities consisted of the following:

	2020	2019
Custodial funds:		
United Way of Cochise County	$ 3,028	$ 1,371
United Way of Santa Cruz County	12,435	65,476
Employees Combined Appeal Programs:		
City of Tucson	34,838	40,790
Pima County	95,740	99,010
Total custodial funds	146,041	206,647
Amounts designated to agencies	514,453	454,648
	$ 660,494	$ 661,295

13. Board designated reserves:

At June 30, 2020 and 2019, the Board of Directors Designated Reserves consisted of the following:

	2020	2019
UWTSA operating reserve	$ 1,045,523	$ 1,175,743
UWCC operating reserve	215,975	218,975
UWCC maintenance reserve	459,680	454,580
	$ 1,721,178	$ 1,849,298

In March 2013, the UWTSA Board of Directors approved the Board Designated Operating Reserve Policy (Operating Reserve Policy) to ensure the long-term stability of the Organization and position it to respond to varying economic conditions and changes affecting the Organization's financial position and its ability to continuously carry out its mission.

13. Board designated reserves (continued):

The Operating Reserve Policy is intended to fulfill the following objectives:

- To promote public and donor confidence in the long-term sustainability of the Organization by preventing chronic cash flow crises that could injure its reputation and force its leaders to make expensive short-term crisis-based decisions;
- To enable the Organization to sustain operations through delays in receipts of committed funding and to accept reimbursable contacts and grants without jeopardizing ongoing operations; and
- To create an internal line of credit to manage cash flow and maintain financial flexibility.

The minimum amount to be designated as operating reserves is an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Board of Directors has established a minimum of three months and a maximum of six months of average unrestricted operating costs as operating reserves.

The UWCC Board of Directors has designated net assets at June 30, 2020 as follows:

Operating Reserve:

The UWCC Board of Directors has adopted an operating reserve policy to ensure that adequate resources are available to maintain operations of the property in the event that a vacancy or other unanticipated operating issue may arise. The operating reserve policy's goal is to retain six months of average operating expenses and is fully funded at June 30, 2020.

Maintenance Reserve:

The UWCC Board of Directors has adopted a maintenance reserve policy to ensure that adequate resources are available for major maintenance and repairs outside the normal course of operations. The maintenance reserve will be calculated at 6% of property balances exclusive of land.

14. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose:		
Education	$ 1,356,143	$ 1,370,940
Financial Wellness	123,410	82,210
Volunteer Income Tax Assistance	40,351	22,516
Healthy Communities	1,612,379	599,666
Days of Caring	10,000	35,000
Volunteer Center	9,072	8,668
Target Areas	831,586	828,083
Various other programs	348	10,899
	3,983,289	2,957,982
Subject to the passage of time:		
Beneficial interests in charitable trusts held by others	137,929	135,412
Subject to endowment spending policy and appropriation:		
Original donor restricted endowment gifts required to be maintained by donor:		
General use	1,529,865	1,533,737
Education	133,817	133,817
Volunteer Center	20,000	20,000
	1,683,682	1,687,554
Accumulated investment earnings, expendable to support general operations when appropriated	151,032	186,363
	$ 5,955,932	$ 4,967,311

15. Endowments:

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Endowment net assets with donor restrictions, beginning	$ 1,873,917	$ 1,823,612
Investment return:		
Interest/dividends	41,688	52,430
Net realized gains (losses)	(113,280)	4,987
Net unrealized gains	115,823	21,424
Total investment return	44,231	78,841
Contributions	-	60,100
Appropriation of endowment assets for expenditures	(69,294)	(74,644)
Investment fees	(14,140)	(13,992)
Endowment net assets with donor restrictions, ending	$ 1,834,714	$ 1,873,917

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 of the Act requires to be retained as a fund of perpetual duration. There were no deficiencies of this nature in net assets with donor restrictions as of June 30, 2020 and 2019.

Investment strategies:

To satisfy its long-term rate-of-return objectives, UWTSA 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). UWTSA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy:

UWTSA has adopted a spending policy that conforms to spending rates or formulas dictated by specific gift instruments or by community foundations. In the absence of donor specifications or for funds not invested in community foundations or similar organizations, endowment funds shall have a spending policy expressed as a maximum of 4% of a three-year moving average of the market value of endowment funds determined on a quarterly basis. Expenditures in excess of the 4% policy or when endowment funds are "underwater" will require the approval of a majority of the board members.

16. Retirement plan:

UWTSA maintains a 401(k) profit sharing plan (the "Plan") for all employees who meet eligibility requirements. The Plan provides for discretionary nonelective and matching employer contributions as determined by the Board of Directors. For the years ended June 30, 2020 and 2019, the Board of Directors approved a matching contribution of 50% of the first 5% of employees' contributions to the Plan. In addition, the Board of Directors approved a nonelective contribution of $1,000 per employee for all employees who worked 1,000 hours or more during the years ended June 30, 2020 and 2019. For the years ended June 30, 2020 and 2019, defined contribution plan expense was $114,777 and $100,298.

17. Supplemental employee retirement plan:

On July 1, 2013, UWTSA adopted the United Way of Tucson and Southern Arizona Deferred Compensation Plan for the President and CEO. The plan stated that UWTSA will contribute $8,000 per year to a deferred compensation benefit plan, with three years' payments applied in arrears as of the date of the agreement. On July 1, 2018, this plan was superseded by a new plan under which UWTSA will contribute $15,000 per year to a deferred compensation benefit plan. The funds in these accounts are considered assets of UWTSA and a liability is accrued to show a corresponding payable to the employee. During the term of the plans, all income received by the plans, net of expenses and taxes, shall be accumulated and reinvested. The plans shall be transferable to the employee upon termination of his employment agreement. Per the first Deferred Compensation Plan agreement, benefits were payable as soon as practicable after June 30, 2019, if the President and CEO was still employed on that date. This requirement was met and the distribution to the President and CEO was made in July 2019.

Investments are valued at fair value as determined by quoted security exchange prices and fluctuate with the market value of the investments which are held in the account and any additional deferrals or payments to the President and CEO. At June 30, 2020 and 2019, assets of the plan were $37,885 and $67,157 and primarily held in mutual funds. UWTSA does not bear any of the risk for those market fluctuations. At June 30, 2020 and 2019, a liability of $37,885 and $67,157 for the present value of future retirement benefits payable has been reported in accrued expenses in the consolidated statements of financial position.

18. Donated rent, materials and services:

Donated rent and materials are primarily utilized in program services and were reported in the consolidated statements of functional expenses for the years ended June 30, 2020 and 2019:

	2020	2019
Allocations and grants	$ 61,725	$ 178,683
Rent	140,063	52,488
	$ 201,788	$ 231,171

19. Rent income:

UWCC rents office space to various nonprofit and governmental entities, including UWTSA, under noncancelable leases with varying terms and expiration dates. Rent paid to UWCC by UWTSA is eliminated in consolidation for financial statement presentation. Rental income, net of elimination, was $645,593 and $655,388 for the years ended June 30, 2020 and 2019.

UWCC contracts at rent rates that are below market due to its tenants' nonprofit and governmental status. UWCC records the difference between fair market rent rate and its contracted rent rates as in-kind rent revenue. The in-kind rent revenue was $140,063 and $52,488 for the years ended June 30, 2020 and 2019, and is included in donated services and materials.

Future minimum rental income, net of eliminations, to be received at contracted rates under these lease agreements as of June 30, 2020 follow:

Year ending June 30,	
2021	$ 534,055
2022	193,045
2023	16,087
	$ 743,187

20. Consolidated statement of cash flows:

Supplemental disclosure of cash flow information:
Cash paid for interest was $5,608 and $5,136 for the years ended June 30, 2020 and 2019.

20. Consolidated statement of cash flows (continued):

Noncash investing and financing activities:

During the year ended June 30, 2020, UWTSA acquired copiers totaling $28,497 in exchange for capital leases.

21. Commitments and contingencies:

Property management agreement:

UWCC is party to a property management agreement with an independent outside service agent. The agreement requires monthly payments by UWCC to the agent of $2,200, which may be increased annually based on the CPI index. The agreement may be canceled by either party following 30 days' notice. The agreement also requires a construction supervision fee in the event any one repair, maintenance or improvement work exceeds $5,000. The fee is 6% of the dollars spent above $5,000 and less than $45,001 and 4% of dollars above $45,000. Any work above $750 requires specific approval of UWCC. The contract will expire as of June 30, 2021.

Lease commitments:

UWTSA leases office space in Green Valley under an operating lease through June 2021. The lease requires monthly payments that escalate on an annual basis. Future minimum lease payments under the noncancelable operating lease are $21,191 for the year ending June 30, 2021.

Contingencies:

UWTSA participates in certain federal, state and local grant programs. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of UWTSA. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

United Way is, from time-to-time, involved in legal claims that arise in the ordinary course of business. In the opinion of management and based on consultations with legal counsel, any such matters that may exist are considered immaterial to United Way or will be covered by insurance.

The COVID-19 outbreak in the United States has caused business disruption. The extent of the impact COVID-19 will have on operational and financial performance will depend on certain developments, including duration and spread of the outbreak, impact on donors, other funding sources, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the consolidated financial statements is uncertain.

22. Concentrations:

For 2020 and 2019, one agency accounted for 87% and 90% of government grants and 94% of government grants receivable at June 30, 2020.

23. Reclassifications:

The 2019 consolidated financial statements have been reclassified in order to conform to the 2020 consolidated financial statement presentation. The reclassifications had no effect on net assets at June 30, 2019 or on the change in net assets for the year then ended.

24. Pending pronouncements:

In February 2016, the FASB issued ASU 2016-02 “Leases.” ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2020, with early adoption permitted.

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers.” ASU 2014-09 applies to contracts with customers, excluding, most notably, insurance and leasing contracts. ASU 2014-09 prescribes a framework in accounting for revenues from contracts within its scope, including (a) identifying the contract, (b) identifying the performance obligations under the contract, (c) determining the transaction price, (d) allocating the transaction price to the identified performance obligations and (e) recognizing revenues as the identified performance obligations are satisfied. ASU 2014-09 also prescribes additional financial statement presentations and disclosures. ASU 2014-09 is effective for reporting periods beginning after December 15, 2019, with early adoption permitted.

Management is currently evaluating the effect that these standards will have on the consolidated financial statements.

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2020

	UWTSA	UWCC	Eliminating entries	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,755,638	$ 1,072,757	$ -	$ 4,828,395
Certificates of deposit	373,225	-	-	373,225
Short-term investments	3,680,459	-	-	3,680,459
Government grants receivable	1,563,953	-	-	1,563,953
Pledges receivable, net	3,424,860	-	-	3,424,860
Other receivables	23,755	5,090	-	28,845
Prepaid expenses and deposits	86,615	13,283	-	99,898
Total current assets	12,908,505	1,091,130	-	13,999,635
Long-term investments with donor restrictions	1,683,682	-	-	1,683,682
Beneficial interest in funds held by others	168,712	-	-	168,712
Cash surrender value of life insurance	16,186	-	-	16,186
Property and equipment, net	123,249	3,044,033	-	3,167,282
Total assets	$ 14,900,334	$ 4,135,163	$ -	$ 19,035,497
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 107,068	$ -	$ -	$ 107,068
Subrecipient awards payable	572,628	-	-	572,628
Accrued expenses and other liabilities	592,572	-	-	592,572
Custodial and agency liabilities	660,494	-	-	660,494
Capital lease obligations, current portion	5,431	-	-	5,431
Refundable security deposits	-	12,808	-	12,808
Annuity obligations, current portion	7,390	-	-	7,390
Deferred revenue and support	804,856	17,064	-	821,920
Total current liabilities	2,750,439	29,872	-	2,780,311
Capital lease obligations, net of current portion	18,702	-	-	18,702
Long-term annuity obligations	61,422	-	-	61,422
Total liabilities	2,830,563	29,872	-	2,860,435
Commitments and contingencies				
Net assets:				
Without donor restrictions:				
Undesignated	3,892,943	385,603	-	4,278,546
Designated for donor advised funds	1,076,257	-	-	1,076,257
Board designated reserves	1,045,523	675,655	-	1,721,178
Invested in property and equipment	99,116	3,044,033	-	3,143,149
	6,113,839	4,105,291	-	10,219,130
With donor restrictions	5,955,932	-	-	5,955,932
Total net assets	12,069,771	4,105,291	-	16,175,062
Total liabilities and net assets	$ 14,900,334	$ 4,135,163	$ -	$ 19,035,497

UNITED WAY OF TUCSON AND SOUTHERN ARIZONA, INC.
AND UNITED WAY CAPITAL CORPORATION

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without donor restrictions						
	UWTSA	UWCC	Total	Eliminating entries	Total	With donor restrictions	Total
Revenues, support and gains:							
Total campaign support	$ 3,736,733	$ -	$ 3,736,733	$ -	$ 3,736,733	$ 1,678,668	$ 5,415,401
Less amounts raised on behalf of others	(851,145)	-	(851,145)	-	(851,145)	-	(851,145)
	2,885,588	-	2,885,588	-	2,885,588	1,678,668	4,564,256
Less provision for uncollectible pledges	(305,115)	-	(305,115)	-	(305,115)	-	(305,115)
Net campaign support	2,580,473	-	2,580,473	-	2,580,473	1,678,668	4,259,141
Government grants	286,153	-	286,153	-	286,153	6,271,920	6,558,073
Other gifts, grants and sponsorships	334,162	-	334,162	(328,667)	5,495	2,591,947	2,597,442
Donated rent, materials and services	215,761	328,069	543,830	(376,012)	167,818	33,970	201,788
Service fee income	104,572	-	104,572	-	104,572	-	104,572
Rent revenue	-	900,298	900,298	(254,705)	645,593	-	645,593
Investment income, net	109,890	2,512	112,402	-	112,402	34,524	146,926
Net assets released from restriction	9,669,408	-	9,669,408	-	9,669,408	(9,669,408)	-
Total revenues, support and gains	13,300,419	1,230,879	14,531,298	(959,384)	13,571,914	941,621	14,513,535
Allocations and expenses:							
Allocations, grants and subrecipient awards	10,455,175	328,667	10,783,842	(710,203)	10,073,639	-	10,073,639
Office rental expense to nonprofits	31,151	1,002,712	1,033,863	(188,006)	845,857	-	845,857
Fundraising	1,205,872	-	1,205,872	(37,719)	1,168,153	-	1,168,153
Management and general	976,850	-	976,850	(23,456)	953,394	-	953,394
Total allocations and expenses	12,669,048	1,331,379	14,000,427	(959,384)	13,041,043	-	13,041,043
Change in net assets before fund transfers	631,371	(100,500)	530,871	-	530,871	941,621	1,472,492
Transfers per donor request	(47,000)	-	(47,000)	-	(47,000)	47,000	-
Change in net assets	584,371	(100,500)	483,871	-	483,871	988,621	1,472,492
Net assets, beginning	5,529,468	4,205,791	9,735,259	-	9,735,259	4,967,311	14,702,570
Net assets, ending	$ 6,113,839	$ 4,105,291	$ 10,219,130	$ -	$ 10,219,130	$ 5,955,932	$ 16,175,062