

The United Way of Southwestern Pennsylvania

Financial Statements

June 30, 2024 and 2023

The United Way of Southwestern Pennsylvania

Table of Contents
June 30 2024 and 2023

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditors' Report

To the Board of Directors of
The United Way of Southwestern Pennsylvania

Opinion

We have audited the financial statements of The United Way of Southwestern Pennsylvania (United Way), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Way as of June 30, 2024 and 2023, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the United Way and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the United Way's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the United Way's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the United Way's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Pittsburgh, Pennsylvania
November 26, 2024

The United Way of Southwestern Pennsylvania

Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Assets		
Cash and cash equivalents	\$ 19,632,949	\$ 19,568,932
Certificate of deposit	493,053	475,000
Pledges receivable, net (Note 4)	10,974,560	11,698,691
Other receivables	973,350	1,615,715
Investments (Note 5)	42,891,760	36,160,852
Funds held by others (Note 6)	6,335,121	6,153,819
Prepaid expenses and other assets	78,495	111,406
Property and equipment, net (Note 7)	120,198	105,216
Operating lease right-of-use assets (Note 13)	2,097,811	2,339,288
	<u>83,597,297</u>	<u>78,228,919</u>
Total assets	<u>\$ 83,597,297</u>	<u>\$ 78,228,919</u>
Liabilities and Net Assets		
Liabilities		
Distributions payable to agencies	\$ 6,766,972	\$ 6,933,298
Donor designations payable	6,780,823	7,524,589
Accounts payable and accrued liabilities	1,951,460	1,902,643
Accrued pension obligation (Note 9)	-	(294,171)
Operating lease liability (Note 13)	2,104,884	2,346,135
	<u>17,604,139</u>	<u>18,412,494</u>
Total liabilities	<u>17,604,139</u>	<u>18,412,494</u>
Net Assets		
Without donor restrictions (Note 11)	45,879,917	40,346,803
With donor restrictions (Note 12)	20,113,241	19,469,622
	<u>65,993,158</u>	<u>59,816,425</u>
Total net assets	<u>65,993,158</u>	<u>59,816,425</u>
Total liabilities and net assets	<u>\$ 83,597,297</u>	<u>\$ 78,228,919</u>

See notes to financial statements

The United Way of Southwestern Pennsylvania

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2024 (With Summarized Totals for June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024	2023
Public Support and Revenue				
Public support:				
Gross campaigns results	\$ 19,573,095	\$ 7,310,831	\$ 26,883,926	\$ 28,336,716
Less:				
Donor designations	9,485,157	-	9,485,157	11,042,185
Discount of long-term pledges	51,761	-	51,761	-
Allowance for uncollectible accounts	730,317	-	730,317	789,904
Net campaigns results	9,305,860	7,310,831	16,616,691	16,504,627
Gifts and other contributions	100,984	707,261	808,245	1,208,766
Total public support	9,406,844	8,018,092	17,424,936	17,713,393
Revenue				
Service fee revenue	1,146,792	-	1,146,792	1,365,413
Interest and investment income, net of fees	1,587,012	269,505	1,856,517	1,304,674
Sponsorship and event revenue	525,769	-	525,769	527,357
Net realized, unrealized gain on investments	2,750,797	1,071,875	3,822,672	2,899,294
Donated services and materials income	420,102	-	420,102	750,478
Other services revenue	3,424,375	-	3,424,375	3,676,359
Government grants revenue	-	1,655,701	1,655,701	1,091,880
Change in beneficial interest	-	75,992	75,992	36,781
Net assets released from restrictions	10,447,546	(10,447,546)	-	-
Total revenue	20,302,393	(7,374,473)	12,927,920	11,652,236
Total public support and revenue	29,709,237	643,619	30,352,856	29,365,629
Expenses				
Program services:				
Gross funds awarded or designated to agencies	18,607,778	-	18,607,778	19,805,955
Less donor designations	9,485,157	-	9,485,157	11,042,185
Net funds awarded or designated to agencies	9,122,621	-	9,122,621	8,763,770
Other program services	9,390,807	-	9,390,807	9,273,154
Total program services	18,513,428	-	18,513,428	18,036,924
Total support services	6,103,081	-	6,103,081	6,351,845
Total expenses	24,616,509	-	24,616,509	24,388,769
Change in net assets before adjustment	5,092,728	643,619	5,736,347	4,976,860
Pension Changes, Actuarial Net Gain	440,386	-	440,386	1,755,682
Change in net assets	5,533,114	643,619	6,176,733	6,732,542
Net Assets, Beginning	40,346,803	19,469,622	59,816,425	53,083,883
Net Assets, Ending	\$ 45,879,917	\$ 20,113,241	\$ 65,993,158	\$ 59,816,425

See notes to financial statements

The United Way of Southwestern Pennsylvania

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>
Public Support and Revenue			
Public support			
Gross campaigns results	\$ 19,871,818	\$ 8,464,898	\$ 28,336,716
Less:			
Donor designations	11,042,185	-	11,042,185
Allowance for uncollectible accounts	789,904	-	789,904
Net campaigns results	8,039,729	8,464,898	16,504,627
Gifts and other contributions	496,773	711,993	1,208,766
Total public support	8,536,502	9,176,891	17,713,393
Revenue			
Service fee revenue	1,365,413	-	1,365,413
Interest and investment income, net of fees	1,083,709	220,965	1,304,674
Sponsorship and event revenue	527,357	-	527,357
Net realized, unrealized gain on investments	2,124,987	774,307	2,899,294
Donated services and materials income	750,478	-	750,478
Other services revenue	3,676,359	-	3,676,359
Government grants revenue	-	1,091,880	1,091,880
Change in beneficial interest	-	36,781	36,781
Net assets released from restrictions	11,439,014	(11,439,014)	-
Total revenue	20,967,317	(9,315,081)	11,652,236
Total public support and revenue	29,503,819	(138,190)	29,365,629
Expenses			
Program services			
Gross funds awarded or designated to agencies	19,805,955	-	19,805,955
Less donor designations	11,042,185	-	11,042,185
Net funds awarded or designated to agencies	8,763,770	-	8,763,770
Other program services	9,273,154	-	9,273,154
Total program services	18,036,924	-	18,036,924
Total support services	6,351,845	-	6,351,845
Total expenses	24,388,769	-	24,388,769
Change in net assets before adjustment	5,115,050	(138,190)	4,976,860
Pension Changes, Actuarial Net Gain	1,755,682	-	1,755,682
Change in net assets	6,870,732	(138,190)	6,732,542
Net Assets, Beginning	33,476,071	19,607,812	53,083,883
Net Assets, Ending	<u>\$ 40,346,803</u>	<u>\$ 19,469,622</u>	<u>\$ 59,816,425</u>

See notes to financial statements

The United Way of Southwestern Pennsylvania

Statements of Functional Expenses
Year Ended June 30, 2024

	Program Services				Supporting Services			Total Expenses
	Volunteer Referrals	Labor Services	Community Capacity Building	Total Program Services	Fundraising	Organizational Administration	Total Support Services	
Funds awarded	\$ -	\$ -	\$ 18,607,778	\$ 18,607,778	\$ -	\$ -	-	\$ 18,607,778
Less donor designations	-	-	9,485,157	9,485,157	-	-	-	9,485,157
Net funds awarded	-	-	9,122,621	9,122,621	-	-	-	9,122,621
Salaries	307,059	77,880	2,784,492	3,169,431	2,034,865	1,090,323	3,125,188	6,294,619
Employee benefits	61,838	31,675	665,059	758,572	440,912	331,762	772,674	1,531,246
Payroll taxes	23,674	5,056	214,549	243,279	153,120	78,651	231,771	475,050
Total salaries and benefits	392,571	114,611	3,664,100	4,171,282	2,628,897	1,500,736	4,129,633	8,300,915
Professional services	86,656	5,489	228,784	320,929	441,589	259,468	701,057	1,021,986
In-kind services	-	-	-	-	420,102	-	420,102	420,102
Community initiatives	-	-	3,287,347	3,287,347	-	-	-	3,287,347
Campaign and other literature	20	5	1,283	1,308	395	94	489	1,797
Meeting and event expense	327,937	121	144,295	472,353	120,886	5,888	126,774	599,127
Office supplies	1,201	177	11,356	12,734	6,046	3,108	9,154	21,888
Postage	834	208	13,839	14,881	7,808	7,482	15,290	30,171
Travel	4,208	38	23,597	27,843	11,955	2,047	14,002	41,845
Staff training	375	93	63,829	64,297	11,873	2,123	13,996	78,293
Insurance	3,991	998	35,168	40,157	54,598	18,958	73,556	113,713
Occupancy	19,352	4,805	205,396	229,553	134,317	116,043	250,360	479,913
Information technology	14,248	3,562	304,993	322,803	82,378	68,344	150,722	473,525
Equipment rental and repair	451	113	8,261	8,825	4,090	3,449	7,539	16,364
Subscriptions and memberships	555	99	16,354	17,008	6,798	7,037	13,835	30,843
Telephone	481	118	8,440	9,039	5,048	8,870	13,918	22,957
Depreciation expense	1,383	346	17,313	19,042	7,961	6,575	14,536	33,578
United Way Worldwide dues	13,849	2,615	138,745	155,209	64,166	83,952	148,118	303,327
Miscellaneous expense	596	31,171	184,430	216,197	-	-	-	216,197
Total other operating expenses	476,137	49,958	4,693,430	5,219,525	1,380,010	593,438	1,973,448	7,192,973
Total functional expenses	\$ 868,708	\$ 164,569	\$ 17,480,151	\$ 18,513,428	\$ 4,008,907	\$ 2,094,174	\$ 6,103,081	\$ 24,616,509

See notes to financial statements

The United Way of Southwestern Pennsylvania

Statements of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services			Total Expenses	
	Volunteer Referrals	Labor Services	Community Capacity Building	Total Program Services	Fundraising	Organizational Administration		Total Support Services
Funds awarded	\$ -	\$ -	\$ 19,805,955	\$ 19,805,955	\$ -	\$ -	\$ -	\$ 19,805,955
Less donor designations	-	-	11,042,185	11,042,185	-	-	-	11,042,185
Net funds awarded	-	-	8,763,770	8,763,770	-	-	-	8,763,770
Salaries	288,775	77,421	2,695,800	3,061,996	1,849,667	1,005,432	2,855,099	5,917,095
Employee benefits	68,794	34,243	715,447	818,484	434,005	300,059	734,064	1,552,548
Payroll taxes	21,770	4,905	202,457	229,132	135,321	70,604	205,925	435,057
Total salaries and benefits	379,339	116,569	3,613,704	4,109,612	2,418,993	1,376,095	3,795,088	7,904,700
Professional services	112,044	7,025	279,626	398,695	603,446	263,914	867,360	1,266,055
In-kind services	-	-	-	-	750,478	-	750,478	750,478
Community initiatives	-	-	3,438,668	3,438,668	-	-	-	3,438,668
Campaign and other literature	58	14	635	707	1,752	274	2,026	2,733
Meeting and event expense	382,316	254	128,335	510,905	178,633	5,906	184,539	695,444
Office supplies	1,391	233	17,686	19,310	6,594	3,848	10,442	29,752
Postage	1,127	253	15,556	16,936	7,997	6,895	14,892	31,828
Travel	6,787	72	24,943	31,802	14,907	2,263	17,170	48,972
Staff training	-	151	2,021	2,172	2,833	1,067	3,900	6,072
Insurance	4,446	889	33,802	39,137	42,082	23,137	65,219	104,356
Occupancy	23,137	5,260	168,795	197,192	147,601	119,878	267,479	464,671
Information technology	14,642	3,648	214,255	232,545	81,027	69,534	150,561	383,106
Equipment rental and repair	612	116	7,718	8,446	5,132	4,113	9,245	17,691
Subscriptions and memberships	513	99	36,779	37,391	7,490	4,235	11,725	49,116
Telephone	703	140	10,373	11,216	7,021	12,643	19,664	30,880
Depreciation expense	2,009	502	22,131	24,642	11,061	9,554	20,615	45,257
United Way Worldwide dues	15,694	2,650	133,800	152,144	71,370	82,664	154,034	306,178
Miscellaneous expense	700	31,549	9,385	41,634	5,988	1,420	7,408	49,042
Total other operating expenses	566,179	52,855	4,544,508	5,163,542	1,945,412	611,345	2,556,757	7,720,299
Total functional expenses	\$ 945,518	\$ 169,424	\$ 16,921,982	\$ 18,036,924	\$ 4,364,405	\$ 1,987,440	\$ 6,351,845	\$ 24,388,769

See notes to financial statements

The United Way of Southwestern Pennsylvania

Statements of Cash Flows

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 6,176,733	\$ 6,732,542
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	33,578	45,257
Net appreciation in:		
Fair value of investments	(3,822,672)	(2,899,294)
Fair value of charitable trusts	(75,992)	(36,781)
Contributions restricted for long-term purposes	(707,261)	(711,993)
Changes in:		
Pledges receivable	724,131	2,318,364
Other assets	675,276	(106,055)
Distributions payable to agencies	(166,326)	(668,302)
Donor designations payable	(743,766)	(395,041)
Accounts payable and other liabilities	342,988	(1,607,928)
Operating lease liability, net	226	6,847
	<u>2,436,915</u>	<u>2,677,616</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Proceeds from sale of investments	14,934,366	18,546,675
Purchase of investments	(17,965,965)	(20,901,969)
Purchase of property and equipment	(48,560)	(51,243)
	<u>(3,080,159)</u>	<u>(2,406,537)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Proceeds from contributions to endowment	707,261	711,993
	<u>707,261</u>	<u>711,993</u>
Net change in cash and cash equivalents	64,017	983,072
Cash and Cash Equivalents, Beginning	<u>19,568,932</u>	<u>18,585,860</u>
Cash and Cash Equivalents, Ending	<u>\$ 19,632,949</u>	<u>\$ 19,568,932</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Operating lease assets and liabilities recognized	<u>\$ 119,355</u>	<u>\$ 2,691,925</u>

See notes to financial statements

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

1. Description of the Organization

For nearly 100 years, people have turned to The United Way of Southwestern Pennsylvania (United Way) to problem solve, to learn, for help and to give back. People turn to United Way because no organization is better at bringing entire communities together to create long-lasting change that improves lives for our family, friends and neighbors. We connect the region's best and brightest thought-leaders from corporations, foundations, labor unions, government, academia, religious groups, human services and the people who live in our region. Together our stakeholders work to solve the most pressing problems. We innovate, we pilot, we scale-up our impact and, most importantly, we help people meet basic needs, move to financial security and build the skills they need for success in school and in life.

We improve lives in three ways. We deliver preventative strategies that help people before problems escalate, we provide immediate short-term assistance for people in need, and we drive advocacy to push for systems-change to create a lasting, long-term impact on the entire region. This approach keeps more people working, more people safe and healthy, living in their own homes and provides significant economic value back to the entire region.

Our Vision

United Way is a force for good, helping to improve lives and build brighter futures for individuals and families by creating long-lasting change for the betterment of our community.

Our Mission

United Way leads and mobilizes the caring power of individuals, the business community and organizations to help people in need measurably improve their lives, creating long lasting change for the betterment of residents in Allegheny, Armstrong, Butler, Fayette and Westmoreland counties.

Our Principles

United Way operates on these core principles proven to demonstrably improve lives:

1. Convene community leaders and create partnerships to tackle tough issues.
2. Promote accountability and transparency from ourselves and our partners.
3. Innovate and challenge assumptions.
4. Collaborate by bringing together business leaders, community leaders and local government.
5. Invest in preventative strategies that help people before a short-term situation becomes a devastating crisis.
6. Engage and sustain a diverse community-spanning base of donors and advocates who support our work and create systemic change.
7. Mobilize a growing number of passionate volunteers throughout our entire region who implement solutions and provide an essential human touch to our efforts.

Collaboration is at our core. We continuously reach out into the community to find new corporate leaders, donors and volunteers. We work hard with our corporate partners to sustain our most important programs. We engage with foundations, agency partners and other human services organizations to envision the future as we test, build and implement new ideas. We work to keep our donors committed, our volunteers engaged and our corporate leaders passionate about creating real change to achieve the greatest impact.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

Current Programs and Strategic Focus

Throughout our service region, decisions are made at the local level to significantly impact the lives of our vulnerable neighbors. The most effective vehicle to lead, partner and deliver critical assistance is by giving to United Way without restrictions, which allows us to invest in the region's most pressing issues. These contributions also fund our key investment priorities: meeting basic needs, moving individuals and families to financial stability and building for success in school and life. By promoting equitable opportunity across race, gender and ability and fostering innovative solutions to age-old problems, United Way helps create positive change for those in need and supports United Way's PA 211 Southwest contact center. Operating 24 hours a day, PA 211 Southwest connects thousands of our most vulnerable neighbors with essential human services every day of the year.

Meeting Basic Needs

Basic needs, such as food and safe affordable housing, are the foundation of well-being and make it possible for individuals and families regardless of race, age or ability to have happiness and success. The ability to get to school and work, pay for utilities and rent and fund necessary home repairs keeps families on track and out of financial crisis. A strong network of community support positively impacts physical, mental and emotional health and helps people live meaningful lives. When families are strong and all members are safe, they can then fulfill their dreams of education, good jobs and healthy relationships. United Way invests in partners committed to: addressing food insecurity and providing access to nutritious food; providing individuals and families access to safe and secure housing through programs that provide shelter, address eviction prevention, support home repairs and offer utility assistance; providing access to reliable transportation; offering safety and support to survivors of intimate partner violence; and combatting social isolation by providing interventions that promote connection and community.

Moving to Financial Stability

To fulfill their potential, it is essential that people earn a living wage and have the tools they need to build wealth. Equitable practices, where success is not dependent on race, gender and ability, are vital to helping people achieve financial freedom. Access to and awareness of services and benefits, including financial education and asset building opportunities, transforms the lives of working families. Meaningful work helps people, regardless of age, disability, gender and previous convictions, have pride and confidence that they can support themselves and their families. Affordable childcare and transportation help people find and sustain good jobs that advance their goals and help them become vital contributors to their community. United Way invests in partners committed to connecting people to employment through skill-building and career development programs and working with employers to ensure that all workers are positioned to achieve job success; providing access to safe and reliable child care and transportation so that finding and maintaining meaningful employment is possible; offering equitable opportunities across race, gender and ability so that all people can access programs and services that increase their income and financial security; helping working families to move from surviving to thriving and promoting two-generation approaches that simultaneously meet the needs of children and their adults to foster academic success and break the cycle of poverty; and providing opportunities for individuals and families to increase their knowledge, skills and assets through financial education and empowerment.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

Building for Success in School and Life

All young people deserve the chance to have a positive start toward adulthood, to learn and succeed to the level of their educational ability and reach their full potential. Children entering kindergarten need the preparation and foundational skill sets to succeed in school and life. Students, regardless of race or ability, thrive when educational programs help them achieve college and career readiness and take a trauma-informed approach that helps children and youth overcome challenges. Access to safe, affordable and educational out-of-school time programming builds on skills learned at school and instills a lifelong love of learning. United Way invests in partners committed to providing affordable, high-quality early childhood educational opportunities, preparing children for kindergarten and supporting the entire family so they can grow and learn together; working collaboratively with school districts and community partners to provide positive out-of-school time opportunities that keep young people safe and engaged and help them retain what they have learned; supporting social and emotional learning so that students in all grade levels can succeed both in and beyond school; and providing a wide variety of career, trade school and college-readiness support, including programming, tools and resources to students who live in communities that have historically experienced underinvestment.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements report net assets, revenues, gains, expenses and losses as with or without donor restriction based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Net Assets With Donor Restrictions - Net assets whose use by United Way is subject to donor-imposed stipulations that can be fulfilled by actions of United Way pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

Cash and Cash Equivalents

United Way considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The majority of cash and cash equivalents are maintained at three national financial institutions. At times, bank deposits may be in excess of federally insured limits. United Way believes it has placed its cash and cash equivalents with high credit quality financial institutions and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated probable uncollectible amounts through a charge to public support and a credit to a valuation allowance based on its analyses of historical collection rates and the condition of the general economy as a whole. The provision for uncollectible accounts is applied to gross campaign pledges including donor designations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable (Note 4).

Pledges receivable that are expected to be received after one year are discounted using an interest rate at the time of the promise, which approximates a risk-free rate of interest, to determine the present value of the estimated future cash flows.

Investments and Investment Risk

United Way has investments that consist of assets with and without donor restrictions that are not immediately needed for operations. These investments consist of fixed income and equity mutual funds, which are reported at fair value (Note 5). Those investments received as gifts or donations are recorded at their fair value on the date received.

Gains and losses on investments, including unrealized gains and losses, are reported as increases or decreases in investment income with and without donor restrictions depending on the existence and nature of any donor restriction.

Investment securities are exposed to various risks, such as interest rate, market and credit 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 these changes could affect the amounts reported in the statement of financial position.

Funds Held by Others, Community Foundation

Funds held by others consist of assets with or without donor restriction transferred by United Way to a community foundation for the creation of various endowment funds which benefit United Way but are managed by the community foundation. United Way is the sole beneficiary of any distributions from these endowment funds. Funds held by the community foundation are pooled with other organizations' funds and invested in diversified portfolios of marketable equity and fixed income securities, as well as limited marketability investments, including private equities and absolute return investments. These amounts are reported at fair value.

Gains and losses on funds held by others, including unrealized gains and losses, are reported as increases or decreases in investment income without donor restrictions unless the use of the investment income is limited by donor-imposed restrictions or law (Notes 6 and 12).

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

Included in the funds held by others on the statements of financial position is a receivable for the fair value of the assets held in perpetual trusts and the net present value of estimated income from remainder trusts for several arrangements in which donors established and funded trusts administered by organizations other than United Way, for the benefit of United Way. Under the terms of the perpetual trusts, United Way has the irrevocable right to receive the income earned on the trust assets in perpetuity. Under the remainder trusts, United Way has an irrevocable right to receive assets at the death of the donor or expiration of the trust term. Under the lead trusts, United Way has the irrevocable right to receive monies from the trust during the trust term. Investment income is classified as an increase or decrease in net assets based upon the terms of the trust agreement (Notes 6 and 12).

Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, United Way considers the principal or most advantageous market in which it would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

United Way applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 - Observable inputs such as quoted prices in active markets for identical investments that United Way has the ability to access.

Level 2 - Inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices in active markets, that are observable either directly or indirectly;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 - Unobservable inputs in which there is little or no market activity for the asset or liability, which require the reporting entity to develop its own estimates and assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

The valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2024 and 2023.

The fair value measurements of United Way's investments and funds held by others are disclosed in Notes 5 and 6. United Way's other financial instruments consist primarily of cash and cash equivalents and pledges receivable, all of which are stated at cost, which approximates fair value.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. United Way's policy is to capitalize property and equipment purchases greater than \$1,000 with a useful life greater than one year. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. One-half year of depreciation is recorded in the year of acquisition and one-half year in the year of disposal or the final year of useful life.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any resulting gains or losses are included in income (expense) for the period.

Distributions Payable to Agencies

United Way records distributions payable to agencies upon approval by its Board of Directors and notification to the agencies. Distributions payable to agencies represent amounts that are due to these agencies during the course of the following fiscal year.

Donor Designations Payable

Donor designations payable represent amounts payable to other United Ways and agencies as stipulated by the individual donors. The amounts are recorded as a pledge receivable and donor designations payable in the statements of financial position. Such amounts are included in gross campaign results and donor designations on the statements of activities and changes in net assets. These donor designated amounts are subtracted from the gross amounts to arrive at the net public support and net expenses.

Endowment Funds

United Way follows the accounting pronouncement that provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization (Note 10).

Donated Services and Materials

Donated materials and services are reflected as contributions at their estimated fair values at the date of receipt. United Way receives certain donated professional services and materials. Fair value is assigned to such services and materials based on market rates commensurate with the type of services performed or materials received. The fair value of these donations, which mainly consist of advertising for its annual campaign and materials, is included in the accompanying financial statements. Donated services and materials revenue totaled \$420,102 and \$750,478 for the years ended June 30, 2024 and 2023, respectively.

United Way indirectly benefits from donated services for media provided to United Way Worldwide. United Way Worldwide maintains relationships with the National Football League, the Ad Council and other organizations who furnish media space to United Way Worldwide at no cost. Since the value of these services cannot be reasonably calculated or lead an end user to understand the valuation process, United Way has determined it will not record a donation related to the airtime provided by United Way Worldwide.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements

June 30, 2024 and 2023

Expense Allocation

The costs of providing the various programs and other activities of United Way are presented on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and support services benefited. Salary and benefit expenses and marketing department expenses have been allocated based on time studies. Outside professional service expenses are allocated based on the nature of the service provided. The annual membership fee paid to United Way Worldwide is allocated based on total expenses. All other expense allocations to program and support services are based on the number of full-time employees.

Revenue Recognition

Public Support

United Way recognizes public support consisting of contributions and donor's unconditional promises to give in the period the promise is made. Contribution receivables are stated at the amount management expects to collect from outstanding balances. Donors' promises to give which are conditional are not recognized until the condition on which they depend are substantially met or barriers to recognition have been achieved. United Way reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets or if they are designated as support in future periods. When a donor 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 statements of activities and changes in net assets as net assets released from restriction.

Government Grant Revenue

A portion of United Way's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when United Way has incurred expenditures in compliance with specific contract or grant provisions. See Note 3 for discussion of the cost-reimbursable government grants received.

Service Fee Revenue

The expenses associated with processing donor designated pledges are recovered by an assessment for both fundraising and management and general fees based on actual historical costs in accordance with the United Way Worldwide Membership Standards as outlined in their publication titled *United Way Worldwide Cost Deduction Requirements for Membership Standard M* and are reflected in the statement of activities and changes in net assets as service fee revenue.

Management recognizes service fee revenue when performance obligations are satisfied. Performance obligations are substantially met at the time of the pledge.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

Other Services Revenue

A portion of United Way's revenues are generated from fee-for-service arrangements. United Way enters into contracts to provide 2-1-1 call center services and other community impact services in Southwestern Pennsylvania and in other regions in Pennsylvania. Management recognizes revenue from fee-for-service arrangements over time, as performance obligations are satisfied. Revenue is recorded at the transaction price, which does not include any price concessions. Fee-for-service contracts are typically annually renewing and billing arrangements range from monthly to annual billings. Any outstanding fee-for-service billings are recorded as other receivables on the statements of financial position.

Federal Income Taxes

United Way, under Code Section 501(c)(3), is exempt from federal income taxes under the Internal Revenue Code of 1986 (the Code) and has been classified as a nonprivate foundation under Section 509(a)(1) of the Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management is required to evaluate tax positions taken by United Way and recognize a tax liability if United Way has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by United Way and has concluded that, as of June 30, 2024, there are no uncertain tax positions taken or expected to be taken. United Way is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

New Accounting Standard Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses* (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On July 1, 2023, United Way adopted the ASU using the modified-retrospective approach. The adoption of ASU No. 2016-13 had no material impact on the financial statements for the year ended June 30, 2024.

Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 26, 2024, the date the financial statements were approved and authorized for issue.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

3. Government Grants

For the years ended June 30, 2024 and 2023, United Way received federal, state and county grants to assist in its meeting basic needs work including food security, transportation and other emergency basic needs, perform 2-1-1 call center services and to fund other eligible United Way programs.

Grant revenues consist of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Allegheny County	\$ 1,102,265	\$ 681,880
Westmoreland County	89,545	200,000
VITA Grant	<u>463,891</u>	<u>210,000</u>
Government grants	<u>\$ 1,655,701</u>	<u>\$ 1,091,880</u>

4. Pledges Receivable

Pledges receivable related to annual campaigns are expected to be collected within the next year. The Transformation and Resilience Campaign began during the year ended June 30, 2024, and payments are expected to be collected through June 30, 2029. Pledges related to the Transformation and Resilience Campaign were discounted using an interest rate of 4.33% at June 30, 2024.

Pledges receivable consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises expect to be collected in:		
Less than one year	\$ 11,203,969	\$ 12,538,964
One to five years	<u>600,000</u>	<u>-</u>
Total	11,803,969	12,538,964
Less allowance for uncollectible accounts	(777,648)	(840,273)
Less unamortized discount	<u>(51,761)</u>	<u>-</u>
Total	<u>\$ 10,974,560</u>	<u>\$ 11,698,691</u>

5. Investments

Investments consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Fixed income mutual funds	\$ 12,520,855	\$ 11,187,743
Equity mutual funds	<u>30,370,905</u>	<u>24,973,109</u>
Total	<u>\$ 42,891,760</u>	<u>\$ 36,160,852</u>

At June 30, 2024 and 2023, United Way's investments are measured at fair value as determined by quoted prices in active markets (Level 1 - significant observable inputs).

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

6. Funds Held by Others

Funds held by others are recorded at fair value and consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Funds held by others:		
Perpetual and remainder trusts, all with donor restriction, Note 12	\$ 1,337,899	\$ 1,261,907
Community foundation:		
With donor restriction	2,912,003	2,850,567
Without donor restriction, Note 10	<u>2,085,219</u>	<u>2,041,345</u>
Total	<u>\$ 6,335,121</u>	<u>\$ 6,153,819</u>

The fair value of the perpetual and remainder trusts is based on United Way's pro-rata share of the fair value of the assets held in each trust. As a result, the investments are reported as Level 3 measurements.

Investments held at the community foundation, as noted in the summary of significant accounting policies (Note 2), are pooled with other organizations' funds and invested in diversified portfolios of marketable equity and fixed income securities, as well as limited marketability investments, including private equities and absolute return investments. A substantial portion of the underlying assets at the community foundation is measured at fair value using Level 1 and 2 inputs. United Way's ownership in such investments is represented by an undivided interest in investment portfolios managed by the community foundation, not in the underlying assets themselves. United Way has a unitized ownership interest in these pools and does not have direct ownership of the underlying investments. The fair value of the pooled investments held by the community foundation is based on the number of units held at year-end. The unitized interests in these portfolios are not themselves publicly traded.

United Way follows the redemption requirements stipulated by the donor and by the spending policy of the foundation. United Way cannot transfer the funds to another foundation at any time. As a result of the withdrawal limitations, the investments are reported as Level 3 measurements.

The following table sets forth by level, within the fair value hierarchy, United Way's funds held by others as of June 30, 2024:

	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Funds held by others				
Perpetual and remainder trusts	\$ -	\$ -	\$ 1,337,899	\$ 1,337,899
Community foundation	-	-	<u>4,997,222</u>	<u>4,997,222</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,335,121</u>	<u>\$ 6,335,121</u>

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

The following table sets forth by level, within the fair value hierarchy, United Way's funds held by others as of June 30, 2023:

	2023			Total
	Level 1	Level 2	Level 3	
Funds held by others				
Perpetual and remainder trusts	\$ -	\$ -	\$ 1,261,907	\$ 1,261,907
Community foundation	-	-	4,891,912	4,891,912
Total	\$ -	\$ -	\$ 6,153,819	\$ 6,153,819

The changes in Level 3 investments measured at fair value on a recurring basis are summarized as follows:

	Perpetual and Reminder Trusts	Community Foundation
Beginning Balance, July 1, 2022	\$ 1,255,126	\$ 4,819,544
Earnings and net appreciation	36,781	338,280
Commissions and fees	-	(69,387)
Distributions	-	(196,525)
Ending Balance, June 30, 2023	1,291,907	4,891,912
Contributions	-	122
Earnings and net appreciation	75,992	377,033
Commissions and fees	-	(65,134)
Distributions	-	(206,711)
Ending Balance, June 30, 2024	\$ 1,367,899	\$ 4,997,222

7. Property and Equipment

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

	2024	2023
Leasehold improvements	\$ 176,527	\$ 143,766
Furniture and equipment	238,387	541,134
Technology	526,423	3,538,163
	941,337	4,223,063
Less accumulated depreciation	(821,139)	(4,117,847)
Total	\$ 120,198	\$ 105,216

The United Way of Southwestern Pennsylvania

Notes to Financial Statements

June 30, 2024 and 2023

8. Line of Credit

United Way has a \$2,000,000 annually renewable revolving credit line with PNC Bank at an interest rate of the Bloomberg Short-Term Yield Index (BSBY) plus 1.75% that expires in July 2025. At June 30, 2024 and 2023, there were no outstanding borrowings.

9. Retirement Plans

Effective September 30, 2020, United Way curtailed its Pension Plan. The curtailment resulted in the cessation of all participant benefit accruals in the plan. In March 2023, the Board of Directors approved that this plan be terminated as soon as administratively feasible after the date that benefits cease to accrue under the plan. In September 2023, the plan was formally terminated. In May 2024, the termination was finalized, and the United Way received a return of excess assets after satisfying all plan liabilities in the amount of \$853,460. The former defined benefit plan participants are eligible to participate in the 403(b) Thrift Plan of United Way and will receive an employer base contribution determined by a formula that takes age and years of service into account. Employer contributions into the 403(b) Thrift Plan totaled \$585,356 and \$565,313 for the years ended June 30, 2024 and 2023, respectively.

The Pension Plan provided for benefits to be paid to eligible employees at retirement based upon years of service and the employee's compensation levels during the last five years of employment prior to the normal retirement date. United Way's funding policy was to contribute annually an amount based on actuarially determined deposit amounts in accordance with the minimum funding requirements prescribed by the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Contributions were intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Pension Plan assets were invested in insurance company pooled separate accounts, bank common and collective trust funds and U.S. government obligations. There were no plan assets as of June 30, 2024.

The following table sets forth the funded status as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Projected and accumulated benefit obligation	\$ -	\$ (7,138,448)
Fair value of pension plan assets	-	7,432,619
Funded status at June 30,	<u>\$ -</u>	<u>\$ 294,171</u>
Accrued pension asset (obligation) recognized in the statements of financial position	<u>\$ -</u>	<u>\$ 294,171</u>

The United Way of Southwestern Pennsylvania

Notes to Financial Statements

June 30, 2024 and 2023

The following table sets forth the reconciliation of items not yet reflected in net periodic pension cost and recognized in the statements of activities and changes in net assets:

	<u>June 30, 2023</u>	<u>Reclassified as Net Periodic Pension Cost</u>	<u>Amounts Arising During Fiscal Year</u>	<u>Effects of Settlement</u>	<u>June 30, 2024</u>
Net (gain) loss	\$ (859,298)	\$ 25,054	\$ (465,440)	\$ 1,299,684	\$ -

	<u>June 30, 2022</u>	<u>Reclassified as Net Periodic Pension Cost</u>	<u>Amounts Arising During Fiscal Year</u>	<u>Effects of Settlement</u>	<u>June 30, 2023</u>
Net (gain) loss	\$ 896,384	\$ -	\$ (1,755,682)	\$ -	\$ (859,298)

Net assets without donor restrictions have been increased by a net actuarial gain of \$440,386 and \$1,755,682 for the years ended June 30, 2024 and 2023, respectively. The unrecognized net gain that is expected to be recognized as a component of the 2024 net periodic pension cost is \$0.

Other information concerning the Pension Plan for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Net periodic pension cost, service cost	\$ 9,483	\$ 102,116
Benefits and expenses paid	6,775,620	280,952

Elective contributions made to the Pension Plan totaled \$4,500 and \$242,540 for the years ended June 30, 2024 and 2023, respectively.

The assumptions used to determine the value of the projected benefit obligation, actuarial present value of accumulated plan benefits, fair value of pension plan assets and pension expense for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Assumption (expressed in terms of an annual percentage):		
Discount rate	-	4.80 %
Expected long-term rate of return on plan assets	-	6.50
Rate of increase in compensation levels	-	0.00

United Way's expected rate of return on pension plan assets is determined by the pension plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

United Way's asset allocations by asset category as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Equity	- %	51.7 %
Fixed income	-	48.1
General account	-	0.2

Subject to the operating policies of the Pension Plan, United Way's investment strategy with respect to the funds held by the insurance company was to allocate approximately 50% of contributions to equity investments and 50% to fixed investments.

The fair value of the plan investments by asset class consists of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Mutual funds, fixed income	\$ -	\$ 1,482,231
Pooled separate account, fixed income	-	2,091,929
Pooled separate account, equities	-	3,844,178
Unallocated insurance contracts, general account	-	14,281
Total	<u>\$ -</u>	<u>\$ 7,432,619</u>

Mutual funds are traded in active markets and valued based on their quoted fair value by independent pricing vendors and are classified within Level 1 of the fair value hierarchy.

Mutual of America (MOA) was the Pension Plan's actuary and insurance carrier. Investments in pooled separate accounts were valued by MOA at the net asset value (NAV) of the underlying investment assets. The separate account invested assets were subject to market value on a daily basis. The Pension Plan's proportionate share of each pooled separate account's investment income was credited in accordance with the revaluation of the units of participation and was included in the allocation of fund investment activity. The pooled separate accounts were excluded from the fair value hierarchy.

Investment in an unallocated insurance contract was valued at contract value as determined in accordance with the contract with MOA, who guaranteed a fixed interest rate. Contract value represented contributions made under the contract, plus investment income earned less withdrawals. Contract value approximates fair value. The insurance contract was classified within Level 2 of the fair value hierarchy.

10. Endowment Funds

United Way's endowment funds consist of twelve individual funds established for a variety of purposes. Nine of the twelve individual funds are investments with the community foundation (Note 6). The endowment funds include both donor-restricted funds and funds designated by United Way's Board of Directors to function as endowments (board designated endowment funds). Net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements

June 30, 2024 and 2023

The composition of net assets by type of endowment fund at June 30, 2024 was as follows:

	2024		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds, Note 12	\$ -	\$ 9,110,064	\$ 9,110,064
Board designated endowment funds, Note 11	2,085,219	-	2,085,219
Total endowment fund	<u>\$ 2,085,219</u>	<u>\$ 9,110,064</u>	<u>\$ 11,195,283</u>

The composition of net assets by type of endowment fund at June 30, 2023 was as follows:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds, Note 12	\$ -	\$ 7,885,575	\$ 7,885,575
Board designated endowment funds, Note 11	2,041,345	-	2,041,345
Total endowment fund	<u>\$ 2,041,345</u>	<u>\$ 7,885,575</u>	<u>\$ 9,926,920</u>

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, June 30, 2022	\$ 2,011,240	\$ 6,865,091	\$ 8,876,331
Contributions	-	711,993	711,993
Fees	(32,075)	(51,315)	(83,390)
Net investment income	155,241	613,461	768,702
Appropriation of endowment funds	(93,061)	(253,655)	(346,716)
Balance, June 30, 2023	2,041,345	7,885,575	9,926,920
Contributions	-	707,261	707,261
Fees	(29,847)	(52,544)	(82,391)
Net investment income	171,892	847,006	1,018,898
Appropriation of endowment funds	(98,171)	(277,234)	(375,405)
Balance, June 30, 2024	<u>\$ 2,085,219</u>	<u>\$ 9,110,064</u>	<u>\$ 11,195,283</u>

Board-designated endowment funds are balances functioning as an endowment that are established by United Way from either donor or internal monies and are usually to be retained and invested rather than expended. Since Board-designated endowment funds are established by United Way rather than an external source, the principal may be expended, as directed by the Board of Directors.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements

June 30, 2024 and 2023

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level United Way is required to retain by donor stipulation or by law. There are no endowment funds underwater at June 30, 2024 or June 30, 2023.

United Way follows the investment and spending policies for endowment assets that have been adopted by the community foundation which manages the majority of its endowment funds.

The community foundation follows the total investment return policy of Pennsylvania Act 141 which requires a spending policy of between 2% and 7% of the three-year average value of the funds. The spending policy for both 2024 and 2023, as approved by the Board of Directors, was 5%. Under this policy, the endowment assets are invested in a manner that is intended to produce results that provide long-term growth which exceeds inflation plus the annual payout requirement of 5% while maintaining a prudent investment risk policy. The funds held by the community foundation also include certain permanently restricted endowment funds where the income is restricted by the donor for future capital needs of United Way or its affiliated agencies (Note 12).

To satisfy its long-term rate-of-return objectives, 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 asset allocation policy adopted by the community foundation is outlined below:

	<u>Target</u>	<u>Range</u>
Asset class:		
Equities	58 %	40-70 %
Diversifying strategies	15	0-20
Inflation hedging	10	0-15
Fixed income	17	10-25
Cash	0	0-10

United Way's Board of Directors has interpreted the current state statute as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. Based on this interpretation, United Way classifies as net assets with donor restriction the original value of the gift, the original value of any subsequent gifts and accumulations made in accordance with the direction of the donor gift instrument. The remaining portion of the donor-restricted endowment funds is classified as net assets with or without donor restriction as required by the donor.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

11. Net Assets Without Donor Restrictions

United Way's net assets without donor restrictions are comprised of undesignated and Board designated amounts for the following purposes as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 26,144,312	\$ 32,031,762
Board designated:		
Endowment fund, Note 10	2,085,219	2,041,345
Community impact targeted investments	96,186	96,186
United Way Forward	6,600,643	6,152,775
Transformation & Resilience Fund, Board	10,928,822	-
Agency support	24,735	24,735
Total board designated	<u>19,735,605</u>	<u>8,315,041</u>
Total net assets without donor restrictions	<u>\$ 45,879,917</u>	<u>\$ 40,346,803</u>

Board Designated Endowment Funds

As discussed in Note 10, United Way has 12 funds that are held at community foundations, of which three are board designated funds. The purpose of the funds is to provide long-term general operating support for United Way. For the years ended June 30, 2024 and 2023, the amount of board designated endowment funds was \$2,085,219 and \$2,041,345, respectively.

Board Designated United Way Forward Fund

The United Way Forward fund is a research and development fund for future success through enhanced effectiveness and efficiency. The Board's desire for the United Way Forward fund was to create a permanent source of funding for innovation to reach wider to inspire greater philanthropy; expand impactful volunteerism; become increasingly more efficient; expand true collaborations toward community impact; and demonstrate measurable results in lives improved and funds raised. For the years ended June 30, 2024 and 2023, the board designated amounts for the fund were \$6,600,643 and \$6,152,775, respectively. Also, see Note 12 for net assets with donor restrictions for the United Way Forward fund.

Board Designated Transformation and Resilience Fund

Truly serving this community requires greater investment in United Way's core mission, while also building capacity to rise to challenges we cannot yet imagine. In honor of United Way's 100th anniversary, the Board established The Fund for Transformation and Resilience, which will create the opportunity for United Way to do both. As a permanent endowed fund, it will dramatically increase the ability to meet community needs by generating at least \$2 million in additional dollars each year. The fund will make it possible to innovate and invest more deeply in addressing community needs and preparing for emergencies. For the years ended June 30, 2024 and 2023, the board designated amounts related to the fund were \$10,928,822 and \$0, respectively. Also, see Note 12 for net assets with donor restrictions for the United Way Transformation and Resilience Fund.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

Community Impact Targeted Investments and Agency Support

The Board will occasionally designate net assets without donor restriction to be used for specific initiatives, programs or to support the funding of agencies. As of June 30, 2024 and 2023, there was \$96,186 designated to community impact targeted investments and \$24,735 at June 30, 2024 and 2023 designated to agency support.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are broken up into 2 different pools, purpose or period restrictions or restrictions due to spending policy or appropriation. Net assets include donor-restricted endowment funds requiring that the original gifts be invested in perpetuity and United Way's beneficial interest in certain charitable trusts.

Net assets with donor restrictions as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Programs of specific nature as designated by donors:		
Moving toward financial stability	\$ 178,223	\$ 656,710
Meeting basic needs	1,936,661	1,627,668
Building for success in school and life	70,311	759,319
2-1-1	2,396,065	2,506,175
Facility and Technology Fund/Falk Endowment	1,922,659	1,824,479
United Way Forward	4,028,418	3,729,681
Transformation and Resilience Fund	1,053,931	562,175
Volunteer programs	-	398,012
Other	1,669	-
Time restricted, charitable remainder trust, Note 6	355,133	332,334
	<u>11,943,070</u>	<u>12,396,553</u>
Net assets with purpose or period restrictions		
Endowment Funds, Note 10:		
Maurice and Laura Falk Foundation	530,500	530,500
F. E. Agnew Family Fund	265,951	265,951
George Hahn Endowment	21,554	21,554
Paul A. Stackhouse, Sr. Memorial Fund	27,320	27,198
Other	402,777	382,450
Dietrich Foundation	5,939,303	4,915,843
	<u>7,187,405</u>	<u>6,143,496</u>
Beneficial interests in perpetual and remainder trusts held in perpetuity, Note 6	<u>982,766</u>	<u>929,573</u>
Net assets subject to spending policy or appropriation and trusts held in perpetuity	<u>8,170,171</u>	<u>7,073,069</u>
Total net assets with donor restrictions	<u>\$ 20,113,241</u>	<u>\$ 19,469,622</u>

The United Way of Southwestern Pennsylvania

Notes to Financial Statements

June 30, 2024 and 2023

Income from the Maurice and Laura Falk Foundation fund is restricted for use in financing capital requirements of partner agencies and United Way. This income is reported as with donor restrictions in the accompanying financial statements. Such income and accumulated appreciation is reported as net assets with donor restrictions and is classified as available for capital expenditures (Note 10).

Income from the Dietrich Foundation is restricted for use for the United Way 'Building For Success in School and Life.' This income is reported as net assets with donor restrictions.

Income from the other funds is available to support all activities of United Way and is reported as with or without donor restrictions in the accompanying financial statements based on donor intent.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of passage of time or other events specified by the donors. The net assets released from restrictions are as follows:

	<u>2024</u>	<u>2023</u>
Programs of specific nature as designated by donors:		
Moving toward financial stability	\$ 1,195,165	\$ 1,277,420
Meeting basic needs	2,078,050	1,264,101
Building for success in school and life	1,947,373	3,833,089
2-1-1	4,149,571	4,145,236
Facility and Technology Fund/Falk Endowment	80,713	67,335
United Way Forward	183,529	91,822
Veterans assistance /local disaster relief	1,005	77,788
Volunteer programs	589,005	487,436
Other	15,825	12,496
Time restricted perpetual and remainder trusts, Note 6	<u>207,310</u>	<u>182,291</u>
Total net assets released from restrictions	<u>\$ 10,447,546</u>	<u>\$ 11,439,014</u>

13. Contractual and Lease Commitments

United Way leases space and copiers under noncancelable operating leases expiring through August 2030. For all operating lease arrangements, United Way presents at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. United Way has elected to utilize the risk-free rate for leases where the implicit rate is not readily determinable.

United Way has elected, as a practical expedient, not to separate nonlease components from lease components, and instead account for each separate component as a single lease component for all lease arrangements, as lessee. In addition, United Way has elected, as a practical expedient, not to apply lease recognition requirements to short-term lease arrangements, generally those with an initial lease term of less than 12 months, for all classes of underlying assets. In determination of the lease term, United Way considers the likelihood of lease renewal options and lease termination provisions.

The lease asset also reflects any prepaid rent, initial direct costs incurred and lease incentives received.

For operating leases with step rent provisions whereby the rental payments increase over the life of the lease and for leases with rent-free periods, United Way recognizes expense on a straight-line basis over the expected lease term, based on the total minimum lease payments to be made.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements
June 30, 2024 and 2023

For the years ended June 30, 2024 and 2023, cash paid for amounts included in the measurement of operating lease obligations totaled approximately \$425,000 and \$423,000, respectively.

Operating lease expense totaled approximately \$425,000 for each of the years ended June 30, 2024 and 2023, and is included within costs and expenses in the accompanying statements of activities and changes in net assets. At June 30, 2024, the weighted-average remaining lease term and discount rate for operating leases were 5.9 years and 2.95%. The short-term lease expense for the year ended June 30, 2024 was not significant.

The future minimum lease payments for these lease agreements as of June 30, 2024 are as follows:

Years ending June 30:	
2025	\$ 423,944
2026	369,681
2027	368,733
2028	370,212
2029	357,418
Thereafter	<u>401,489</u>
Total	2,291,477
Present value discount	<u>(186,593)</u>
Lease liability	<u>\$ 2,104,884</u>

United Way has entered into long-term service contracts for information technology related services with vendors for which the future minimum payments for contractual obligations as of June 30, 2024 are as follows:

Years ending June 30:	
2025	\$ 421,935
2026	361,872
2027	<u>294,672</u>
Total	<u>\$ 1,078,479</u>

14. Related Parties

United Way's Board of Directors includes volunteers from the local business community who provide valuable assistance in the development of policies and programs. United Way's Board of Directors has adopted a policy that defines how members of the Board of Directors may participate in decisions regarding allocations and grants to agencies with which they are affiliated.

During 2024 and 2023, certain legal, initiative expenses, consulting and other services were provided to United Way by companies managed by members of United Way's Board of Directors. Charges paid to these companies totaled \$826,921 and \$1,008,266 for the years ended June 30, 2024 and 2023, respectively.

The United Way of Southwestern Pennsylvania

Notes to Financial Statements

June 30, 2024 and 2023

15. Liquidity and Availability of Resources

United Way's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 19,632,949	\$ 19,568,932
Certificate of deposit	493,053	475,000
Pledges receivable, net	10,974,560	11,698,691
Other receivables	973,350	1,615,714
Investments	42,891,760	36,160,852
	<u>74,965,672</u>	<u>69,519,189</u>
Total financial assets available within one year		
Less amounts unavailable for general expenditures within one year, due to:		
Purpose or period restrictions	9,896,233	10,413,502
Spending policy or appropriation	6,170,258	5,007,204
Donor designation restrictions	6,780,823	7,524,589
	<u>22,847,314</u>	<u>22,945,295</u>
Total amounts unavailable for general expenditure within one year		
Amounts unavailable to management without Board's approval:		
Board designated for United Way Forward	6,600,643	6,152,775
Board designated for Transformation & Resilience	10,928,822	-
Board designated program restrictions	120,921	120,921
Distributions payable to agencies	6,766,972	6,933,298
	<u>24,417,358</u>	<u>13,206,994</u>
Total amounts unavailable to management without Board's approval		
Total financial assets available to management for general expenditure within one year	<u>\$ 27,701,000</u>	<u>\$ 33,366,900</u>

Liquidity Management

United Way maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, United Way has a committed line of credit of \$2,000,000, which it could draw upon. Additionally, United Way has board designated assets without donor restrictions, that, while United Way does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.