

UNITED WAY OF PIONEER VALLEY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

**UNITED WAY OF PIONEER VALLEY, INC.
FINANCIAL STATEMENTS**

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 24



MeyersBrothersKalicka, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of Pioneer Valley, Inc.

We have audited the accompanying financial statements of United Way of Pioneer Valley, Inc. (the "United Way") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Myra Beckett Holcomb, P.C.

Holyoke, Massachusetts
January 20, 2022

UNITED WAY OF PIONEER VALLEY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR 2020

	2021			2020
	Without Donor Restrictions	Donor Restrictions	With Donor Restrictions	Total
Assets				
Cash and cash equivalents	\$ 697,579	\$ -	\$ -	\$ 847,317
Restricted cash - donor choice	-	66,432	66,432	55,201
Prepaid expenses and deposits	20,843	-	-	18,243
Grants receivables	1,125	5,000	5,000	27,750
Contributions receivable, net	330,647	-	-	368,678
Investments	2,916,849	82,699	2,999,548	2,431,091
Leasehold improvements, vehicle, and equipment, net	51,320	-	51,320	79,970
Investments held at Community Foundation	-	128,109	128,109	101,570
Beneficial interest in perpetual trusts	-	1,646,820	1,646,820	1,300,310
Total assets	<u>\$ 4,018,363</u>	<u>\$ 1,929,060</u>	<u>\$ 5,947,423</u>	<u>\$ 5,230,130</u>
Liabilities				
Accounts payable	\$ 14,288	\$ -	\$ -	\$ 35,175
Community designations payable	350,000	-	-	336,013
Amounts held on behalf of others	100,000	-	-	-
Agency distributions payable	-	66,432	66,432	55,201
Accrued compensation and related liabilities	46,582	-	-	42,775
Notes payable	116,665	-	-	159,000
Total liabilities	<u>627,535</u>	<u>66,432</u>	<u>693,967</u>	<u>628,164</u>
Net assets				
Without donor restrictions	\$ 3,390,828	\$ -	\$ -	\$ 2,994,511
With donor restrictions	-	1,862,628	1,862,628	1,607,455
Total net assets	<u>3,390,828</u>	<u>1,862,628</u>	<u>5,253,456</u>	<u>4,601,966</u>
Total liabilities and net assets	<u>\$ 4,018,363</u>	<u>\$ 1,929,060</u>	<u>\$ 5,947,423</u>	<u>\$ 5,230,130</u>

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

UNITED WAY OF PIONEER VALLEY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR 2020**

	2021		2020
	Without Donor Restrictions	With Donor Restrictions	Total
Campaign revenues and other support			
Current year campaign contributions			
Total campaign amounts raised	\$ 1,061,730	\$ -	\$ 1,061,730
Less: donor designations	(93,277)	-	(93,277)
Less: provision for uncollectible pledges	(84,496)	-	(84,496)
Net current year contributions	883,957	-	883,957
Investment income, net of fees	53,543	-	53,543
Administration fees	4,719	-	4,719
Grant income	1,870	102,380	104,250
Other income	45,962	-	45,962
In-kind support	36,880	-	36,880
Net assets released from restrictions	220,256	(220,256)	-
Total campaign revenues and other support	<u>1,247,187</u>	<u>(117,876)</u>	<u>1,129,311</u>
Program services and other expenses			
Community services	550,030	-	550,030
Special programs and supporting services			
Western Massachusetts Network to End Homelessness	103,648	-	103,648
Black Lives Matter	1,510	-	1,510
Healing Racism Institute of Pioneer Valley	-	-	-
Stay in School	6,848	-	6,848
Women's Leadership Council	39,994	-	39,994
Financial Success Center	197,831	-	197,831
Chicopee Pantry	146,112	-	146,112
Management and general	116,596	-	116,596
Fundraising	182,880	-	182,880
Total special programs and supporting services	795,419	-	795,419
Total expenses	<u>1,345,449</u>	<u>-</u>	<u>1,345,449</u>
Changes in net assets from operations	<u>(98,262)</u>	<u>(117,876)</u>	<u>(216,138)</u>
Other changes			
Gain on extinguishment of Paycheck Protection Program debt	159,000	-	159,000
Other income - employee retention tax credits	53,627	-	53,627
Realized and unrealized gain (loss) on investments	514,915	26,539	541,454
Change in value of split interest agreements	-	346,510	346,510
Total other changes	<u>727,542</u>	<u>373,049</u>	<u>1,100,591</u>
Change in net assets	<u>629,280</u>	<u>255,173</u>	<u>884,453</u>
Net assets, beginning of year	<u>2,994,511</u>	<u>1,607,455</u>	<u>4,601,966</u>
Transfer of net assets to Healing Racism Institute of Pioneer Valley (Note 19)	(232,963)	-	(232,963)
Net assets, end of year	<u>\$ 3,390,828</u>	<u>\$ 1,862,628</u>	<u>\$ 5,253,456</u>

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

UNITED WAY OF PIONEER VALLEY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services							Supporting Services			Total
	Western Massachusetts Network to End Homelessness	Black Lives Matter	Stay in School	Women's Leadership Council	Financial Success Center	Chicopee Pantry	Management and General	Fund Raising			2021
Community Services	\$ 224,076	\$ 67,500	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292,576
Community impact grants to organizations											
Salaries	74,655	18,280	2,325	22,011	103,557	81,058	32,747	79,244			413,877
Employee health and retirement benefits	12,825	1,985	212	1,370	14,555	8,100	4,045	7,920			51,012
Payroll taxes	11,823	1,789	308	2,543	9,725	6,852	4,804	13,070			50,914
Total salaries and related expenses	99,303	22,054	2,845	25,924	127,837	96,010	41,596	100,234			515,803
Occupancy costs	25,426	3,509	877	5,265	18,426	36,681	13,576	13,576			117,336
Telephone	6,575	200	200	200	3,368	262	2,128	3,507			16,440
Membership and dues	5,168	1,019	170	679	3,567	2,950	4,432	1,320			19,305
Bank and grant fees	890	-	-	-	-	-	5,813	2,296			8,999
Postage and office supplies	17,324	350	300	350	420	2,711	2,862	3,381			27,698
Automobile expense	131	-	-	-	-	254	18	533			936
Insurance	6,478	1,010	253	1,515	5,303	4,293	5,788	4,790			29,430
Repairs and maintenance	7,197	-	-	-	-	-	1,134	6,362			14,693
Community training and meetings	15,143	-	-	-	-	-	-	-			15,143
Professional services	96,124	7,219	416	5,274	34,004	-	32,003	26,651			203,201
Publicity and promotion	125	-	-	-	1,725	1,898	682	13,929			18,359
In-kind (Note 2)	36,880	-	-	-	-	-	-	-			36,880
	217,461	13,307	2,216	13,283	66,813	49,049	68,436	76,345			508,420
Total expenses before depreciation	540,840	102,861	6,061	39,207	194,650	145,059	110,032	176,579			1,316,799
Depreciation	9,190	787	787	787	3,181	1,053	6,564	6,301			28,650
Total expenses	\$ 550,030	\$ 103,648	\$ 6,848	\$ 39,994	\$ 197,831	\$ 146,112	\$ 116,596	\$ 182,880			\$ 1,345,449

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

UNITED WAY OF PIONEER VALLEY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services		Total
	Western Massachusetts Network to End Homelessness		Healing Racism Institute of Pioneer Valley	Stay in School	Women's Leadership Council	Financial Success Center	Management and General	Fund Raising	
Community Services									2020
	\$ 221,429	\$ 51,114	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ 274,543
Community impact grants to organizations									
Salaries	159,293	22,701	73,020	3,087	25,894	161,191	44,754	120,589	610,529
Employee health and retirement benefits	18,116	2,194	209	1,320	2,710	15,804	8,760	15,955	65,068
Payroll taxes	15,310	2,650	8,719	496	3,668	19,162	4,921	19,620	74,546
Total salaries and related expenses	192,719	27,545	81,948	4,903	32,272	196,157	58,435	156,164	750,143
Occupancy costs	22,338	3,516	14,903	881	5,265	20,859	8,779	24,183	100,724
Telephone	3,855	794	3,305	181	1,088	5,825	1,055	6,853	22,956
Membership and dues	4,536	832	1,451	213	1,302	4,277	3,392	5,113	21,116
Bank and grant fees	6,257	128	161	128	172	128	5,187	10,212	22,373
Postage and office supplies	27	-	76	-	-	748	752	5,648	7,251
Automobile expense	450	-	2,289	-	-	1,326	152	1,191	5,408
Insurance	4,080	-	-	-	-	1,897	15,392	1,987	23,356
Repairs and maintenance	7,997	-	-	-	-	2,169	838	6,092	17,096
Community training and meetings	6,187	-	14,947	-	297	37	1,448	2,546	25,462
Professional services	103,946	8,200	25,900	-	2,150	21,258	110,650	52,181	324,285
Publicity and promotion	21,725	-	865	4,174	107	3,777	998	14,570	46,216
In-kind (Note 2)	99,507	-	-	-	-	-	-	-	99,507
Miscellaneous	-	-	-	-	-	-	617	-	617
	280,905	13,470	63,897	5,577	10,381	62,301	149,260	130,576	716,367
Total expenses before depreciation	695,053	92,129	145,845	10,480	44,653	258,458	207,695	286,740	1,741,053
Depreciation	9,265	794	1,059	794	794	3,185	6,616	6,351	28,858
Total expenses	\$ 704,318	\$ 92,923	\$ 146,904	\$ 11,274	\$ 45,447	\$ 261,643	\$ 214,311	\$ 293,091	\$ 1,769,911

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

UNITED WAY OF PIONEER VALLEY, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 651,490	\$ (264,863)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	28,650	28,858
Net realized and unrealized (gain) loss	(541,454)	19,327
Change in beneficial interest in perpetual trusts	(346,510)	5,838
Change in provision for uncollectible pledges	14,476	13,401
Gain on extinguishment of debt	(159,000)	-
Change in operating assets and liabilities:		
Prepaid expenses	(2,600)	(9,000)
Grants and other receivables	21,625	41,523
Contributions receivable, net	23,555	385,013
Accounts payable	(20,887)	(40,086)
Community grants payable	13,987	(306,001)
Agency distributions payable	11,231	(179,023)
Amounts held on behalf of others	100,000	-
Accrued compensation and related liabilities	<u>3,807</u>	<u>9,864</u>
Net cash used in operating activities	<u>(201,630)</u>	<u>(295,149)</u>
Cash flows from investing activities		
Purchase of leasehold improvements and equipment	-	(27,671)
Purchase of investments	(27,003)	(37,227)
Proceeds from the sales of investments	-	300,000
Investments held at Community Foundation, net	<u>(26,539)</u>	<u>(1,228)</u>
Net cash (used in) provided by investing activities	<u>(53,542)</u>	<u>233,874</u>
Cash flows from financing activities		
Proceeds from long-term debt - Paycheck Protection Program	<u>116,665</u>	<u>159,000</u>
Net cash provided by financing activities	<u>116,665</u>	<u>159,000</u>
Net change in cash, cash equivalents, and restricted cash	(138,507)	97,725
Cash, cash equivalents, and restricted cash, beginning of year	<u>902,518</u>	<u>804,793</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 764,011</u>	<u>\$ 902,518</u>

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

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. ORGANIZATION:

The United Way of Pioneer Valley, Inc. (the “United Way”) is a nonprofit fundraising, fund distribution, and community service agency. The United Way raises funds on an annual basis, primarily through employee payroll deductions at the workplace and corporate contributions. The United Way awards funds raised through program and agency reviews conducted by community volunteers or distributes those funds as stipulated by individual donors. In addition, the United Way provides community services such as referral services. The United Way serves all communities throughout Hampden County, and the towns of South Hadley and Granby in Hampshire County, Massachusetts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting method

The accompanying financial statements of the United Way have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the United Way’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Liquidity information

In order to provide information about liquidity, assets have been sequenced according to their nearness to conversion to cash and liabilities have been sequenced according to the nearness of their resulting use of cash. Note 3 contains a qualitative and quantitative analysis of the United Way’s liquidity.

Revenue and receivables

An annual campaign drive commences in the fall and continues through the end of the fiscal year, primarily in the Western Massachusetts area. Pledges received in connection with the current campaign are recorded as unrestricted assets and an allowance is provided for amounts estimated to be uncollectible.

The United Way offers donors a choice of options as part of an ongoing effort to ensure that funding policies match the needs of the donor and the community it serves. The options consist of the following:

Community impact fund

The amount of these pledges, net of expected bad debt expenses and administrative costs, are awarded through the United Way to community agencies. The allocation amount is determined by the Community Impact Committee and approved by the Board.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Revenue and receivables (continued)

Specific designations

These pledges are designated by the donor for specific agencies or other United Way organizations. The United Way distributes specific designations when collected, net of a 12% administrative charge.

The United Way acts as an agent as it has no discretion in distributing designated amounts raised. Designations are included in amounts raised on behalf of others, as a deduction from total campaign amounts raised, in determining net campaign revenue on the statement of activities and changes in net assets.

Designations receivable are deducted from total contributions receivable, in determining net contributions receivable on the statements of financial position. Specific designation amounts collected and not distributed at June 30, 2021 and 2020 are reflected on the statements of financial position as a liability, agency distributions payable.

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The United Way benefited from donated public service announcements which were valued by the media broadcasting agency in the amount of \$9,500 during the year ended June 30, 2020. The United Way did not receive donated public service announcements during the year ended June 30, 2021. The United Way also received various tickets, gift cards, memberships and meals free of charge totaling \$1,524 and \$53,500 during the years ended June 30, 2021 and 2020, respectively.

The United Way pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the United Way with specific assistance programs, campaign solicitations and various committee assignments. The United Way recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The value of volunteer time recorded as both in-kind support and in-kind expense on the statements of activities and functional expenses was \$35,356 and \$36,507 for the years ended June 30, 2021 and 2020, respectively. The United Way also receives services from a large number of volunteers who give significant amounts of their time to the United Way's programs and fund-raising campaigns, but which do not meet the criteria for financial statement recognition.

United Way's revenue is generated from the following types of arrangements at June 30:

	2021	2020
Contributions, net *	\$ 883,957	\$ 1,104,734
Investment income, net of fees *	53,543	38,455
Administration fees	4,719	18,323
Grant income *	104,250	165,000
Other income	45,962	104,194
In-kind support	36,880	99,507
Total campaign and other support revenue	\$ 1,129,311	\$ 1,530,213

*This revenue category is not subject to ASU 2014-09 Topic 606.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Revenue and receivables (continued)

Pledge contributions are recognized in the period in which the pledge is made, provided there is supporting documentation for the pledge. All pledges are typically due within one year or less, for which their net realizable value is a reasonable estimate of fair value. Consequently, all pledges are recorded without any discount to present value. Contributions receivable related to the current campaign are recorded as assets without donor restrictions.

Administrative fees are amounts earned by the United Way Pioneer Valley for processing donor designated funds. Administrative fee revenue is recognized over time as funds are collected. The amount of administrative fee revenue earned in a given period is calculated by applying a percentage to the total funds collected from the donor.

Grants are recognized as support in the period in which they are received. Grants are presented as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions. Revenue with donor-imposed restrictions is recognized in net assets without donor restrictions if the restriction is met in the year the revenue is received.

Other income consists of revenue earned from trainings and event sponsorships. Revenue is recognized at a point in time when the trainings occur, or when sponsorship events occur.

The United Way provides for an allowance for uncollectible contributions and grants receivable based upon management's experience applied to the age and character of the receivables. Accounts are written off against the allowance when management has exhausted all reasonable collection efforts. Actual bad debt write offs amounted to \$17,969 and \$112,373 in 2021 and 2020, respectively. As of June 30, 2021 and 2020 all receivables related to pledge contributions and grants. There were no receivables related to revenue from contract with customers.

Cash and cash equivalents

The United Way considers all short-term investments with an original maturity date of three months or less to be cash equivalents.

Restricted cash

Restricted cash consists of cash received with specific designations that has not been distributed to the specified organizations.

Investments, including endowments

Investments are recorded at fair value using methodologies discussed in Fair Value Measurements (Note 7). Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Investment activity is reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Dividend and interest income are accrued when earned and reported net of investment advisory fees.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments, including endowments (continued)

United Way's investments include donor restricted endowment funds and funds functioning as quasi-endowment funds (Note 6). Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of board designated and donor restricted purpose funds. Board designated funds consist of monies internally designated. Donor restricted purpose funds consist of gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Massachusetts "Uniform Prudent Management of Institutional Funds Act" statute ("UPMIFA"), which was effective June 2009 which serves as a model act for states to modernize their laws governing donor restricted endowment funds.

The Board of Directors of the United Way (the "Board") has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, 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, the United Way classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment. The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions as donor requests noted that liquid earnings on endowment be used annually for general use.

Leasehold improvements, vehicle, and equipment

Leasehold improvements, vehicle, and equipment are carried at cost less accumulated depreciation. The United Way capitalizes expenditures for leasehold improvements, vehicle, and equipment in excess of \$2,500. The fair value of donated equipment is similarly capitalized. Depreciation is calculated based on the estimated useful lives, ranging from 3 to 10 years, of the respective assets using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. The United Way evaluated the carrying value of its long-lived assets and no impairment was recorded.

Community designations payable

Community impact grants are awarded to agencies for specific programs and are contingent on satisfactory program performance, contract compliance, and available dollars. The grants are recommended by staff and community volunteers and approved by the Board of Directors. These expenses are recorded prior to fiscal year end and monthly distributions will be made in the subsequent fiscal year. The United Way requires grant recipients to provide all required reporting in order to receive their last payment.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments held at Community Foundation

The Community Foundation of Western Massachusetts (“Community Foundation”) holds investment funds transferred by the United Way. The fair value of the investments held at the Community Foundation have been recorded as investments with donor restrictions on the statement of financial position. Investments are stated at fair value using methodologies noted in Note 7. Dividends and interest are recorded as earned net of investment fees.

The Community Foundation has established a variety of different investment portfolios which are managed by their Investment Committee. The United Way chose to invest its funds in the Global Growth Portfolio, which includes a combination of equity securities, bonds, cash and alternative investments. The aim of this portfolio is maximum long-term return on assets within a prudent level of risk.

Beneficial interest in perpetual trusts

The United Way is the beneficiary of income from perpetual trusts held, administered, and controlled by outside fiscal agents. The principal of these funds is neither in the possession, nor under the control of the United Way and therefore, is not recorded in the accompanying financial statements.

The present values of the estimated future cash receipts from the trusts were recorded as assets with donor restrictions and contribution revenues at the dates the trusts were established. Distributions from the trusts are recorded as income in net assets without donor restrictions and the carrying value of the assets is adjusted for changes in estimates of future receipts. Distributions recorded as contributions during 2021 and 2020 totaled \$47,191 and \$60,927, respectively.

Net assets

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the United Way, the accompanying financial statements are classified for accounting and reporting purposes into classes of net assets in accordance with the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board. Board designated net assets consist of assets without restrictions, designated by the Board for investment purposes.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations 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 stipulations are perpetual in nature, where the donor stipulates that they be maintained permanently by the United Way. Generally, the donors of these assets permit the United Way to use all or part of the income earned on any related investments for general or specific purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Realized and unrealized gains and losses on restricted purpose gifts are reported as net assets with donor restrictions in accordance with donor stipulations and Massachusetts law.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Net assets (continued)

Board designated net assets represent a portion of the accumulation of unrestricted surpluses that are available for use at the discretion of the Board. The presence of Board designated net assets increases the United Way's ability to absorb or respond to temporary changes in its environment or circumstances, for example, the unanticipated event of unexpected or non-budgeted increases in operating expenses and/or losses on operating revenues.

The Board approved approximately \$300,000 of reserve funds which were disbursed to cover operating expenses during fiscal years 2020. In 2021, no reserve funds were used to cover operating expenses.

Functional allocation of expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs, special events and supporting services benefited. This allocation is based on actual employee time incurred, square footage or number of full-time employees in each respective functional expense category.

Advertising

The United Way uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$8,390 and \$6,983, respectively.

Tax-exempt status

The United Way is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state income taxes has been made except for any taxes due related to employee parking fringes.

Uncertain tax positions

A tax position is deemed to include such things as the United Way's tax-exempt status, unrelated business income and the methodologies for allocating expenses to unrelated business income streams. Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The United Way's tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2018.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Recent accounting standards

In February 2016, the FASB issued ASU No. 2016-02, Leases. As part of this new standard, there are significant changes that call for the treatment of current operating leases as capital leases, resulting in recognition by the lessee (the United Way) of a lease liability and a corresponding right-of-use asset. The lessor will recognize an asset representing its right to receive payments. The United Way is not required to apply the new standard until the year ending June 30, 2023. The United Way may also early adopt the new standard. In preparation of this standard, management will be reviewing and evaluating all leases.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

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

	<u>2021</u>		<u>2020</u>
Cash	\$ 697,579	\$	724,441
Contributions receivable, net	330,647		368,678
Grants receivables	1,125		27,750
Total	\$ <u>1,029,351</u>	\$	<u>1,120,869</u>

The United Way manages its liquidity by developing and adopting annual operating budgets that are designed to provide sufficient funds for general expenditures and allow the United Way to satisfy its liabilities and other obligations as they become due. The United Way maintains financial assets on hand to meet approximately three months of normal operating expenses. The United Way has Board Designated Investments available for use throughout the fiscal year (\$2,916,849 and \$2,348,392 at June 30, 2021 and 2020, respectively). As further described in Note 11, the United Way also has a line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need. The available balance on the line was \$500,000 at June 30, 2021 and 2020.

4. CONTRIBUTIONS RECEIVABLE:

Contributions receivable are summarized as follows at June 30:

	<u>2021</u>		<u>2020</u>
Gross contribution receivable due within one year	\$ 415,143	\$	467,650
Allowance for doubtful accounts	(84,496)		(98,972)
Contributions receivable, net	\$ <u>330,647</u>	\$	<u>368,678</u>

5. INVESTMENTS:

The Board, as the governing Board, is responsible for oversight of the United Way's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Board to its Finance Committee. Investments authorized by the Finance Committee include marketable equity and fixed income securities and other types of investments that may be made with the prior approval of the Finance Committee.

The United Way's investment portfolio consists of an investment pool in which a number of individual funds (donor restricted endowment funds and funds functioning as quasi-endowment funds) participate in order to benefit from the diversification and economies of scale. Funds added or withdrawn from the pool are recorded at their share of the then current value of the pool. Investment income is recognized and posted on a quarterly basis.

The primary investment objective of the investment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future activities of the United Way. Long term, the total return on the portfolio should equal the rate of inflation, plus the payout rate which is used to support current activities, plus an amount reinvested to support future activities.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

5. INVESTMENTS: (CONTINUED)

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires to be retained for perpetual funds. The historic gift value of donor restricted endowment funds cannot be reduced for any excess losses. Any excess losses shall reduce net assets with donor restrictions. At June 30, 2021 and 2020, there were no cumulative losses on the investments of donor restricted endowment funds.

Certain investments included in the board designated endowments are pledged as collateral on the line of credit (see Note 11).

Investments at June 30, 2021 and June 30, 2020 consist of:

	2021 Fair Value	2020 Fair Value
Money market	\$ 15,359	\$ 21,029
Mutual funds	1,473,100	1,248,206
Common stocks	1,481,352	1,089,778
ETF's	29,737	72,078
	<u>\$ 2,999,548</u>	<u>\$ 2,431,091</u>

Investment advisory fees were \$21,351 and \$15,704 for the years ended June 30, 2021 and 2020, respectively.

6. ENDOWMENTS:

Endowment by net asset class and type at June 30, 2021 consists of:

	Without Donor Restrictions	With Donor Restrictions	Restricted in Perpetuity	Total
		Time or Purpose Restricted		
Board designated funds	\$ 2,916,849	\$ -	\$ -	\$ 2,916,849
Donor restricted purpose funds	-	128,109	-	128,109
Donor restricted endowment funds	-	-	82,699	82,699
Investments - June 30, 2021	<u>\$ 2,916,849</u>	<u>\$ 128,109</u>	<u>\$ 82,699</u>	<u>\$ 3,127,657</u>

Endowment by net asset class and type at June 30, 2020 consists of:

	Without Donor Restrictions	With Donor Restrictions	Restricted in Perpetuity	Total
		Time or Purpose Restricted		
Board designated funds	\$ 2,348,392	\$ -	\$ -	\$ 2,348,392
Donor restricted purpose funds	-	101,570	-	101,570
Donor restricted endowment funds	-	-	82,699	82,699
Investments - June 30, 2020	<u>\$ 2,348,392</u>	<u>\$ 101,570</u>	<u>\$ 82,699</u>	<u>\$ 2,532,661</u>

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

6. ENDOWMENTS: (CONTINUED)

The following schedule reconciles the change in endowments by net asset class for the years ended June 30, 2021 and 2020:

		<u>With Donor Restrictions</u>			
	<u>Without Donor Restrictions</u>	<u>Time or Purpose Restricted</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>	
Investments - June 30, 2019	\$ 2,630,492	\$ 100,342	\$ 82,699	\$ 2,813,533	
Realized losses	(40,978)	-	-	(40,978)	
Unrealized gains	20,423	1,228	-	21,651	
Interest and dividends	54,159	-	-	54,159	
Fees	(15,704)	-	-	(15,704)	
Distributions	(300,000)	-	-	(300,000)	
Investments - June 30, 2020	2,348,392	101,570	82,699	2,532,661	
Realized gains	127,693	-	-	127,693	
Unrealized gains	409,103	26,539	-	435,642	
Interest and dividends	48,354	-	-	48,354	
Fees	(16,693)	-	-	(16,693)	
Investments - June 30, 2021	<u>\$ 2,916,849</u>	<u>\$ 128,109</u>	<u>\$ 82,699</u>	<u>\$ 3,127,657</u>	

7. FAIR VALUE MEASUREMENTS:

The United Way follows established guidelines for a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

7. FAIR VALUE MEASUREMENTS: (CONTINUED)

Assets measured at fair value on a recurring basis at June 30, 2021 were as follows:

Assets	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments:				
Money market	\$ 15,359	\$ 15,359	\$ -	\$ -
Mutual funds	1,473,100	1,473,100	-	-
Common stocks	1,481,352	1,481,352	-	-
ETF's	29,737	29,737	-	-
Investments held at Community Foundation	128,109	-	-	128,109
Beneficial interest in perpetual trusts	1,646,820	-	-	1,646,820

Assets measured at fair value on a recurring basis at June 30, 2020 were as follows:

Assets	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments:				
Money market	\$ 21,029	\$ 21,029	\$ -	\$ -
Mutual funds	1,248,206	1,248,206	-	-
Common stocks	1,089,778	1,089,778	-	-
ETF's	72,078	72,078	-	-
Investments held at Community Foundation	101,570	-	-	101,570
Beneficial interest in perpetual trusts	1,300,310	-	-	1,300,310

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

7. FAIR VALUE MEASUREMENTS: (CONTINUED)

Level 3 assets valued using net values at June 30, are as follows:

	<u>2021 Fair Value</u>	<u>2020 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Community Foundation funds	\$ 128,109	\$ 101,570	\$ -	Not eligible	Not equivalent
Beneficial interest in perpetual trusts	\$ 1,646,820	\$ 1,300,310	\$ -	Not eligible	Not equivalent

Investments

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

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at their daily closing price as reported by the fund. These funds are valued at the closing price recorded in the active market in which these individual securities are traded.

Investments held at Community Foundation

Investments held at Community Foundation are valued based upon the Community Foundation's pooled investment portfolio. These assets are classified within Level 3 of the valuation hierarchy, because the fair value is not quoted on a public or private market. The fair value is based upon the pooled investment portfolio at the Community Foundation that was determined by combining the fair market valuations for a combination of Level 1, Level 2 and Level 3 inputs.

The investments held at Community Foundation are valued monthly by the Community Foundation. The United Way receives a statement from the Community Foundation indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns. The value is based on the estimated fair value of the underlying assets. The Community Foundation controls the investments and makes all management and investment decisions.

Beneficial interest in perpetual trusts

The fair value of perpetual trusts held, administered and controlled by third parties represents the present value of the estimated future cash receipts determined using the United Way's percentage interest in the current market value of the trust assets.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

7. FAIR VALUE MEASUREMENTS: (CONTINUED)

Beneficial interest in perpetual trusts (continued)

The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) as noted above for the year ended June 30, 2021:

	Level 3 (Investments)	Level 3 (Trusts)
Assets		
Balance, beginning of year	\$ 101,570	\$ 1,300,310
Change in present value of estimated receipts	-	346,510
Realized/unrealized gains	26,539	-
Balance, end of year	<u>\$ 128,109</u>	<u>\$ 1,646,820</u>

The amount of total gains or losses for the year ended June 30, 2021 attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

\$ 26,539

The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) as noted above for the year ended June 30, 2020:

	Level 3 (Investments)	Level 3 (Trusts)
Assets		
Balance, beginning of year	\$ 100,342	\$ 1,306,148
Change in present value of estimated receipts	-	(5,838)
Realized/unrealized gains	1,228	-
Balance, end of year	<u>\$ 101,570</u>	<u>\$ 1,300,310</u>

The amount of total gains or losses for the year ended June 30, 2020 attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.

\$ 1,228

Quantitative information about significant unobservable inputs used in level 3 fair value measurements

Beneficial interests in perpetual trust are valued based upon the United Way's allocable share of the pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the fund, minus its liabilities. These assets are classified within Level 3 of the valuation hierarchy, because the fair value is not quoted on a public or private market. The fair value is based upon the allocable share of the pooled investment portfolio that was determined by combining the fair market valuations for a combination of Level 1, Level 2 and Level 3 inputs.

The beneficial interests in investments are valued monthly by the investment managers and are allocated based upon each organization's calculated share of the pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns allocated via a unitization process. The United Way calculates the fair value of its beneficial interest in the pooled investment assets held by the investment manager based on the estimated fair value of the underlying assets. The investment manager controls the investments and makes all management and investment decisions.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

8. LEASEHOLD IMPROVEMENTS, VEHICLE, AND EQUIPMENT:

Leasehold improvements, vehicle, and equipment are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 156,238	\$ 156,238
Furniture, fixtures and equipment	248,423	248,423
Vehicle	<u>11,968</u>	<u>11,968</u>
	416,629	416,629
Accumulated depreciation	<u>(365,309)</u>	<u>(336,659)</u>
Leasehold improvements, vehicle, and equipment, net	<u>\$ 51,320</u>	<u>\$ 79,970</u>

Depreciation expense totaled \$28,650 and \$28,858 for the years ended June 30, 2021 and 2020, respectively.

9. PAYCHECK PROTECTION PROGRAM:

On April 21, 2020, the Organization received proceeds in the amount of \$159,000 to fund payroll, rent, and utilities through the Paycheck Protection Program (the “PPP”). On December 17, 2020, the PPP loan was forgiven in full by the SBA. The Center recognized the forgiveness as a gain on extinguishment of debt on the statement of activities for the year ended June 30, 2021.

On February 16, 2021, the Organization received a second PPP loan with proceeds in the amount of \$116,665. On December 16, 2021, this loan was forgiven in full by the SBA. The United Way will record the loan forgiveness income for the year ending June 30, 2022.

10. NOTES PAYABLE:

Notes payable at June 30 is:

	<u>2021</u>	<u>2020</u>
U.S. Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) Note, payable in monthly installments of \$6,776, including interest of 1%, commencing after the 24-week covered period, ending October 2020, plus an additional 10 months (August 2021) or after the SBA has made a decision on the forgiveness. The note matures 24 months after payments commence and is unsecured. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan may be forgiven. The United Way received notification on December 17, 2020 that the full amount of this loan has been forgiven.	\$ -	\$ 159,000

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

10. NOTE PAYABLE: (CONTINUED)

	<u>2021</u>	<u>2020</u>
U.S. Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) Note, Round 2 payable in monthly installments of \$53,266, including interest of 1%, commencing after the 24-week covered period, ending August 2021, plus an additional 10 months (June 2022) or after the SBA has made a decision on the forgiveness. The note payable matures 60 months after payments commence. This note is unsecured. PPP Round 2 was authorized under the Consolidated Appropriations Act of 2021 in December 2020. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan may be forgiven. The United Way received notification on December 16, 2021 that the full amount of this loan has been forgiven.		
Total	\$ <u>116,665</u>	\$ <u>-</u>

11. LINE OF CREDIT:

The United Way has a commercial line of credit agreement with a local bank. The maximum amount available on the line of credit is \$500,000 (\$200,000 as of June 30, 2020). The line of credit is secured by the pledge of certain investments and a first security interest in all assets of the United Way. The interest rate is adjusted on the first day of each month to a rate equal to one-half of a percentage point (.5%) above the New York Prime Rate as published in the Wall Street Journal (3.75% at June 30, 2021 and 2020). There was no balance outstanding at June 30, 2021 and June 30, 2020.

12. NET ASSETS WITH DONOR RESTRICTIONS:

Time or purpose restricted net assets are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Healing Racism Institute of Pioneer Valley	\$ -	\$ 122,876
OnBoard	5,000	-
Investment held at Community Foundation	<u>128,109</u>	<u>101,570</u>
	<u>133,109</u>	<u>224,446</u>

Net assets held in perpetuity are summarized as follows at June 30:

Beneficial interest in perpetual trusts	1,646,820	1,300,310
Endowments	<u>82,699</u>	<u>82,699</u>
	<u>1,729,519</u>	<u>1,383,009</u>
Total with donor restrictions	\$ <u>1,862,628</u>	\$ <u>1,607,455</u>

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

12. NET ASSETS WITH DONOR RESTRICTIONS: (CONTINUED)

Time or purpose restricted net assets that were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions are as follows:

	<u>2021</u>
Purpose restrictions accomplished:	
Western Massachusetts Network to End Homelessness	\$ 82,500
Healing Racism Institute of Pioneer Valley	122,876
Financial Success Center	13,870
Black Lives Matter	1,010
Total restrictions released	<u>\$ 220,256</u>

13. OPERATING LEASE AGREEMENT:

The United Way leases office equipment under operating leases which expire through March 2024. The United Way leases office space on a month-to-month basis. The United Way also leases additional space which management plans to use as a food pantry. This space is under a twelve-month lease which expires in January 2022. Related lease expenses were \$88,728 and \$99,394 for the years ended June 30, 2021 and 2020, respectively. Minimum future rental payments under non-cancelable operating leases are expected to be approximately as follows at June 30:

2022	\$ 24,720
2023	13,104
2024	7,000
	<u>\$ 44,824</u>

14. RETIREMENT PLAN:

The United Way maintains a 401(k) profit sharing plan for eligible employees. To be eligible to participate, an employee must meet specified age and service requirements. The United Way may make matching and profit-sharing contributions at its discretion. Contributions are fully vested to the benefit of eligible employees when incurred. The amounts charged to operations for the plan were \$15,849 and \$26,737, for the years ended June 30, 2021 and 2020, respectively.

15. RELATED PARTY TRANSACTIONS:

The United Way maintains its insurance policies and retirement plan with financial institutions and corporations, officers of which are also members of the Board or Committees of the Board.

The United Way received contributions from certain members of the Board or Committees totaling approximately \$10,800 and \$15,500 for the years ended June 30, 2021 and 2020, respectively.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

16. CONCENTRATIONS OF CREDIT RISK:

The United Way maintains its cash balances in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. However, balances in excess of the FDIC insurance limits which are held at savings banks are also insured by the Depositors Insurance Fund. At various times during the period, cash balances may exceed insured amounts. The United Way has not experienced any losses on these accounts. The United Way believes it is not exposed to any significant credit risk on cash and cash equivalents.

For the year ended June 30, 2021, approximately 20% of United Way's contribution revenues were from two corporations. No such concentrations existed for the year ended June 30, 2020.

As of June 30, 2021 approximately 43% of United Way's corporate contributions receivable were from three corporations. No such concentrations existed as of June 30, 2020. The United Way considers the pledges receivable from these donors to be collectible and considers the credit risk to be low.

Of United Way's grant revenues, 60% and 100% were from two entities for the years ended June 30, 2021 and 2020, respectively.

17. CONTINGENCIES:

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds requiring repayment to the funding source. As of the date of these financial statements, the United Way has not been informed of any disallowed expenditures.

The 2019 novel coronavirus ("COVID-19") has adversely affected, and may continue to adversely affect, economic activity globally, nationally and locally. While the United Way's operations did not halt, these economic conditions and other effects of the COVID-19 pandemic may, in the future, adversely affect the United Way. The extent of any financial impact on the United Way's operations will depend on future developments, including the duration of the pandemic, business interruption, and any related governmental or other regulatory actions, which cannot be predicted at this time.

18. EMPLOYEE RETENTION CREDIT:

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020 (part of the Consolidated Appropriations Act of 2021), made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), including modifying and extending the Employee Retention Credit (ERC), for six months through June 30, 2021. The American Rescue Plan Act of 2021, signed into law in March 2021, then extended the ERC through December 31, 2021. The Infrastructure bill enacted in November 2021, eliminated this program, effective October 1, 2021. The ERC can be taken retroactively, for qualifying wages paid after March 12, 2020. The law now allows employers who received PPP loans to claim the ERC, if eligible, for qualified wages that are not treated as payroll costs in obtaining forgiveness of the PPP loan.

UNITED WAY OF PIONEER VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

18. EMPLOYEE RETENTION CREDIT: (CONTINUED)

Employers are allowed a refundable tax credit against employer Social Security tax equal to 50 percent of wages paid after March 12, 2020, up to \$10,000 in wages per employee to December 31, 2020. Management determined that qualified wages incurred during this time would be used to obtain forgiveness for the PPP loan.

Employers are allowed a refundable tax credit against employer Social Security tax equal to 70 percent of wages paid after January 1, 2021, up to \$10,000 in wages per employee per calendar quarter in 2021. For the quarter ended March 31, 2021, the United Way received a refund of \$53,627, which was received in June 2021. Employee retention tax credits are their own line item on the Statement of Activities for the year ended June 30, 2021.

19. TRANSFER OF NET ASSETS TO HEALING RACISM INSTITUTE OF PIONEER VALLEY:

The Healing Racism Institute of Pioneer Valley (The Institute) was formerly a program administered by the United Way. In previous years, the results of The Institute's operations had been reflected in the United Way's financial statements. In 2020, the Institute's Board of Directors announced their intention to file for 501(c)3 status and become a separate non-profit organization. On July 1, 2020, The Institute separated from the United Way. Upon separation, The United Way transferred net assets related to The Institute to this organization and in fiscal year 2021, the financial results of the Healing Racism Institute of Pioneer Valley are no longer reflected in the United's financial statements. The organization's operations are no longer affiliated.

After the separation of the two entities, the United Way Pioneer Valley received a donation on behalf of The Healing Racism Institute of Pioneer Valley in the amount of \$100,000. This is presented as amounts held on behalf of others on the Statement of Financial Position as of June 30, 2021, and is not included as income on the Statement of Activities. This amount was paid to The Institute subsequent to year end.

20. SUBSEQUENT EVENTS

The United Way's note payable – Paycheck Protection Program, which was outstanding at June 30, 2021, totaling \$116,665, provided under the CARES Act, was forgiven by the SBA during December 2021. The United Way will record the loan forgiveness income for the year ending June 30, 2022.

Management has evaluated subsequent events through January 20, 2022, the date of which the financial statements were available to be issued.