

United Way of Connecticut, Inc. and Subsidiary

**Consolidated Financial Statements
and Independent Auditor's Report**

**June 30, 2020
(With Comparative Totals for 2019)**

United Way of Connecticut, Inc. and Subsidiary

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Independent Auditor's Report

To the Board of Directors
United Way of Connecticut, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of United Way of Connecticut, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Connecticut Policy and Economic Council, Inc., a subsidiary of United Way of Connecticut, Inc., were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Connecticut, Inc. and Subsidiary as of June 30, 2020, and the changes in their net assets and their 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 United Way of Connecticut, Inc. and Subsidiary's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of United Way of Connecticut, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way of Connecticut, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Connecticut, Inc. and Subsidiary's internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
December 18, 2020

United Way of Connecticut, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30, 2020

(With Comparative Totals for 2019)

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 7,253,859	7,302,152
Contracts receivable	484,336	44,391
Local United Way receivables	12,671	13,151
Other receivables	21,383	-
Prepaid expenses	85,118	90,314
Total current assets	<u>7,857,367</u>	<u>7,450,008</u>
Office furniture and equipment	244,932	244,932
Less accumulated depreciation	<u>(244,932)</u>	<u>(244,932)</u>
Net office furniture and equipment	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,857,367</u>	<u>\$ 7,450,008</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 1,591,281	\$ 1,280,835
Refundable advances	2,919,418	3,168,672
Deferred revenue	582,159	253,772
Total current liabilities	5,092,858	4,703,279
Commitments and contingencies		
Net assets without donor restrictions	<u>2,764,509</u>	<u>2,746,729</u>
Total liabilities and net assets	<u>\$ 7,857,367</u>	<u>\$ 7,450,008</u>

See Notes to Consolidated Financial Statements.

United Way of Connecticut, Inc. and Subsidiary

**Consolidated Statement of Activities
Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Change in net assets without donor restrictions		
Revenue, gains and other support		
Governmental grants and contracts	\$ 18,998,916	\$ 17,663,296
Local United Way revenue	463,415	482,795
Grants and contracts, other	476,397	512,394
Miscellaneous	<u>53,462</u>	<u>81,464</u>
Total revenue, gains and other support	<u>19,992,190</u>	<u>18,739,949</u>
Expenses		
Program services		
2-1-1 Health and Human Services	8,571,468	6,839,500
Care 4 Kids	7,620,082	7,026,866
Child Care Services	1,101,730	2,057,357
CRC and other programs	<u>58,385</u>	<u>94,810</u>
Total program services	17,351,665	16,018,533
Support services		
Management and general	<u>2,622,745</u>	<u>2,564,482</u>
Total expenses	<u>19,974,410</u>	<u>18,583,015</u>
Change in net assets	17,780	156,934
Net assets, beginning	<u>2,746,729</u>	<u>2,589,795</u>
Net assets, end	<u>\$ 2,764,509</u>	<u>\$ 2,746,729</u>

See Notes to Consolidated Financial Statements.

United Way of Connecticut, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Program services					Support services		
	2-1-1 Health and Human Services	Care 4 Kids	Child Care Services	CRC and other programs	Total	Management and general	2020 Total	2019
Salaries	\$ 3,985,704	\$ 4,431,003	\$ 525,802	\$ 20,909	\$ 8,963,418	\$ 1,494,497	\$ 10,457,915	\$ 8,814,378
Health, pension, and benefits	884,151	1,139,270	132,722	6,355	2,162,498	380,054	2,542,552	2,450,810
Payroll taxes	290,847	317,528	35,985	1,805	646,165	103,647	749,812	634,481
Total personnel expenses	5,160,702	5,887,801	694,509	29,069	11,772,081	1,978,198	13,750,279	11,899,669
Contract services	2,664,549	761,804	130,734	18,193	3,575,280	241,172	3,816,452	4,101,614
Occupancy	320,985	441,299	48,085	1,118	811,487	151,505	962,992	931,952
Postage	28,805	26,805	17,436	17	73,063	1,854	74,917	151,214
Telephone	195,344	124,843	14,199	175	334,561	55,782	390,343	421,698
Office supplies, IT and program materials	142,242	319,158	107,569	705	569,674	73,175	642,849	652,942
Printing and copying	30,210	47,663	5,573	83	83,529	4,396	87,925	89,739
Miscellaneous	6,840	2,635	74,652	5,154	89,281	24,646	113,927	100,927
Staff training and development	13,334	1,482	1,505	2,901	19,222	24,846	44,068	141,683
Insurance	-	-	-	-	-	66,781	66,781	65,221
Travel	3,296	648	6,293	65	10,302	390	10,692	22,441
Advertising	5,161	5,944	1,175	905	13,185	-	13,185	3,915
Total expenses	\$ 8,571,468	\$ 7,620,082	\$ 1,101,730	\$ 58,385	\$ 17,351,665	\$ 2,622,745	\$ 19,974,410	\$ 18,583,015

See Notes to Consolidated Financial Statements.

United Way of Connecticut, Inc. and Subsidiary

**Consolidated Statement of Cash Flows
Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 17,780	\$ 156,934
Adjustments to reconcile change in net assets to net cash used in operating activities		
Changes in operating assets and liabilities		
Contracts receivable	(439,945)	21,784
Local United Way receivables	480	(985)
Other receivables	(21,383)	41,672
Prepaid expenses	5,196	(19,723)
Accounts payable and accrued expenses	310,446	158,109
Refundable advances	(249,254)	(1,161,902)
Deferred revenue	<u>328,387</u>	<u>32,504</u>
Net cash used in operating activities and net decrease in cash	(48,293)	(771,607)
Cash, beginning	<u>7,302,152</u>	<u>8,073,759</u>
Cash, end	<u>\$ 7,253,859</u>	<u>\$ 7,302,152</u>

See Notes to Consolidated Financial Statements.

United Way of Connecticut, Inc. and Subsidiary

Notes to Consolidated Financial Statements June 30, 2020

Note 1 - Organization and summary of significant accounting policies

Organization and operations

United Way of Connecticut, Inc. (the "Organization") administers eligibility based Child Care Assistance Programs for the State of Connecticut. United Way of Connecticut, Inc. provides Connecticut's statewide information, referral and crisis intervention services, 24 hours a day, 7 days a week. United Way of Connecticut, Inc. facilitates the sharing of information and other resources among the independent local United Ways in Connecticut. United Way of Connecticut, Inc. is a vehicle to identify and pursue public policy objectives which affect human services in Connecticut and, through the Community Results Center, provides research and analysis that informs local planning and decision making.

The Child Care Assistance Programs (Care 4 Kids, 2-1-1 Child Care, Provider Orientation Program, and Quality Improvement System) and the Statewide Information, Referral and Crisis Intervention Service Program ("2-1-1") are restrictively funded by grants, contracts and/or revenue generated through the efforts or assets of the program as follows:

Child Care Assistance Program which encompasses Care 4 Kids, 2-1-1 Child Care, Provider Orientation Program, and Quality Improvement System - Funded by the Office of Early Childhood.

Statewide Information, Referral and Crisis Intervention Service Program - Funded through:

- State of Connecticut Department of Social Services ("DSS") as administrator of 2-1-1, Health Care Line, Electronic Benefit Transfer ("EBT"), and MyPlaceCT
- Office of Early Childhood ("OEC") as administrator of Help Me Grow and Birth to Three Programs
- Department of Public Health ("DPH") as administrator of the Maternal Child Health Grant and COVID-19 program
- Local United Ways and other community service organizations
- Department of Children and Families ("DCF") as administrator of Emergency Mobile Psychiatric Services program
- Department of Housing ("DOH") as administrator of Coordinated Access and COVID-19 Programs

United Way Services - Funded through local United Ways and various grants

Community Results Center - Funded through various contracts and grants

Principles of consolidation

United Way of Connecticut, Inc. is affiliated with Connecticut Policy and Economic Council, Inc. ("CPEC"). United Way of Connecticut, Inc. is the sole member of CPEC and the Board of Directors of United Way of Connecticut, Inc. serves as the Board of Directors of CPEC.

As of January 1, 2006, all programs of CPEC were transferred to the Community Results Center Department of United Way of Connecticut, Inc.; however, CPEC has continued to function as a separate entity. Significant intercompany accounts and transactions have been eliminated in consolidation.

United Way of Connecticut, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
June 30, 2020**

United Way of Connecticut, Inc. and CPEC are referred to collectively as the "Organization."

Basis of presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements report information regarding the Organization's consolidated financial position and activities according to the following net asset categories:

Net assets without donor restrictions - Net assets that are not subject to explicit donor-imposed stipulations represent available resources.

Net assets with donor restrictions - Net assets may be subject to donor-imposed stipulations are temporary in nature, such as those that may or will be met by actions of the Organization and/or passage of time. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity.

At June 30, 2020 and 2019, there were no net assets with donor restrictions.

Tax status

The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and, therefore, has made no provisions for federal or state income taxes in the accompanying consolidated financial statements.

The Organization has no unrecognized tax benefits or liabilities at June 30, 2020 and 2019. The Organization's federal and state income tax returns prior to fiscal year 2017 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization has unrelated business income taxes, it will recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the consolidated statement of financial position. The Organization has no unrelated business income taxes for 2020 and 2019.

New accounting pronouncement

In June 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2020-05 (ASU 2020-05), *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides for elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities.

The Organization has elected to apply the deferral provided by ASU 2020-05 and, therefore, expects to adopt Topic 606 for annual reporting periods beginning after December 15, 2019 on a modified retrospective basis and adopt Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis. The Organization is currently evaluating the potential impact of adopting Topics 606 and 842 on its consolidated financial statements.

The Organization adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 on July 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

United Way of Connecticut, Inc. and Subsidiary

Notes to Consolidated Financial Statements June 30, 2020

Revenue recognition

Contributions

Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Conditional and unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. 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 as net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

Grant and contract services

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Organization, the revenue from the grant or contract is accounted for as an exchange transaction. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Organization deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that is accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Receipts of grant awards in advance, which are payable back to the funding agency if not used, are classified as refundable advances in the accompanying consolidated statement of financial position.

Cash and cash equivalents

The Organization considers all unrestricted, highly-liquid investments with an initial maturity of three months or less when acquired to be cash equivalents. There were no cash equivalents held by the Organization as of June 30, 2020 and 2019.

Restricted cash

Grant funds, related to a specific program, may be required to be in separate interest-bearing accounts. There were no such cash balances at June 30, 2020 and 2019.

United Way of Connecticut, Inc. and Subsidiary

Notes to Consolidated Financial Statements June 30, 2020

Office furniture and equipment

The Organization capitalizes all expenditures (other than those purchased with funds received from state funding agencies) for office furniture and equipment that are in excess of \$5,000 and that have a useful life of greater than one year. Purchased office furniture and equipment are carried at cost. Donated office furniture and equipment are carried at the approximate fair value at the date of donation. Office furniture and equipment are depreciated using the straight-line method over estimated useful lives of three to seven years.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of activities for the period.

Capital assets purchased with funds received from all state funding agencies are expensed in the year acquired and are charged to the program benefited. Title to the equipment remains with the funding agency and the capital assets revert to that agency at the termination of the program. The amount of equipment purchased and expensed with state funds was \$0 for the years ended June 30, 2020 and 2019.

Prior year summarized information

The consolidated 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 Organization's consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses attributable to more than one program or supporting function have been allocated according to the Organization's approved cost allocation plan. Salaries and employee benefits have been allocated based on time and effort. Fringe benefit costs and other costs have been allocated based on salaries charged to the program compared to total salaries.

Advertising costs

Advertising costs are expensed as incurred and included in functional expenses.

Subsequent events

The Organization has evaluated subsequent events through December 18, 2020, which is the date the consolidated financial statements were available to be issued.

United Way of Connecticut, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
June 30, 2020**

Note 2 - Concentrations of credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and receivables. The Organization maintains its cash with high-credit quality financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per financial institution. As of June 30, 2020 and 2019, the Organization has cash balances on deposit that exceeded the balance insured by the FDIC of approximately \$6,902,000 and \$7,099,000, respectively.

Contracts and other receivables are limited to contributions from various foundations, businesses and individuals. Management does not believe any credit risk exists and, therefore, no allowance for doubtful accounts has been recorded.

Approximately 18% and 18% of the Organization's funding was provided by grants from the State of Connecticut DSS for the years ended June 30, 2020 and 2019, respectively.

Approximately 56% and 61% of the Organization's funding was provided by grants from the OEC for the years ended June 30, 2020 and 2019, respectively.

Note 3 - Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

As of June 30, 2020 and 2019, the Organization has financial assets available to meet annual operating needs for the subsequent fiscal year as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 7,253,859	\$ 7,302,152
Contracts receivable	484,336	44,391
Local United Way and other receivables	34,054	13,151
Less refundable advances	<u>(2,919,418)</u>	<u>(3,168,672)</u>
Total	<u>\$ 4,852,831</u>	<u>\$ 4,191,022</u>

These financial assets are not subject to any donor or contractual restrictions.

The Organization supports its general operations primarily with government grants and contracts. However, in addition to existing financial assets available to meet general expenditures within one year, the Organization has a line of credit available in the amount of \$2,000,000 to assist with short term liquidity needs.

United Way of Connecticut, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
June 30, 2020**

Note 4 - Line of credit

The Organization has a \$2,000,000 revolving line of credit from a bank which will expire on January 31, 2021. Available funds as of June 30, 2020 and 2019 were \$2,000,000. The line of credit is secured by a security interest on all the business assets. Interest is payable monthly on any advances outstanding at a variable rate equal to the bank's "Prime Rate" plus 0.50% (3.75% at June 30, 2020). Any unpaid balances must be paid in full on the expiration date. There was no outstanding balance as of June 30, 2020 and 2019 and no borrowings during both fiscal years.

Note 5 - Pension plan

The Organization maintains a defined contribution pension plan covering all employees of the Organization with 30 days of service, who have attained the age of 21. Effective January 1, 2019, employees are now eligible to participate once they have attained the age of 18. Employees become eligible to receive employer contributions after six months of service. The Organization's contribution to the plan was at 8% of eligible payroll for the plan year. For the years ended June 30, 2020 and 2019, pension plan contribution expense totaled \$677,303 and \$638,828, respectively.

Note 6 - Operating leases

The Organization leases office and storage space in various locations, which expire at various times through February 2023. The Organization is responsible for property taxes, insurance and maintenance. The Organization also leases various office equipment, which expire at various times through December 2021. The Organization is responsible for all insurance and maintenance.

The future minimum lease payments due under the noncancelable leases subsequent to June 30, 2020 are as follows:

2021	\$	721,625
2022		709,308
2023		<u>463,330</u>
Total	\$	<u><u>1,894,263</u></u>

Total rental expense for all operating leases for the years ended June 30, 2020 and 2019 was \$994,429 and \$961,693, respectively.

Note 7 - Contingency

Litigation

From time to time, the Organization is a defendant in actions arising in the ordinary course of business. In the opinion of management, such litigation will not have a material effect on the Organization's consolidated financial condition or results of operations.

United Way of Connecticut, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020

Contingency

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to the Organization's financial position, results of activities, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time, the Organization may have to seek alternative measures to finance its operations.



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