

United Way of Connecticut, Inc. and Subsidiary

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

**June 30, 2021
(With Comparative Totals for 2020)**

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 Consolidated 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, 2021, 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 Consolidated Financial Statements

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

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 consolidated 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, 2021, 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 17, 2021. 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 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 17, 2021, 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 17, 2021

United Way of Connecticut, Inc. and Subsidiary

Consolidated Statement of Financial Position

June 30, 2021

(With Comparative Totals for 2020)

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash	\$ 7,677,806	\$ 7,253,859
Contracts receivable	1,460,253	484,336
Local United Way receivables	5,646	12,671
Other receivables	33,887	21,383
Prepaid expenses	<u>74,414</u>	<u>85,118</u>
Total current assets	<u>9,252,006</u>	<u>7,857,367</u>
Office furniture and equipment	425,080	244,932
Less accumulated depreciation	<u>(257,800)</u>	<u>(244,932)</u>
Net office furniture and equipment	<u>167,280</u>	<u>-</u>
Total assets	<u>\$ 9,419,286</u>	<u>\$ 7,857,367</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 1,951,586	\$ 1,591,281
Refundable advances	3,889,762	2,919,418
Deferred revenue	<u>518,555</u>	<u>582,159</u>
Total current liabilities	6,359,903	5,092,858
Commitments and contingencies	-	-
Net assets without donor restrictions	<u>3,059,383</u>	<u>2,764,509</u>
Total liabilities and net assets	<u>\$ 9,419,286</u>	<u>\$ 7,857,367</u>

See Notes to Consolidated Financial Statements.

United Way of Connecticut, Inc. and Subsidiary

**Consolidated Statement of Activities
Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Change in net assets without donor restrictions		
Revenue, gains and other support		
Governmental grants and contracts	\$ 25,660,520	\$ 18,998,916
Local United Way revenue	447,683	463,415
Grants and contracts, other	531,568	476,397
Miscellaneous	<u>68,210</u>	<u>53,462</u>
Total revenue, gains and other support	<u>26,707,981</u>	<u>19,992,190</u>
Expenses		
Program services		
2-1-1 Health and Human Services	15,326,684	8,571,468
Care 4 Kids	6,825,748	7,620,082
Child Care Services	1,355,365	1,101,730
CRC and other programs	<u>64,803</u>	<u>58,385</u>
Total program services	23,572,600	17,351,665
Support services		
Management and general	<u>2,840,507</u>	<u>2,622,745</u>
Total expenses	<u>26,413,107</u>	<u>19,974,410</u>
Change in net assets	294,874	17,780
Net assets, beginning	<u>2,764,509</u>	<u>2,746,729</u>
Net assets, end	<u><u>\$ 3,059,383</u></u>	<u><u>\$ 2,764,509</u></u>

See Notes to Consolidated Financial Statements.

United Way of Connecticut, Inc. and Subsidiary

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	Program services					Support services	2021 Total	2020
	2-1-1 Health and Human Services	Care 4 Kids	Child Care Services	CRC and other programs	Total	Management and general		
Salaries	\$ 5,266,311	\$ 4,475,656	\$ 711,133	\$ 23,606	\$ 10,476,706	\$ 1,597,256	\$ 12,073,962	\$ 10,457,915
Health, pension and benefits	1,182,629	1,184,059	179,412	4,080	2,550,180	397,094	2,947,274	2,542,552
Payroll taxes	387,472	322,925	50,659	1,978	763,034	113,378	876,412	749,812
Total personnel expenses	6,836,412	5,982,640	941,204	29,664	13,789,920	2,107,728	15,897,648	13,750,279
Emergency lodging	4,987,341	-	-	-	4,987,341	-	4,987,341	-
Contract services	2,066,842	91,909	123,555	26,922	2,309,228	258,248	2,567,476	3,816,452
Occupancy	392,871	396,653	61,673	1,054	852,251	144,570	996,821	962,992
Depreciation	5,571	4,807	760	28	11,166	1,702	12,868	-
Postage	36,912	31,392	18,120	5	86,429	3,376	89,805	74,917
Telephone	579,631	168,303	21,510	282	769,726	117,351	887,077	390,343
Office supplies, IT and program materials	359,850	116,724	124,169	1,504	602,247	90,467	692,714	642,849
Printing and copying	37,393	29,641	4,441	46	71,521	3,764	75,285	87,925
Miscellaneous	7,725	861	41,137	5,000	54,723	31,342	86,065	113,927
Staff training and development	11,018	259	2,978	1	14,256	12,325	26,581	44,068
Insurance	-	-	-	-	-	69,634	69,634	66,781
Travel	43	-	14,317	-	14,360	-	14,360	10,692
Advertising	5,075	2,559	1,501	297	9,432	-	9,432	13,185
Total expenses	\$ 15,326,684	\$ 6,825,748	\$ 1,355,365	\$ 64,803	\$ 23,572,600	\$ 2,840,507	\$ 26,413,107	\$ 19,974,410

See Notes to Consolidated Financial Statements.

United Way of Connecticut, Inc. and Subsidiary

**Consolidated Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 294,874	\$ 17,780
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	12,868	-
Changes in operating assets and liabilities		
Contracts receivable	(975,917)	(439,945)
Local United Way receivables	7,025	480
Other receivables	(12,504)	(21,383)
Prepaid expenses	10,704	5,196
Accounts payable and accrued expenses	360,305	310,446
Refundable advances	970,344	(249,254)
Deferred revenue	<u>(63,604)</u>	<u>328,387</u>
Net cash provided by (used in) operating activities	<u>604,095</u>	<u>(48,293)</u>
Cash flows from investing activities		
Acquisition of furniture and fixtures	<u>(180,148)</u>	<u>-</u>
Net cash used in investing activities	<u>(180,148)</u>	<u>-</u>
Net cash Increase (decrease) in cash	423,947	(48,293)
Cash, beginning	<u>7,253,859</u>	<u>7,302,152</u>
Cash, end	<u>\$ 7,677,806</u>	<u>\$ 7,253,859</u>

See Notes to Consolidated Financial Statements.

United Way of Connecticut, Inc. and Subsidiary

Notes to Consolidated Financial Statements June 30, 2021

Note 1 - Organization and summary of significant accounting policies

Organization and operations

United Way of Connecticut, Inc. 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. Intercompany accounts and transactions have been eliminated in consolidation.

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Notes to Consolidated Financial Statements

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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, 2021 and 2020, 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, 2021 and 2020. The Organization's federal and state income tax returns prior to fiscal year 2018 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 2021 and 2020.

New accounting pronouncement

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenue. The Organization adopted ASU 2014-09 on July 1, 2020 using the modified retrospective method of transition. The Organization performed an analysis of revenue streams and transactions under ASU 2014-09. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 was not material to total revenue without donor restrictions, change in net assets without donor restrictions, or total net assets.

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

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Notes to Consolidated Financial Statements

June 30, 2021

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, 2021 and 2020.

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, 2021 and 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

United Way of Connecticut, Inc. and Subsidiary

**Notes to Consolidated Financial Statements
June 30, 2021**

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, 2021 and 2020.

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, 2020, 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 17, 2021, which is the date the consolidated financial statements were available to be issued.

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, 2021 and 2020, the

United Way of Connecticut, Inc. and Subsidiary

Notes to Consolidated Financial Statements June 30, 2021

Organization has cash balances on deposit that exceeded the balance insured by the FDIC of approximately \$7,559,000 and \$6,902,000, 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 13% and 18% of the Organization's funding was provided by grants from the State of Connecticut DSS for the years ended June 30, 2021 and 2020, respectively.

Approximately 39% and 56% of the Organization's funding was provided by grants from the OEC for the years ended June 30, 2021 and 2020, respectively.

Approximately 20% of the Organization's funding was provided by grants from the DOH for the year ended June 30, 2021.

Approximately 11% of the Organization's funding was provided by grants from the DPH for the year ended June 30, 2021.

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, 2021 and 2020, the Organization has financial assets available to meet annual operating needs for the subsequent fiscal year as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 7,677,806	\$ 7,253,859
Contracts receivable	1,460,253	484,336
Local United Way and other receivables	39,533	12,671
Less refundable advances	<u>(3,889,762)</u>	<u>(2,919,418)</u>
Total	<u>\$ 5,287,830</u>	<u>\$ 4,831,448</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, 2021**

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, 2023. Available funds as of June 30, 2021 and 2020 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, 2021). Any unpaid balances must be paid in full on the expiration date. There was no outstanding balance as of June 30, 2021 and 2020 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, 2021 and 2020, pension plan contribution expense totaled \$832,650 and \$677,303, 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, 2021 are as follows:

2022	\$	709,308
2023		<u>463,330</u>
Total	\$	<u><u>1,172,638</u></u>

Total rental expense for all operating leases for the years ended June 30, 2021 and 2020 was \$1,025,972 and \$994,429, 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.

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Notes to Consolidated Financial Statements

June 30, 2021

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.