

UNITED WAY OF NORTHERN NEW JERSEY
[a Nonprofit Organization]

Financial Statements

Years Ended June 30, 2021 and 2020

United Way of Northern New Jersey
[a Nonprofit Organization]

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June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
United Way of Northern New Jersey
[a Non-Profit Organization]

Report on the Financial Statements

We have audited the accompanying financial statements of the United Way of Northern New Jersey [a Non-Profit Organization], which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 financial statements are free of 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 auditor's 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 entity'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 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 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 of Northern New Jersey, as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December XX, 2021 on our consideration of United Way of Northern New Jersey'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 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 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 Northern New Jersey's internal control over financial reporting and compliance.


Parsippany, New Jersey
January 31, 2022

United Way of Northern New Jersey
[a Nonprofit Organization]
Statements of Financial Position
June 30, 2021 and 2020

Assets	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 12,674,746	\$ 1,583,795
Certificates of deposit	50,000	50,000
Investments	2,426,664	144,564
Pledges receivable (net of allowance for uncollectable)	398,416	421,397
Other current assets	<u>301,485</u>	<u>465,393</u>
Total current assets	15,851,311	2,665,149
Property and equipment, net	69,572	409,236
Other assets		
Investments - endowment	2,209,084	1,939,867
	<u>\$ 18,129,967</u>	<u>\$ 5,014,252</u>
 Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 379,394	\$ 394,190
Distributions, designations and grants payable	34,061	30,137
Deferred revenue	<u>1,588,861</u>	<u>150,000</u>
Total current liabilities	<u>2,002,316</u>	<u>574,327</u>
Long term liabilities		
PPP Loan	<u>686,382</u>	<u>697,000</u>
	<u>686,382</u>	<u>697,000</u>
Net assets		
Without donor restriction	13,119,444	1,727,985
With donor restriction	<u>2,321,825</u>	<u>2,014,940</u>
Total net assets	<u>15,441,269</u>	<u>3,742,925</u>
	<u>\$ 18,129,967</u>	<u>\$ 5,014,252</u>

See Independent Auditors' Report and Notes to Financial Statements.

United Way of Northern New Jersey
[a Nonprofit Organization]
Statements of Activities and Change in Net Assets
For the Period June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions	\$ 3,211,092	\$ 33,642	\$ 3,244,734	\$ 5,653,366	\$ 69,450	\$ 5,722,816
Grants	10,468,627	1,400,899	11,869,526	934,214	216,588	1,150,802
Special Events, net of donor related benefit of \$0 and \$174,801, respectively	446,154	-	446,154	490,750	-	490,750
Out of Area designations in	100,425	-	100,425	170,311	-	170,311
Prior year collections	(56,874)	-	(56,874)	6,578	-	6,578
Results, gross	14,169,424	1,434,541	15,603,965	7,255,219	286,038	7,541,257
Less: Donor choice designations	(1,706,996)	-	(1,706,996)	(2,284,777)	-	(2,284,777)
Less: Allowance for uncollectibles	(34,645)	-	(34,645)	(33,516)	-	(33,516)
Results, net	12,427,783	1,434,541	13,862,324	4,936,926	286,038	5,222,964
United for ALICE	724,528	-	724,528	641,473	-	641,473
Interest and investment income, net of fees	428,879	540,920	969,799	(63,827)	46,941	(16,886)
Rental income	-	-	-	201,944	-	201,944
Other income - gain on sale of asset	1,486,940	-	1,486,940	-	-	-
Other income - loan forgiveness	697,000	-	697,000	-	-	-
Other income - processing, service fees, etc.	18,802	-	18,802	26,106	-	26,106
Gifts in Kind	136,527	-	136,527	327,451	-	327,451
	15,920,459	1,975,461	17,895,920	6,070,073	332,979	6,403,052
Net assets released due to satisfaction of purpose restrictions	1,668,576	(1,668,576)	-	596,732	(596,732)	-
Total support and revenue	17,589,035	306,885	17,895,920	6,666,805	(263,753)	6,403,052
Allocations and expenses						
Program services:						
Distributions	830,460	-	830,460	889,995	-	889,995
Program and initiatives expenses	3,388,468	-	3,388,468	3,451,233	-	3,451,233
Total program services	4,218,928	-	4,218,928	4,341,228	-	4,341,228
Support Services						
Administrative	682,465	-	682,465	769,741	-	769,741
Resource Development	1,296,183	-	1,296,183	1,346,751	-	1,346,751
Total support services	1,978,648	-	1,978,648	2,116,492	-	2,116,492
Total allocations and expenses	6,197,576	-	6,197,576	6,457,720	-	6,457,720
Increase / (decrease) in net assets	11,391,459	306,885	11,698,344	209,085	(263,753)	(54,668)
Net assets, beginning of year	1,727,985	2,014,940	3,742,925	1,518,900	2,278,693	3,797,593
Net assets, end of year	\$ 13,119,444	\$ 2,321,825	\$ 15,441,269	\$ 1,727,985	\$ 2,014,940	\$ 3,742,925

See Independent Auditors' Report and Notes to Financial Statements.

United Way of Northern New Jersey
[a Nonprofit Organization]
Statement of Functional Expenses
For the Period July 1, 2020 through June 30, 2021

	<u>Program Expenses</u>	<u>Support Services</u>			<u>Total</u>
	<u>ALICE in Action</u>	<u>Administrative</u>	<u>Resource Development</u>	<u>Total Support Services</u>	
Distributions and grants	\$ 591,460	\$ -	\$ -	\$ -	\$ 591,460
Distributions for emergency assistance	239,000	-	-	-	239,000
Gifts in Kind	136,527	-	-	-	136,527
Salaries/wages	1,564,892	457,555	633,541	1,091,096	2,655,988
Payroll taxes	125,592	22,834	79,922	102,756	228,348
Benefits	440,911	136,927	212,854	349,781	790,692
Conferences	747	834	70	904	1,651
Depreciation	14,653	3,359	13,563	16,922	31,575
Equipment maintenance and rental	47,886	7,585	19,065	26,650	74,536
Information technology	23,240	3,422	12,246	15,668	38,908
Insurance	13,342	2,426	8,490	10,916	24,258
Interest and bank fees	68,488	12,784	48,054	60,838	129,326
Meetings	987	92	212	304	1,291
Memberships and subscriptions	2,135	288	1,092	1,380	3,515
Occupancy	74,002	11,558	41,753	53,311	127,313
Postage	3,588	642	2,475	3,117	6,705
Printing and promotional	2,760	166	20,839	21,005	23,765
Professional fees	783,625	12,247	104,860	117,107	900,732
Supplies	22,843	1,175	4,351	5,526	28,369
Travel	1,251	-	454	454	1,705
UWW dues/payments to affiliates	47,142	8,571	30,000	38,571	85,713
Events fundraising	-	-	62,342	62,342	62,342
Events friendraising	13,857	-	-	-	13,857
Total Functional Expenses	<u>\$ 4,218,928</u>	<u>\$ 682,465</u>	<u>\$ 1,296,183</u>	<u>\$ 1,978,648</u>	<u>\$ 6,197,576</u>

See Independent Auditors' Report and Notes to Financial Statements.

United Way of Northern New Jersey
[a Nonprofit Organization]
Statement of Functional Expenses
For the Period July 1, 2019 through June 30, 2020

	<u>Program Expenses</u>	<u>Support Services</u>			<u>Total</u>
	<u>ALICE in Action</u>	<u>Administrative</u>	<u>Resource Development</u>	<u>Total Support Services</u>	
Distributions and grants	\$ 169,995	\$ -	\$ -	\$ -	\$ 169,995
Distributions for emergency assistance	720,000	-	-	-	720,000
Gifts in Kind	327,451	-	-	-	327,451
Salaries/wages	1,502,782	556,788	696,048	1,252,836	2,755,618
Payroll taxes	130,842	23,790	83,263	107,053	237,895
Benefits	372,585	112,741	231,237	343,978	716,563
Conferences	6,569	59	1,692	1,751	8,320
Depreciation	31,674	5,759	20,155	25,914	57,588
Equipment maintenance and rental	70,837	11,464	35,757	47,221	118,058
Information technology	40,561	6,140	21,489	27,629	68,190
Insurance	12,403	2,255	7,893	10,148	22,551
Interest and bank fees	52,689	10,537	32,572	43,109	95,798
Meetings	9,361	188	4,685	4,873	14,234
Memberships and subscriptions	1,986	227	855	1,082	3,068
Occupancy	238,745	12,763	45,062	57,825	296,570
Postage	6,423	848	3,219	4,067	10,490
Printing and promotional	4,838	101	29,509	29,610	34,448
Professional fees	536,992	17,452	49,849	67,301	604,293
Supplies	41,738	1,318	6,126	7,444	49,182
Travel	9,276	122	4,186	4,308	13,584
UWW dues/payments to affiliates	39,542	7,189	25,163	32,352	71,894
Events fundraising	-	-	47,991	47,991	47,991
Events friendraising	13,939	-	-	-	13,939
Total Functional Expenses	\$ 4,341,228	\$ 769,741	\$ 1,346,751	\$ 2,116,492	\$ 6,457,720

See Independent Auditors' Report and Notes to Financial Statements.

United Way of Northern New Jersey
[a Nonprofit Organization]
Statements of Cash Flows
June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 11,698,344	\$ (54,668)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Net unrealized and realized (gain) loss on investments	\$ (913,064)	\$ 47,917
Depreciation	31,575	57,588
Gain on sale of assets	(1,486,940)	0
PPP loan income	(697,000)	0
Allowance for uncollectable pledges	0	33,516
Increase (decrease) in assets:		
Pledges receivable	22,691	95,720
Prepaid expenses and other current assets	131,507	(145,679)
(Increase) decrease in liabilities:		
Accounts payable and accrued expenses	(14,796)	19,718
Distributions, designations and grants payable	3,924	(25,604)
Deferred revenue	1,438,861	150,000
Net adjustments to reconcile net change in net assets to net cash (used for) provided by operating activities	<u>(1,483,242)</u>	<u>233,176</u>
Net Cash (used for) provided by Operating Activities	<u>10,215,102</u>	<u>178,508</u>
 Cash Flows from Investing Activities		
Expenditures for property and equipment	(65,630)	(12,088)
Net proceeds from sale of asset	1,600,356	0
Proceeds from investments	9,593	332,905
Purchases for investments	(1,354,852)	(40,613)
Net Cash (used for) provided by Investing Activities	<u>189,467</u>	<u>280,204</u>
 Cash Flows from Financing Activities		
Proceeds from Loan payable - Paycheck Protection Program	686,382	697,000
Net Cash provided by Financing Activities	<u>686,382</u>	<u>697,000</u>
 Net Increase in Cash and Cash Equivalents	11,090,951	1,155,712
 Cash and Cash Equivalents at Beginning of Period	<u>1,583,795</u>	<u>428,083</u>
 Cash and Cash Equivalents at End of Period	<u>\$ 12,674,746</u>	<u>\$ 1,583,795</u>
 Supplementary Information:		
Interest paid	\$ <u>0</u>	\$ <u>0</u>
Taxes paid	\$ <u>0</u>	\$ <u>0</u>

See Independent Auditors' Report and Notes to Financial Statements.

United Way of Northern New Jersey
[a Nonprofit Organization]
Notes to Financial Statements

Note 1 – Organization and Purpose:

We are United Way and we are United for ALICE.

ALICE, an acronym for Asset Limited, Income Constrained, Employed, represents the growing number of families who are unable to afford the necessities of housing, food, childcare, health care, technology and transportation.

Through a series of new, standardized measurements, we are quantifying the size of the workforce that is struggling financially and the reasons why. These measurements provide a broader picture of financial insecurity than traditional federal poverty guidelines.

ALICE workers are essential to the fabric of our society. When ALICE suffers and is forced to make difficult choices, we all face serious consequences. United Way is fighting for ALICE – a population that is critical to the stability of our communities. We are looking beyond temporary fixes to find solutions that result in long-term, sustainable change for individuals and families.

United Way of Northern New Jersey (the “Organization”) is an independent nonprofit organization that serves communities across five counties which account for 1700 square miles and over 1.2 million residents. An affiliate of United Way Worldwide, United Way of Northern New Jersey pays dues to United Way Worldwide in return for the benefits of branding, promotion, leadership and support to local United Ways. Payments made are disclosed on the statement of functional expenses under the caption “UWW dues/payment to affiliates”.

Note 2 – Summary of Significant Accounting Policies:

- A. Basis of Presentation – External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories based on the existence or absence of donor imposed restrictions. Accordingly the net assets of United Way of Northern New Jersey and changes therein are classified as follows:
- Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization.
 - Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.
- B. Revenue and Support Recognition – The Organization derives its revenue primarily from contributions and grants which follows the guidance under Topic 958 —*Non-Profit Entities*. Additionally, the Organization receives support from fundraising activities, such as special events, services related to United for ALICE. Under ASC Topic 606, revenue is recognized when performance obligations to a customer are satisfied and revenue is earned.

Special Events

Fundraising revenue is comprised of payments received from third parties (individuals and corporations) to support and/or attend fundraising events. Fundraising revenue includes an exchange transaction component for the value of the goods or services received, which follows revenue recognition guidance under ASC Topic 606. The amount paid by individuals and corporations that is above the value of goods or services received is considered a contribution. Revenue is recognized at the time the fundraising event occurs.

United Way of Northern New Jersey
[a Nonprofit Organization]
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued):

United for ALICE

Existing states that are part of the ALICE network are required to pay a total of \$50,000 over a 2 year period. As part of their membership, each state receives access to various data, surveys, a data refresh, and other benefits. The various benefits received by members are not available separately and are dependent on one another to derive any benefit to the member. As a result, the benefits are not capable of being distinct from one another and therefore there is one performance obligation that is recognized ratably over the membership period of 2 years.

New states are required to enter into an initial 3-year membership which provides many of the similar benefits that are received by existing states within the ALICE network. New states are required to pay a total of \$75,000 over the 3-year period and the Organization recognizes the revenue ratably over the membership period of 3 years. Additionally, new states receive a report based on ALICE. The report is a separate performance obligation and is recognized at the point in time when the report is delivered and at the time the Organization is entitled to receive the consideration.

Contributions and Grants

Contributions, grants, and related pledge receivables are recognized when a donor makes a pledge to the United Way of Northern New Jersey that is, in substance, unconditional. Contributions received are recorded as without donor restrictions unless there is existence and/or nature of any donor stipulation.

Contributions receivable due in one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using risk free interest rates applicable to the years in which the contributions are received to discount the amounts. For the periods from July 1, 2020 through June 30, 2021 and July 1, 2019 through June 30, 2020, United Way of Northern New Jersey did not have any contributions receivable due in more than one year.

United Way of Northern New Jersey closely monitors pledges receivable. The receivables are evaluated and an allowance for doubtful accounts is established based on a history of past write-offs and collections and other factors that might result in uncollectible balances. The allowance at June 30, 2021 and June 30, 2020 was \$34,645 and \$33,516 respectively.

Gifts of cash and other assets are reported as restricted support 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 and changes in net assets as net assets released from restrictions.

United Way of Northern New Jersey receives donated services from volunteers, officers and directors, and other organizations to support administrative, fundraising, and programmatic efforts. The value of these donated services is not included in these financial statements as they do not meet the criteria for recognition.

- C. Donor Designated Funds – United Way of Northern New Jersey receives funds that are considered pass through items that have been designated by the donor to other nonprofit entities. These funds have been recorded as liabilities until the funds are disbursed as they are not pledges or revenue to United Way of Northern New Jersey. These funds also include several charitable giving campaigns run by local companies for which United Way of Northern New Jersey is processing the transactions for the employer.

United Way of Northern New Jersey
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Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued):

- D. Rental income – Prior to the sale of the building located in Montclair, NJ, income derived from the rental of the building was recognized during the period in which the premises were occupied and rent was due from tenants.
- E. Cash and Cash Equivalents – United Way of Northern New Jersey considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Within cash and cash equivalents are money market funds which totaled \$10,002,823 and \$9,857 for the year ended June 30, 2021 and 2020, respectively.
- F. Investments – Securities purchased for investment are carried at fair value; those received as gifts are recorded at fair value at the date of gift.
- G. Property, Equipment, and Depreciation – Property and equipment are recorded at cost, except for donated items that are recorded at fair value on the date of donation. Donated property and equipment is recorded as restricted support when donors stipulate how long the assets must be used. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without restrictions. Depreciation is provided for over the useful life of the underlying asset, ranging between a 3 to 33 year period, using the straight line method. Depreciation expense amounted to \$31,575 and \$57,588 respectively for the period from July 1, 2020 through June 30, 2021 and the period from July 1, 2019 through June 30, 2020, respectively.

Major replacements and improvements of property and equipment are capitalized. Minor replacements, repairs, and maintenance are charged to expense as incurred. Upon retirement or sale, the cost of the assets disposed and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in operations.

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

- H. Income Taxes – United Way of Northern New Jersey is a not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been recorded in the statements of activities and changes in net assets.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

- I. Functional Allocation of Expenses – The costs of providing program and supporting services have been summarized on a functional basis. Expenses are allocated to each function or program based on time spent by United Way of Northern New Jersey staff in each of these areas which is consistent with the benefit derived by each program. In recognition of the work in focusing more closely on efforts that support the strategic vision of the Organization to achieve a lasting impact in the communities served, all programmatic activity is aligned into what is called Equity for ALICE.

United Way of Northern New Jersey
[a Nonprofit Organization]
Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued):

- J. 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 amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and liabilities at the date of the financial statements. Actual results could differ from those estimates.
- K. Reclassification – Certain items presented in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation. This reclassification had no impact to the net assets.
- L. United Way of Northern New Jersey has evaluated for any subsequent events through January 31, 2022, which is the date these financial statements were available to be issued.

Note 3 – Property and Equipment:

Property and Equipment for the years ended June 30, 2021 and 2020 consist of the following:

	Estimated Useful Lives	June 30, 2021	June 30, 2020
Building —North Essex	33 years	\$ -	\$ 1,121,700
Building —Morris	30 years	719,319	719,319
Building improvements	31.5 years	83,062	731,633
	10-31.5		
Tenant improvements	years	-	603,901
Equipment	5-10 years	190,448	171,631
Furniture and fixtures	5-10 years	33,353	237,582
Sub totals		1,026,182	3,585,766
Less: Accumulated depreciation		(956,610)	(3,176,530)
Totals		\$ <u>69,572</u>	\$ <u>409,236</u>

The land and building located at 60 Fullerton Avenue, Montclair, previously known as the United Way of Northern New Jersey Building was deeded to United Way of Northern New Jersey on April 2, 1973 by the Community Chest of Montclair. It was recorded at \$1,121,700 based upon the valuations established by the town of Montclair in connection with its town-wide reappraisal of real estate in 1973.

On October 1, 2020, the Organization completed the sale of 60 South Fullerton Avenue, Montclair, New Jersey to a nonprofit affiliate of New Jersey Community Capital for \$1,900,000. The Organization recognized a gain in the amount of \$1,486,940.

United Way of Northern New Jersey
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Notes to Financial Statements

Note 4 – Fair Value Measurements:

United Way of Northern New Jersey values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value instruments, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

In determining fair value, United Way of Northern New Jersey utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

United Way of Northern New Jersey
[a Nonprofit Organization]
Notes to Financial Statements

Note 4 – Fair Value Measurements (Continued):

Financial assets carried at fair value at June 30, 2021 and June 30, 2020 are classified in the tables below in one of the three categories described above.

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds:				
Equity Funds:				
Index	\$ 896,246	\$ -	\$ -	\$ 896,246
Large Cap —US	1,628,900	-	-	1,628,900
Large Cap -Non-US	437,433	-	-	437,433
Small Cap —US	459,856	-	-	459,856
Bond Funds:				
Index	422,583	-	-	422,583
Corporate debt securities	790,730	-	-	790,730
Total	\$ 4,635,748	\$ -	\$ -	\$ 4,635,748

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds:				
Money Market Funds:				
Index	\$ 9,857	\$ -	\$ -	\$ 9,857
Equity Funds:				
Index	71,108	-	-	71,108
Large Cap —US	961,616	-	-	961,616
Large Cap -Non-US	129,049	-	-	129,049
Small Cap —US	222,495	-	-	222,495
Bond Funds:				
Index	47,931	-	-	47,931
Corporate debt securities	642,375	-	-	642,375
Total	\$ 2,084,431	\$ -	\$ -	\$ 2,084,431

United Way of Northern New Jersey
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Notes to Financial Statements

Note 4 – Fair Value Measurements (Continued):

Instruments in mutual funds are valued at the net asset value of shares held by United Way of Northern New Jersey at period end. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. As of June 30, 2021 and 2020, total cost basis for the above securities was \$4,047,048 and \$2,135,304 respectively.

Note 5 – Endowment:

United Way of Northern New Jersey's endowment consists of funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Organization to function as endowments. As required by accounting principles generally accepted in the United States of America ("GAAP"), net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law:

The Organization has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act ("NJUPMIFA") 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, United Way of Northern New Jersey classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment in perpetuity; (b) the original value of subsequent gifts to the endowment in perpetuity; and (c) accumulations to the endowment in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as endowment in perpetuity is classified as endowment subject to appropriation and expenditure when a particular event occurs; or endowment subject to spending policy and appropriation, until those amounts are appropriated for expenditure by United Way of Northern New Jersey in a manner consistent with the standard of prudence prescribed by NJUPMIFA. In accordance with NJUPMIFA, United Way of Northern New Jersey considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds.

1. The duration and preservation of the fund.
2. The purposes of United Way of Northern New Jersey and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of United Way of Northern New Jersey.
7. The investment policies of United Way of Northern New Jersey.

Spending Policy and How the Investment Objectives Related to Spending Policy:

United Way of Northern New Jersey has an annual endowment spending policy that is specifically designed to assist in funding annual programming objectives and to preserve the value of the investment portfolio over time.

For the general endowment fund, the spending policy is between 5% and 6% of the fund value averaged over the preceding five year period as of December 31 of that period. In establishing this policy, United Way of Northern New Jersey considered the long term expected return on its endowment. Accordingly, over the long term, United Way of Northern New Jersey expects the current spending policy to allow its endowment to grow and maintain its value to support operations in the future. To meet these objectives, United Way of Northern New Jersey utilizes a total return investment approach which emphasizes total investment return, consisting of investment income and realized and unrealized gains or losses and, accordingly, invests in equities, fixed income, and money market accounts.

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Note 5 – Endowment (Continued):

For the donor restricted endowment funds, there are a range of separate funds which have donor imposed restrictions as to time and purpose, as well as varying valuation dates and formulas for the calculation of same.

Endowment net asset composition by type of fund and changes in endowment net assets for the years ended June 30, 2021 and 2020 consist of the following:

	June 30, 2021		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
General endowment	\$ -	\$ 1,340,523	\$ 1,340,523
Donor restricted endowment funds	-	868,561	868,561
Total Endowment Funds	\$ -	\$ 2,209,084	\$ 2,209,084
Endowment net assets, at beginning of period			
General endowment	-	1,094,373	1,094,373
Donor restricted endowment funds	-	845,494	845,494
Investment return			
General endowment	-	308,486	308,486
Donor restricted endowment funds	-	178,974	178,974
Appropriation of endowment assets for expenditure			
General endowment	-	(62,336)	(62,336)
Donor restricted endowment funds	-	(155,907)	(155,907)
Endowment net assets, at end of period	\$ -	\$ 2,209,084	\$ 2,209,084

United Way of Northern New Jersey
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Notes to Financial Statements

Note 5 – Endowment (Continued):

	June 30, 2020		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
General endowment	\$ -	\$ 1,094,373	\$ 1,094,373
Donor restricted endowment funds	-	845,494	845,494
Total Endowment Funds	\$ -	\$ 1,939,867	\$ 1,939,867
Endowment net assets, at beginning of period			
General endowment	-	1,177,088	1,177,088
Donor restricted endowment funds	-	833,039	833,039
Investment return			
General endowment	-	(24,538)	(24,538)
Donor restricted endowment funds	-	12,521	12,521
Appropriation of endowment assets for expenditure			
General endowment	-	(58,177)	(58,177)
Donor restricted endowment funds	-	(66)	(66)
Endowment net assets, at end of period	\$ -	\$ 1,939,867	\$ 1,939,867

Note 6 – Investments:

	June 30, 2021	June 30, 2020
Interest and dividends, net of fees	\$ 56,735	\$ 31,031
Net realized and unrealized gains (losses)	913,064	(47,917)
Total	\$ 969,799	\$ (16,886)

Note 7 – Concentrations of Credit Risk:

United Way of Northern New Jersey’s financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, receivables, and investments. United Way of Northern New Jersey’s financial instruments are placed with a wide array of institutions that have high credit ratings. Cash equivalents and investments are in certificates of deposit, treasury bills, money market funds, and high quality equities. This investment policy limits United Way of Northern New Jersey’s exposure to concentrations of credit risk. United Way of Northern New Jersey frequently has cash in excess of FDIC limitations. At June 30, 2021 and June 30, 2020, this amount was \$325,869 and \$142,258 respectively. United Way of Northern New Jersey has a longstanding history of collecting its pledges receivable, which are from contribution pledges from numerous donors throughout the tri-state region. An allowance for uncollectible has been historically been established for amounts whose collection is questionable.

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Notes to Financial Statements

Note 8 – Liquidity and Availability:

The following reflects the financial assets of the United Way of Northern New Jersey as of June 30, 2021 and 2020, reduced by amounts not available for general use:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Financial assets at year end:		
Cash and equivalents	\$ 12,674,746	\$ 1,583,795
Investments	4,685,748	2,134,432
Accounts receivable, net	398,416	421,397
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor for time or purpose	(735,332)	(428,447)
Tenant escrow funds	0	(3,600)
Restricted by donor in perpetuity	<u>(1,586,493)</u>	<u>(1,586,493)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,437,085</u>	<u>\$ 2,121,084</u>

United Way of Northern New Jersey receives restricted donations. Because a donor’s restriction requires resources to be used in a particular manner, the Organization must maintain sufficient resources to meet those responsibilities to those donors.

As part of United Way of Northern New Jersey’s liquidity management, it is a goal to structure financial assets to be available as its general expenditures, liabilities and other obligations come due. To achieve that goal, all programs have budgets and results are reviewed monthly with senior management and program leads. Significant variances are identified for follow up and appropriate action. In addition, cash balances are reviewed daily, forecasts are prepared bi-weekly and 12 month forecasts are prepared for the Board in conjunction with the issuance of period end financial statements.

Note 9 – Employee Benefit Retirement Plan:

United Way of Northern New Jersey has a non-contributory, defined contribution plan (the “Plan”) for the benefit of its employees. All salaried employees with one year of service working at least 1,000 hours per year who have attained age 21 are eligible under the Plan. Any new employees that have 18 months of previous service with nonprofit health or human service agencies, within the past three years, had the one year service requirement waived. Employees are 100 percent vested after five years of eligibility in the Plan. The Plan requires that every year United Way of Northern New Jersey contribute 3 percent of employee wages as a safe harbor election to the Plan with an additional employer discretionary contribution, currently 7 percent. For the period of July 1, 2020 through June 30, 2021 and July 1, 2019 through June 30, 2020, contributions to the Plan were \$252,821 and \$245,271 respectively. It is the policy of United Way of Northern New Jersey to fund the Plan currently.

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Note 10 – Net Assets:

Net assets consist of funds that are with and without donor restrictions. Net assets without donor restrictions represent net assets that are not subject to donor restrictions, as well as voluntary reserves such as separate components of board-designated net assets. United Way of Northern New Jersey does not have any board-designated net assets.

Changes to net assets with donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors for the years ended June 30, 2021 and 2020 are as follows:

	Balance July 1, 2020	Increase/Decrease	Balance June 30, 2021
Equity for ALICE	\$ 281,737	\$ 446,213	\$ 727,950
Long Term Disaster Recovery	7,382	-	7,382
Children's Home Foundation	<u>139,328</u>	<u>(139,328)</u>	<u>-</u>
Total	<u>\$ 428,447</u>	<u>\$ 306,885</u>	<u>\$ 735,332</u>

	Balance July 1, 2019	Increase/Decrease	Balance June 30, 2020
Equity for ALICE	\$ 301,461	\$ (19,724)	\$ 281,737
Long Term Disaster Recovery	7,382	-	7,382
Children's Home Foundation	<u>383,357</u>	<u>(244,029)</u>	<u>139,328</u>
Total	<u>\$ 692,200</u>	<u>\$ (263,753)</u>	<u>\$ 428,447</u>

Changes to net assets with donor restrictions that are endowment in perpetuity, the income from which is appropriated to support specific purposes as well as defray operating expenses for programmatic purposes, are as follows:

	Balance July 1, 2020	Increase/Decrease	Balance June 30, 2021
Equity for ALICE	\$ <u>1,586,493</u>	\$ -	\$ <u>1,586,493</u>
Total	<u>\$ 1,586,493</u>	<u>\$ -</u>	<u>\$ 1,586,493</u>

	Balance July 1, 2019	Increase/Decrease	Balance June 30, 2020
Equity for ALICE	\$ <u>1,586,493</u>	\$ -	\$ <u>1,586,493</u>
Total	<u>\$ 1,586,493</u>	<u>\$ -</u>	<u>\$ 1,586,493</u>

United Way of Northern New Jersey
[a Nonprofit Organization]
Notes to Financial Statements

Note 11 – Government Awards:

United Way of Northern New Jersey routinely applies for government funds via federal, state and local awards. These awards are presented on the accrual basis of accounting with expenditures reported on the statement of activities as functional and supporting expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of government awards due to program expenditures exceeding grant limitations or capitalization policies required by accounting principles generally accepted in the United States of America.

The amount of government funds awarded and expended for fiscal year ending June 30, 2021 is as follows:

	Total Award	Expenditures
<u>Federal Awards</u>		
Internal Revenue Service		
Project Name: Volunteer Income Tax Assistance	\$ 142,550	\$ 142,550
 <u>State Awards</u>		
State of New Jersey Department of Consumer Affairs		
Project Name: VITA 2021	250,000	250,000
State of New Jersey		
Project Name: Volunteer Generation Fund	30,000	30,000
State of New Jersey		
Project Name: Volunteer Generation Fund-Covid Relief	25,000	25,000
 <u>County Awards</u>		
County of Morris		
Project Name: Caregivers Outreach	45,294	45,294
County of Warren		
Project Name: Caregivers Assistive Technology	5,524	5,524
	\$ 498,368	\$ 498,368

United Way of Northern New Jersey
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Notes to Financial Statements

Note 12 – COVID-19:

United Way of Northern New Jersey’s continuing operations have been affected by the recent and ongoing outbreak of the coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. Actions taken around the world to help mitigate the spread of COVID-19 included restrictions on travel, quarantines in specific areas, and forced closures for certain types of public places and businesses. Despite development and implementation of a vaccine, the coronavirus and the actions taken to mitigate it have had an adverse impact on the economies and financial markets of many countries, including the geographical location in which the organization operates as well as those in which their larger corporate partners are located. United Way of Northern New Jersey experienced a decline in revenue during calendar year 2020 along with delays in collecting receivables. In response to the overwhelming need of the communities served, a special fundraising appeal initiated in the second quarter of 2020 which raised money to support the financial stability programming for the ALICE population. This appeal continued to receive contributions through the second quarter of 2021 as well as raised awareness to the challenges faced by families during the pandemic.

To support the working ALICE population in the extended COVID-19 pandemic and the projected long-term economic recovery, United Way of Northern New Jersey was identified as a lead partner for a pilot project to support childcare providers and early education workers, provide quality care for young children, and allow ALICE parents to return to work to support their families. The project is building a sustainable childcare infrastructure for the future. During the course of a three-year pilot program, highly rated childcare centers in North, Central and South Jersey will be paired with local neighborhood family providers to expand capacity and leverage expertise and resources. United Way of Northern New Jersey will serve to connect the various partners, including small and minority-owned businesses, state-supported referral agencies, leading childcare experts, and data analysts who will chart the project’s progress.

Note 13 —Loan Payable —Paycheck Protection Program (“PPP”):

On April 16, 2020, United Way of Northern New Jersey was granted a loan (the "Loan 1") from Peapack Gladstone Bank in the amount of \$697,000 pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which was enacted March 27, 2020. Funds from the Loan 1 may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the Loan 1 may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Loan 1 matures two years from the date of issue, April 16, 2022, unless the Organization and lender mutually agree to extend the maturity of the Loan 1 from two years to five years. The Loan 1 bears interest at a rate of 1% per annum. Equal monthly payments are allowed to be deferred for at least ten months after the end of the Loan 1 forgiveness covered period. The Loan 1 may be prepaid by the Organization at any time prior to maturity with no prepayment penalties.

On March 31, 2021, the Organization was notified by the Small Business Administration (“SBA”) that full forgiveness of the Loan 1 was granted. Accordingly, the Organization has recognized income from the Loan 1 in the amount of \$697,000 for the year ended June 30, 2021.

On February 25, 2021, the Organization was granted a loan (the “Loan 2”) from Northeast Bank in the aggregate amount of \$686,382, pursuant to the Paycheck Protection Program Second Draw (the “PPP 2”) under Section 311 of the Economic Aid to Hard-Hit Small Businesses Act (the “Economic Aid Act”) which was signed into law on December 27, 2020 and is part of the original Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which was enacted March 27, 2020.

United Way of Northern New Jersey
[a Nonprofit Organization]
Notes to Financial Statements

Note 13 —Loan Payable —Paycheck Protection Program (“PPP”) (Continued):

Section 311 of the Economic Aid Act authorizes the U.S. Small Business Administration (“SBA”) to guarantee PPP 2 loans under generally the same terms and conditions available under the original PPP First Draw. The Loan 2 is in the form of a note dated February 25, 2021 issued by the Borrower and matures on February 25, 2026 and bears interest at a rate of 1% per annum. Funds from the Loan 2 may only be used for qualified expenses which include payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, interest on other debt obligations incurred before February 15, 2020, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures. In accordance with the CARES Act and the PPP, if the loan proceeds are fully utilized to pay for qualified expenses, the full principal amount of the loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on termination of full-time employees or decrease in salaries during the covered period.

Note 14 – Newly Adopted Accounting Pronouncements:

On July 1, 2020 United Way of Northern New Jersey adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“ASC 606”), an accounting pronouncement issued by the FASB, as well as subsequently issue clarifying ASUs, which clarifies guidance on revenue recognition. This guidance includes the required steps to achieve the core principle that an organization should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which United Way of Northern New Jersey expects to be entitled in exchange for those goods or services. United Way of Northern New Jersey adopted this pronouncement on a modified retrospective basis for all ongoing customer contracts. The results of operations for the periods after July 1, 2020 is presented under this amended guidance, while prior period amounts are not adjusted and continue to be reported in accordance with historical accounting guidance. The adoption of this pronouncement had no impact on net assets and results of operations but resulted in additional disclosures. ASC 606 does not apply to all revenue recognized by United Way of Northern New Jersey. See Note 2 for further details.

Note 15 – Recent Accounting Pronouncements:

In February 2016, the FASB issued 2016-02, *Leases* (Topic 842), which sets out the principles for recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is in the process of evaluating the impact of this new guidance.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit organization to provide additional disclosures on the contributed nonfinancial assets with the intent to improve transparency in the reporting of contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. The Organization is in the process of evaluating the impact of this new guidance.



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government
Auditing Standards***

Board of Directors
United Way of Northern New Jersey
[a Non-Profit Organization]

We have audited, in accordance with the 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, the financial statements of the United Way of Northern New Jersey [a Non-Profit Corporation], which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December XX, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Northern New Jersey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Northern New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Northern New Jersey's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the United Way of Northern New Jersey's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Parsippany, New Jersey
December XX, 2021