

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

United Way Worldwide and Subsidiaries

December 31, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
United Way Worldwide and Subsidiaries

Opinion

We have audited the consolidated financial statements of United Way Worldwide and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Grant Thornton LLP

Arlington, Virginia
August 18, 2023

United Way Worldwide and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 7,447,863	\$ 17,731,456
Custodial funds (Notes 3 and 4)	8,096,172	7,451,542
Member United Way receivables, net (Note 5)	3,369,870	5,726,657
Contributions receivable, net (Note 6)	5,952,086	12,903,127
Investments, at fair value (Notes 2 and 4)	28,221,096	6,910,076
Investments, at cost (Notes 2)	5,387,758	5,387,758
Property and equipment, net (Note 7)	21,926,385	23,144,683
Other assets (Note 8)	5,100,054	4,658,448
	<u>5,100,054</u>	<u>4,658,448</u>
Total assets	<u>\$ 85,501,284</u>	<u>\$ 83,913,747</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,270,617	\$ 9,002,106
Line of credit	-	5,000,000
Custodial funds (Notes 3 and 4)	8,096,172	7,451,542
Deferred revenue	6,784,168	7,438,804
Pension benefits liability (Note 10)	4,717,559	4,437,681
Postretirement benefits liability (Note 10)	939,042	1,217,656
Equipment notes payable (Note 9)	-	351,751
Notes payable to United Way Members (Note 9)	640,000	2,220,000
Other liabilities	356,167	476,967
	<u>356,167</u>	<u>476,967</u>
Total liabilities	23,803,725	37,596,507
Net assets		
Without donor restrictions (Note 11)	38,526,024	10,703,964
With donor restrictions (Notes 12 and 15)	23,171,535	35,613,276
	<u>23,171,535</u>	<u>35,613,276</u>
Total net assets	<u>61,697,559</u>	<u>46,317,240</u>
Total liabilities and net assets	<u>\$ 85,501,284</u>	<u>\$ 83,913,747</u>

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

United Way Worldwide and Subsidiaries
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Public support and other revenues			
Membership support, net	\$ 39,741,573	\$ -	\$ 39,741,573
Contributions	44,544,262	8,635,695	53,179,957
Promotional material sales	182,088	-	182,088
Program service fees	3,474,327	-	3,474,327
Investment return, net	(8,635)	(746,758)	(755,393)
Conferences	873,175	-	873,175
Miscellaneous and other	526,316	-	526,316
Net assets released from restrictions			-
Satisfaction of program restrictions (Note 13)	20,330,678	(20,330,678)	-
Total revenues	109,663,784	(12,441,741)	97,222,043
Expenses			
Program services			
Global network advancement	35,860,476	-	35,860,476
Donor advised giving	12,791,936	-	12,791,936
Digital services	15,398,142	-	15,398,142
Brand strategy and marketing	4,993,346	-	4,993,346
Other program services	4,290,637	-	4,290,637
Total program services	73,334,537	-	73,334,537
Supporting services			
General and administrative	5,152,985	-	5,152,985
Fundraising	2,555,245	-	2,555,245
Total supporting services	7,708,230	-	7,708,230
Total expenses	81,042,767	-	81,042,767
Operating gain (loss)	28,621,017	(12,441,741)	16,179,276
Non-operating items			
Pension-related changes other than net periodic pension cost	(798,957)	-	(798,957)
Total non-operating items and board designation	(798,957)	-	(798,957)
CHANGES IN NET ASSETS	27,822,060	(12,441,741)	15,380,319
Net assets, beginning of year	10,703,964	35,613,276	46,317,240
Net assets, end of year	\$ 38,526,024	\$ 23,171,535	\$ 61,697,559

The accompanying notes are an integral part of this consolidated financial statement.

United Way Worldwide and Subsidiaries
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Public support and other revenues			
Membership support, net	\$ 42,895,976	\$ -	\$ 42,895,976
Contributions	22,752,231	36,703,653	59,455,884
Paycheck Protection Program (PPP) loan forgiveness	5,050,841	-	5,050,841
Promotional material sales	207,246	-	207,246
Program service fees	3,597,235	-	3,597,235
Investment return, net	299,871	608,860	908,731
Conferences	627,335	-	627,335
Miscellaneous and other	1,363,499	-	1,363,499
Net assets released from restrictions			
Satisfaction of program restrictions (Note 13)	37,629,509	(37,629,509)	-
Total revenues	114,423,743	(316,996)	114,106,747
Expenses			
Program services			
Global network advancement	56,167,443	-	56,167,443
Donor advised giving	11,785,418	-	11,785,418
Digital services	22,712,915	-	22,712,915
Brand strategy and marketing	5,210,445	-	5,210,445
Other program services	4,041,812	-	4,041,812
Total program services	99,918,033	-	99,918,033
Supporting services			
General and administrative	9,707,834	-	9,707,834
Fundraising	2,005,786	-	2,005,786
Total supporting services	11,713,620	-	11,713,620
Total expenses	111,631,653	-	111,631,653
Operating gain (loss), before transfers	2,792,090	(316,996)	2,475,094
Board designated, appropriations and transfers to operations			
Board designated and transfers to operations	14,824,216	-	14,824,216
Operating gain (loss), after transfers	17,616,306	(316,996)	17,299,310
Non-operating items			
Pension-related changes other than net periodic pension cost	2,649,177	-	2,649,177
Gain on extinguishment of debt	2,180,000	-	2,180,000
Endowment/quasi-endowment appropriation	426	(426)	-
Board designated, appropriations and transfers to operations			
Board designated and transfers to operations	(14,824,216)	-	(14,824,216)
Total non-operating items and board designation	(9,994,613)	(426)	(9,995,039)
CHANGES IN NET ASSETS	7,621,693	(317,422)	7,304,271
Net assets, beginning of year - originally presented	24,851,630	49,852,724	74,704,354
Net assets adjusted for the change in reporting entity (Note 1)	(21,769,359)	(13,922,026)	(35,691,385)
Net assets, beginning of year - as adjusted	3,082,271	35,930,698	39,012,969
Net assets, end of year	\$ 10,703,964	\$ 35,613,276	\$ 46,317,240

The accompanying notes are an integral part of this consolidated financial statement.

United Way Worldwide and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

	<u>Salaries, Employee Benefits and Taxes</u>	<u>Professional Fees, Contract Services and Other Expenses</u>	<u>Conferences, Travel and Staff Development</u>	<u>Scholarships, Grants and Awards</u>	<u>Occupancy, Telephone, Shipping and Supplies</u>	<u>Depreciation and Amortization</u>	<u>Total Expenses</u>
Program services							
Global network advancement	\$ 14,314,340	\$ 4,175,731	\$ 551,851	\$ 14,867,287	\$ 1,330,946	\$ 620,321	\$ 35,860,476
Donor advised giving	164,626	173,925	1,712	12,371,893	73,037	6,743	12,791,936
Digital services	1,134,406	13,624,600	507,903	(141,102)	191,424	80,911	15,398,142
Brand strategy and marketing	3,115,016	1,390,548	115,642	3,227	207,090	161,823	4,993,346
Other program services	<u>2,643,764</u>	<u>723,071</u>	<u>500,399</u>	<u>2,555</u>	<u>292,738</u>	<u>128,110</u>	<u>4,290,637</u>
Total program services	21,372,152	20,087,875	1,677,507	27,103,860	2,095,235	997,908	73,334,537
Supporting services							
General and administrative	2,578,156	1,522,181	265,742	108,765	489,348	188,793	5,152,985
Fundraising	<u>1,256,668</u>	<u>1,099,737</u>	<u>63,446</u>	<u>1,210</u>	<u>73,500</u>	<u>60,684</u>	<u>2,555,245</u>
Total supporting services	<u>3,834,824</u>	<u>2,621,918</u>	<u>329,188</u>	<u>109,975</u>	<u>562,848</u>	<u>249,477</u>	<u>7,708,230</u>
Total expenses	<u>\$ 25,206,976</u>	<u>\$ 22,709,793</u>	<u>\$ 2,006,695</u>	<u>\$ 27,213,835</u>	<u>\$ 2,658,083</u>	<u>\$ 1,247,385</u>	<u>\$ 81,042,767</u>

The accompanying notes are an integral part of this consolidated financial statement.

United Way Worldwide and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	Salaries, Employee Benefits and Taxes	Professional Fees, Contract Services and Other Expenses	Conferences, Travel and Staff Development	Scholarships, Grants and Awards	Occupancy, Telephone, Shipping and Supplies	Depreciation and Amortization	Total Expenses
Program services							
Global network advancement	\$ 16,467,019	\$ 7,130,090	\$ 249,731	\$ 29,996,812	\$ 1,567,020	\$ 756,771	\$ 56,167,443
Donor advised giving	254,359	35,854	942	11,462,014	24,027	8,222	11,785,418
Digital services	4,442,176	17,448,828	440,647	58,204	176,504	146,556	22,712,915
Brand strategy and marketing	3,690,107	1,048,566	114,530	3,720	172,632	180,890	5,210,445
Other program services	2,679,103	675,238	343,812	2,835	202,889	137,935	4,041,812
Total program services	27,532,764	26,338,576	1,149,662	41,523,585	2,143,072	1,230,374	99,918,033
Supporting services							
General and administrative	3,773,904	5,315,308	109,138	9,319	336,367	163,798	9,707,834
Fundraising	1,704,241	64,502	22,446	1,345	147,735	65,517	2,005,786
Total supporting services	5,478,145	5,379,810	131,584	10,664	484,102	229,315	11,713,620
Total expenses	\$ 33,010,909	\$ 31,718,386	\$ 1,281,246	\$ 41,534,249	\$ 2,627,174	\$ 1,459,689	\$ 111,631,653

The accompanying notes are an integral part of this consolidated financial statement.

United Way Worldwide and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from donors	\$ 65,603,794	\$ 67,041,381
Cash received from Member United Ways	49,727,486	53,332,777
Cash received from customers	3,703,590	4,596,030
Cash received from sale of donated stocks	595,376	754,976
Interest and dividend received	563,838	179,403
Cash paid to vendors	(34,865,856)	(33,090,633)
Cash paid for payroll, employee benefits, taxes, and voluntary deductions	(27,190,495)	(34,795,034)
Grants paid	(21,687,918)	(13,083,632)
Cash paid to Member United Ways	(17,461,104)	(38,930,664)
Interest paid	(155,783)	(185,108)
Investment expenses paid	(52,960)	(27,671)
Cash paid for UpPurpose's operation	<u>-</u>	<u>(2,221,197)</u>
Net cash provided by operating activities	<u>18,779,968</u>	<u>3,570,628</u>
Cash flows from investing activities:		
Purchase of property and equipment	(68,546)	(102,607)
Proceeds from sale of investments	6,685,911	6,175,473
Purchase of investments	<u>(28,709,924)</u>	<u>(3,373,976)</u>
Net cash provided by investing activities	<u>(22,092,559)</u>	<u>2,698,890</u>
Cash flows from financing activities:		
(Payment) proceeds from the line of credit	(5,000,000)	1,500,000
Proceeds from PPP loans	-	33,972
Principal payments on equipment notes payable	(351,749)	(1,269,159)
Principal payment on promissory notes	(1,580,000)	(740,000)
Payment on finance lease	<u>(39,253)</u>	<u>(52,916)</u>
Net cash used in financing activities	<u>(6,971,002)</u>	<u>(528,103)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(10,283,593)	5,741,415
Cash and cash equivalents, beginning of year	<u>17,731,456</u>	<u>11,990,041</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,447,863</u></u>	<u><u>\$ 17,731,456</u></u>

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

United Way Worldwide and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

For 136 years, the United Way network has served as a vehicle for volunteers, donors, partners and advocates who seek to change lives and communities through service, collaboration and impact. As one of the world's largest privately funded charities, the United Way network serves 95% of U.S. communities and 37 countries and territories. It impacts more than 48 million people every year. In 2022, United Way was the mission of choice for 1.5 million volunteers, 6.8 million donors, and 45,000 corporate partners in more than 1,100 communities worldwide.

United Way Worldwide (UWW or the Organization) is the network's global leadership organization, based in Alexandria, Virginia and organized under the New York State nonprofit statute. UWW seeks to support the network in advancing the collective mission of United Way to improve lives by mobilizing the caring power of communities around the world. UWW provides support for the global network in key programmatic areas of brand stewardship, global fundraising at scale, advocacy and public policy, and leadership development and training. UWW is largely funded by membership dues from the United Way network. These local, statewide, regional, and country United Ways across the world are autonomous charitable organizations, have independent boards and issue separate financial statements, which are not included in the accompanying financial statements.

UWW maintains registered offices in Geneva, Switzerland and Shanghai, China. Additionally, United Way Worldwide Asia Limited (UWW Asia) is a wholly owned subsidiary of UWW incorporated in Hong Kong on January 19, 2010, with a mission to support UWW's work in the Asia Pacific Region of the world. UWW Asia obtained tax exempt status on March 21, 2011.

In March 2019, UWW formed UpPurpose, Inc. (UP), which is a wholly owned subsidiary of UWW incorporated in the United States with a goal of creating a proprietary software platform for digital donor engagement contact. UP is a for-profit, C corporation. At the end of 2021 UWW's board approved the winddown of UP and its dissolution which was completed at the end of 2021.

In January 2020, UWW entered into an affiliation agreement with the United Way Bay Area (UWBA), a separate 501(c)(3) based in the San Francisco Bay area for which UWW was the sole voting member. This affiliation agreement ended June 30, 2021, which resulted in a change in reporting entity for the Organization. As a result, the consolidated financial statements are adjusted to reflect the removal of the UWBA assets, liabilities and net assets. This change is shown on the consolidated statement of activities for the year ended on December 31, 2021 as a change to beginning net assets.

Organization Structure

UWW's operational structure includes the following program and supporting services, which are included in the accompanying consolidated statement of activities:

Program Services

Global Network Advancement

The Global Network Advancement Team provides governance, resource development, program and capacity building support, member grant distribution services, and training to United Way members around the world.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Donor Advised Giving

The United Way Worldwide Donor Advised Giving Program facilitates grants to domestic and international organizations, based upon recommendations by program coordinators that meet programmatic or geographic interest of both the donors and UWW.

Digital Services

The United Way Digital Services team collaborates with the United Way network in regard to digital technology-based donor engagement strategies.

Brand Strategy and Marketing

The Brand Strategy and Marketing team provides support in all brand identity to United Way members and consistency matters including marketing, advertising and other promotional opportunities designed to promote individual participation in advancing the common good and to strengthen trust in the United Way brand around the world.

Other Program Services

Other Program Services include the production and delivery of training programs and learning opportunities for United Way volunteers, staff and partners; management of national fiscal agent relationships with a number of for-profit companies that provide workforce campaign pledge processing; and providing licensing rights to select vendors to sell promotional products bearing the United Way brand and trademarks.

Supporting Services

General and Administrative

General and Administrative services include the functions necessary to secure proper administrative functioning of UWW's governing board, to maintain an effective working environment, and to manage financial responsibilities of UWW.

Fundraising

Fundraising includes the functions necessary to secure financial support for the work of UWW and its members

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash Equivalents

Cash equivalents are liquid investments with original maturities at the date of purchase of three months or less and consist primarily of money market funds.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Custodial Funds

In 1983, a national board was convened to oversee the distribution of funds through the Emergency Food and Shelter Program (EFSP), a separate Congressionally authorized program of the Department of Homeland Security's Federal Emergency Management Agency (FEMA), and UWW was appointed fiscal agent. As the fiscal agent, UWW is the custodian of the funds and is responsible for the administration and disbursement of grants as directed by the national board. EFSP is not consolidated into the Organization's financial statements. Since 1983, U.S. Congress has allocated more than \$6.5 billion to FEMA to provide emergency food and shelter to needy individuals throughout the country. UWW charged certain administrative expenses to EFSP totaling \$327,772 and \$321,456 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, an undistributed balance of \$5,742,348 and \$4,604,653, respectively, was included in the custodial funds with a corresponding liability in the accompanying consolidated statement of financial position.

UWW also acts as trustee for a planned giving investment program, called a Pooled Income Fund (PIF), where participants are entitled to income distributions. The PIF is currently held for residents of Florida, New Jersey, and Pennsylvania. The fair value of the PIF pool at December 31, 2022 and 2021 amounts to \$129,848 and \$158,917, respectively.

In addition, UWW acts as the trustee for a planned giving investment program called the Charitable Gift Annuity Program (CGA), where annuity payments are made to the named annuitant(s) for life and any residual value is restricted by the donor to benefit a member United Way. The CGA is currently held for residents of California, Connecticut, Florida, Massachusetts, Maryland, Missouri, New York, North Carolina, New Mexico, Ohio, Pennsylvania, South Carolina, Texas, Virginia, and Wisconsin. As of December 31, 2022 and 2021, the net present value of the liability for future annuity payments is \$230,375 and \$250,444, respectively. UWW accrues no liability beyond the assets of the funds. As of December 31, 2022 and 2021, the fair value of the CGA pool is \$298,662 and \$287,239, respectively.

UWW also maintains two fiscal agent agreements with third parties on behalf of its members to provide donation processing services related to certain employee giving campaigns (federated fundraising campaigns). Because these campaigns are considered "fundraising activity" of UWW's members, UWW records no revenue from the transactions but does record collected funds, not yet distributed by the third-party processors, as a custodial asset and custodial liability. As of December 31, 2022 and 2021, the fund's fair value of \$1,925,315 and \$2,400,733, respectively, is included in custodial funds.

As of December 31, 2022 and 2021, UWW's custodial funds totaled \$8,096,172 and \$7,451,542, respectively, and were included in the custodial funds with a corresponding liability in the accompanying consolidated statements of financial position.

Member United Way Receivables

Member United Way receivables consist of amounts due from UWW members for the use of the name and service marks owned by UWW, participation fees for special affinity/leadership groups, and other miscellaneous charges. An allowance for uncollectible member United Way receivables is provided based on management's judgement of collectability based on known factors. Member United Way receivables are written off if reasonable collection efforts prove unsuccessful or after revocation of membership.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are recorded in the year the promise is made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, subsequent collections, type of contribution, and nature of fundraising activity.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The interest rate used in computing the discount of the estimated future cash flows ranged from 2.25% to 4.23% for pledges received in 2022 and 2021, respectively. The discount will be recognized as contributions revenue in future fiscal years as the discount is amortized over the duration of the contributions.

Conditional promises to give are not included as revenue until the conditions are substantially met.

Investments

Investments are reported at fair value. Unrealized and realized gains and losses are included in the consolidated statements of activities. Investment expenses, such as custodial, commission, and investment advisory fees, are netted against investment income (loss) in the consolidated statements of activities.

Investment in the Foreign Limited Partnership is accounted for under the cost method of accounting. The partnership has the primary objective of making venture capital investments in India and other Asian countries. This investment was acquired as a contribution, the Organization recorded the investment at market value at the time of contribution, based on an independent third-party market valuation. The investment is carried at cost and annually valued for impairment based on valuation methods typical for this type of investment. There was no impairment loss on the investment at cost at December 31, 2022 and 2021.

Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes expenditures for property and equipment in excess of the threshold specified below. Depreciation and amortization are calculated using the straight-line method over the following useful lives:

Building	25 - 35 years
Building improvements	5 - 15 years
Furniture, equipment, auto, and software	3 - 15 years
Capitalization threshold	\$ 2,500

When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred. Costs associated with construction in progress are held until the asset is placed in service, at which point the asset is transferred out of construction in progress and depreciated over its estimated useful life.

Other Assets

Other assets include amounts due from others on the sale of services/goods, prepaid expenses, the cash surrender value of life insurance contracts, and the plan assets of UWW's deferred compensation plan (which are stated at net asset value, which approximates the fair value).

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Deferred Revenue

Deferred revenue consists of registration and underwriting fees for training programs and conferences, advance payment of membership dues, as well as deferred service revenue from members participating in the digital services operating group. The Organization recognizes training programs and conference revenues upon the program/conference's completion. Unexpended training program, conference, and service revenues at year end are deferred and recognized when the related expenditures occur. Additionally, the organization received payments for services provided to donors and members in advance of providing these services. During 2022, no membership dues were paid in advance. During 2021, some members paid a portion of their dues in advance. Deferred revenue at December 31, 2022 and 2021 consists of:

	<u>2022</u>	<u>2021</u>
Training credits	\$ 5,287,352	\$ 5,330,540
Membership dues	-	993,688
Other	<u>1,496,816</u>	<u>1,114,576</u>
Total deferred revenue	<u>\$ 6,784,168</u>	<u>\$ 7,438,804</u>

Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the Organization's long-term financial viability.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Revenue Recognition

UWW Membership Revenue

Membership revenue is recorded ratably over the calendar year membership term. Membership of UWW allows member United Ways to use the name and trademarks owned by UWW during the period of membership. Membership support is based on a formula tied to certain types of the member's annual revenue streams. If any member does not remit its annual membership support, the member's ability to utilize the United Way name and trademarks can be revoked. Membership revenue is recognized net of training credits provided to the members.

These training credits are recorded as deferred revenue until the credit expires or is used by the member, at which time the related training revenue is recognized.

Functional Allocation of Expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of UWW are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents with a modification, based on select periodic time studies, that adjusts the general formula for the time of some employees who are directly engaged in work related to multiple functional areas.

Endowment

The Organization's donor restricted endowment consists of two funds, one established for the purpose of providing home care and assisted living to the elderly poor, with specific reference to assisting older people to remain in their own homes, and the other established for the purpose of providing general operational support for the Organization. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees has determined that the New York Prudent Management of Institutional Funds Act (NY PMIFA), an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), applies to the Organization's endowment fund. UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and UPMIFA imposes additional duties on those who manage and invest charitable funds. These duties provide additional protections for charities and also protect the interests of donors who want to see their contributions used wisely.

The Organization classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of the gifts donated to the donor restricted endowment and the original value of subsequent gifts to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by UPMIFA.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Investment Policy

The fundamental investment objectives for investments are to ensure the safety and preservation of principal, meet liquidity needs, apply diversification and risk limits appropriate to the investment pools and achieve optimal net investment returns subject to risk tolerance, investment pool objectives and policy constraints. The asset pools in which the endowment funds are invested require current income, which is the minimum needed for expenses and prudent liquidity, growth of income for planning and execution of distributions, and capital growth for long-term growth and sustainability.

Spending Policy

In making expenditures from endowment funds, the Board of Trustees complies first with any restrictions or requirements in the gift instrument as to purpose and amount. Except as otherwise provided by the gift instrument, in making expenditures from endowment funds, the Board takes into account all relevant considerations including, but not limited to, the long- and short-term needs of the Organization in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Organization follows a spending policy that prescribes an annual analysis of the historic dollar value of the endowment funds with a general goal of annual appropriation from accumulated investment earnings equal to 5% of the three-year average fair value of the endowment corpus plus all accumulated but unappropriated earnings on the corpus. The Board has the discretion adjust the spending rate in any individual year; however, the rate should generally be in the range of 3% to 5% and is subject to the following limitations:

- a. The appropriation cannot exceed the net accumulated but unappropriated investment earnings.
- b. Appropriation of any amount greater than 7.0% of the three-year averages will require an affirmative vote of full Board of Trustees.
- c. Appropriation of any portion of the corpus of the Endowments will require an affirmative vote of 75% of the Board of Trustees.

Underwater Endowment Funds

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization complies with the NY PMIFA, an enacted version of UPMIFA, and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Funds with Deficiencies: From time to time, certain donor-restricted and quasi endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted NY PMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law.

At December 31, 2022, there were no funds with deficiencies.

	2022	2021
Fair value of endowments	\$ 3,899,877	\$ 4,802,021
Original endowment gift amount	(3,801,730)	(3,801,730)
Surplus of endowment funds	\$ 98,147	\$ 1,000,291

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments and Credit Risk

UWW maintains its cash balances at several financial institutions which, at times, may exceed federally insured limits. At December 31, 2022 and 2021, UWW held \$6,390,367 and \$16,694,012 in uninsured cash and cash equivalents, respectively. UWW has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on its cash and cash equivalents.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)* (ASU 2016-13), which changes the impairment model for most financial assets. The new model uses a forward looking expected loss method, which will generally result in earlier recognition of allowances for credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Under US GAAP, the standard would be effective for the Organization for the year ending December 31, 2023. The Organization is currently evaluating the impact of adopting this new accounting guidance.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE 2 - INVESTMENTS

Investments, at fair value, consist of the following at December 31, 2022 and 2021:

	2022	2021
Corporate bonds	\$ 14,943,950	\$ 1,103,260
Equity securities	4,977,073	3,623,844
U.S. government agency notes	125	296,437
U.S. Treasury notes	7,181,463	409,962
Bond funds	1,118,485	1,476,573
Total	<u>\$ 28,221,096</u>	<u>\$ 5,387,758</u>

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Investment, at cost, consisted of investment in a Foreign Limited Partnership and totaled \$5,387,758 as of December 31, 2022 and 2021.

NOTE 3 - CUSTODIAL FUNDS

Custodial funds, at fair value, consist of the following at December 31, 2022 and 2021:

	2022	2021
Cash equivalents	\$ 7,759,643	\$ 7,005,386
Equity securities	320,364	65,598
U.S. Treasury notes	16,165	10,287
Common collective trusts	-	370,271
	<u>\$ 8,096,172</u>	<u>\$ 7,451,542</u>
Total		

NOTE 4 - FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Organization in estimating the fair value of other financial instruments, which consist of investments and custodial funds. As defined in FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, fair value is 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 (exit price). The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Organization primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information.

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3).

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Recurring Fair Value Measurements

A summary of investments and custodial fund investments summarized by input level as of December 31, 2022 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Corporate bonds				
Domestic	\$ 14,943,950	\$ -	\$ -	\$ 14,943,950
Equity securities				
Domestic	4,319,950	-	-	4,319,950
International	469,389	-	-	469,389
Emerging markets	187,734	-	-	187,734
U.S. government agency notes	125	-	-	125
U.S. Treasury notes	7,181,463	-	-	7,181,463
Bond funds	1,118,485	-	-	1,118,485
Total investments	\$ 28,221,096	\$ -	\$ -	\$ 28,221,096
Custodial funds				
Cash equivalents	\$ 7,759,643	\$ -	\$ -	\$ 7,759,643
Equity securities - domestic	320,364	-	-	320,364
U.S. Treasury notes	16,165	-	-	16,165
Total custodial funds	\$ 8,096,172	\$ -	\$ -	\$ 8,096,172

A summary of investments and custodial fund investments summarized by input level as of December 31, 2021 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Corporate bonds				
Domestic	\$ 1,103,260	\$ -	\$ -	\$ 1,103,260
Equity securities				
Domestic	2,413,835	-	-	2,413,835
International	881,079	-	-	881,079
Emerging markets	328,931	-	-	328,931
U.S. government agency notes	296,437	-	-	296,437
U.S. Treasury notes	409,962	-	-	409,962
Bond funds	1,476,572	-	-	1,476,572
Total investments	\$ 6,910,076	\$ -	\$ -	\$ 6,910,076
Custodial funds				
Cash equivalents	\$ 7,005,386	\$ -	\$ -	\$ 7,005,386
Equity securities - domestic	65,598	-	-	65,598
U.S. Treasury notes	10,287	-	-	10,287
Common collective trusts	-	370,271	-	370,271
Total custodial funds	\$ 7,081,271	\$ 370,271	\$ -	\$ 7,451,542

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Level 2 Valuation Process - Collective Common Trusts

The fund seeks to achieve its investment objective by investing substantially all of its assets in a “master fund” that uses a passive management strategy designed to track the performance of the S&P 500.

The portfolio is managed according to a “passive” or “indexing” investment approach, attempting to replicate the investment performance of the S&P 500 Index, before expenses.

The value of individual instruments held by the fund generally are valued at:

- Market value (generally determined at the closing time of the market on which they are traded);
- Fair value (when market quotations are not readily available or subsequent events suggest the market quotation no longer is reliable); and
- Amortized cost (for debt securities maturing within 60 days).

Additionally, the Organization’s investment advisor performs on-going due diligence of the funds, which includes benchmarking and comparing the results of the fund to certain indexes. The Organization’s investment advisor meets periodically with the Organization’s Investment and Pension Committee and reports the performance of the fund.

NOTE 5 - MEMBER UNITED WAY RECEIVABLES

Member United Way receivables, net consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Member United Way receivables	\$ 4,120,770	\$ 9,123,632
Allowance for doubtful accounts	<u>(750,900)</u>	<u>(3,396,975)</u>
	<u>\$ 3,369,870</u>	<u>\$ 5,726,657</u>

During the year ended December 31, 2022, the allowance for doubtful accounts was reduced by \$2,646,075 as receivables that were previously considered unlikely to be collected were collected. For the year ending December 31, 2021, bad debt expense related to member United Way receivables recognized was \$2,714,043. The reduction was primarily due to United Way Worldwide’s resolution of an outstanding membership dues issue and the subsequent collection of membership dues.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 6 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, net consist of the following unconditional promises to give at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 2,454,139	\$ 8,848,295
One to five years	2,581,108	3,048,357
More than five years	<u>2,950,000</u>	<u>3,275,000</u>
 Total contributions receivable	 7,985,247	 15,171,652
 Less: discount	 (1,926,583)	 (1,988,091)
Less: allowance for uncollectible pledges	<u>(106,578)</u>	<u>(280,434)</u>
	 <u>\$ 5,952,086</u>	 <u>\$ 12,903,127</u>

Bad debt expense related to contributions receivable totaled \$1,050,772 and \$69,446 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,102,080	\$ 2,102,080
Building and building improvements	41,574,367	41,560,870
Furniture, artwork, equipment, and technology	<u>9,587,193</u>	<u>13,378,413</u>
	53,263,640	57,041,363
 Less: accumulated depreciation and amortization	 <u>(31,337,255)</u>	 <u>(33,896,680)</u>
	 <u>\$ 21,926,385</u>	 <u>\$ 23,144,683</u>

Depreciation expense totaled \$1,247,385 and \$1,459,689 for the years ended December 31, 2022 and 2021, respectively.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 8 - OTHER ASSETS

Other assets consist of the following at December 31, 2022 and 2021:

	2022	2021
Accounts receivable, net of allowance for doubtful accounts	\$ 777,049	\$ 984,654
Prepaid expenses and deposits	3,456,417	2,448,801
Life insurance contracts and deferred compensation plan assets	866,858	1,224,993
	\$ 5,100,054	\$ 4,658,448

NOTE 9 - DEBT

In August 2020, UWW entered into a line of credit agreement with HSBC Bank USA, N.A. (HSBC LOC). The maximum capacity of the agreement was \$5 million. There was borrowing under the line of credit of \$5,000,000 for UWW in 2021. The Organization incurred \$96,369 and \$72,240 of interest expense on the line of credit for the years ended December 31, 2022 and 2021, respectively. The line of credit was fully paid down and terminated on December 1, 2022.

In 2015, UWW entered into an equipment financing agreement with Bank of America related to the renovation of UWW headquarters building that resulted in three notes payable secured by office furniture and equipment. The agreement included three loans totaling \$8,010,521 each with a fixed interest rate of 3.9% and each maturing during 2022. Interest paid for these loans totaled \$3,137 during the year ended December 31, 2021. On December 31, 2021 the total outstanding of these loans was \$351,751. The loans were fully paid with no balances outstanding on December 31, 2022.

Investments in United Way Digital Holding, LLC (UWDH)

On December 31, 2018, as part of a dissolution agreement for United Way Digital Holdings, LLC, UWW entered into promissory notes with 11 local United Way members, collectively totaling \$3,360,000. The promissory notes are unsecured and carry an interest rate of 2.72%. At December 31, 2022, the total amount outstanding of these promissory notes was \$640,000 payable during 2023.

Interest paid on the above loans totaled \$45,296 and \$67,903 for the years ending December 31, 2022 and 2021, respectively.

Paycheck Protection Program (PPP) Loans

In April 2020, the Organization received loans in the total amount of \$5,050,841 pursuant to the PPP under the Coronavirus Aid, Relief, and Economic Security Act and subsequent amendments. PPP funds are a form of low interest loans where some or all of the principal and interest may be eligible for forgiveness, based on the timing and use of funds in accordance with PPP guidelines. On July 31, 2021, the Small Business Association (SBA) processed the forgiveness of UWW's PPP loan, therefore, legally releasing UWW from the debt and the loan forgiveness has been recorded as an operating revenue from the extinguishment of debt for the year ended December 31, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty, however, management is of the opinion that any review will not have an adverse effect on UWW's financial position.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFITS

The Organization sponsors the Pension Plan of the United Way Worldwide (UWW Plan), several Non-Qualified Plans, and two Postretirement Benefit Plans. The Non-Qualified Plans include the United Way of America Senior Vice President's Plan (Senior VP Plan), United Way of America 415 Replacement Plan (415 Replacement Plan), and the United Way of America Supplemental Employee Retirement Plan (SERP). The Postretirement Plans include health care and life insurance benefits.

Reconciliation of Defined Benefit Plan Liabilities and Expenses to the Consolidated Financial Statements

The following table presents a reconciliation of the liabilities recognized for UWW's pension benefits to the presentation in the consolidated financial statements at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
UWW Plan	\$ 4,518,635	\$ 4,118,233
Non-Qualified Plans	38,841	46,193
UWW Make-up Plan	<u>160,083</u>	<u>273,255</u>
 Total recognized liability	 <u>\$ 4,717,559</u>	 <u>\$ 4,437,681</u>

The following table presents a reconciliation of the components of United Way Worldwide of the postretirement benefit plans obligation to the presentation in the consolidated financial statements at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Postretirement benefit plans obligation	<u>\$ 939,042</u>	<u>\$ 1,217,656</u>

The following table presents a reconciliation of the change in United Way Worldwide's unrecognized (loss) gain recognized apart from expenses in the consolidated financial statements at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
UWW Plan	\$ (974,148)	\$ 2,503,809
Non-Qualified Plans	8,522	4,871
Postretirement Plans	<u>166,669</u>	<u>140,497</u>
 Total change in unrecognized (loss) gain recognized apart from expenses	 <u>\$ (798,957)</u>	 <u>\$ 2,649,177</u>

Pension Plan of United Way Worldwide

The UWW Plan (UWW Plan) is a qualified, noncontributory defined benefit pension plan and covers employees who have reached the age of 21 and completed one year of employment. An employee's interest becomes fully vested upon the completion of three years or five years of service, depending on the date of hire, and is generally payable upon attainment of early retirement age. Contributions to the plan are based on actuarially determined amounts.

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

At December 31, 2022 and 2021, the benefit levels of participants in the UWW Plan are frozen and new employees are precluded from participating in the UWW Plan.

The following is a summary of the funded status of the UWW Plan as of December 31, 2022 and the key assumptions used by the UWW Plan's actuary. The calculations are performed based on measurement date of December 31, 2022 and 2021.

Obligations and Funded Status

	December 31,	
	2022	2021
Accumulated benefit obligation	\$ 35,540,389	\$ 46,347,495
Projected benefit obligation	35,540,389	46,347,495
Fair value of plan assets	31,021,754	42,229,262
Funded status - underfunded	\$ (4,518,635)	\$ (4,118,233)
Unfunded pension liability	\$ 4,518,635	\$ 4,118,233

Items not yet recognized as a component of net periodic pension cost during the years are as follows:

	December 31,	
	2022	2021
Net Loss	\$ (9,497,924)	\$ (9,057,983)

UWW paid \$2,285,843 and \$2,228,784 in pension benefits during 2022 and 2021, respectively. UWW did not contribute to the defined benefit plan in 2022 or 2021.

Net Periodic Benefit Cost

Components of net periodic benefit cost recognized as expenses in the accompanying consolidated statements of activities for the years ended December 31, 2022 and 2021:

	2022	2021
Interest cost	\$ 1,220,467	\$ 1,135,653
Expected return on assets	(1,794,213)	(1,878,976)
Amortization of loss	534,207	853,186
	\$ (39,539)	\$ 109,863

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Assumptions

Weighted-average assumptions used to determine the benefit obligation and net periodic pension benefit cost at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Benefit obligation:		
Discount rate	5.1%	2.70%
Rate of compensation increase	N/A	N/A
Net periodic benefit cost:		
Discount rate	2.7%	2.35%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	5.0%	5.10%

Plan Assets

The fair value of plan assets by asset class as of December 31, 2022 and 2021 were:

	<u>2022</u>	<u>2021</u>
Pooled separate accounts - bond funds	\$ 21,191,912	\$ 29,287,434
Pooled separate accounts - equity securities	<u>9,829,842</u>	<u>12,941,828</u>
 Total	 <u>\$ 31,021,754</u>	 <u>\$ 42,229,262</u>

The fair value of plan assets, consisting of pooled separate accounts, qualified as Level 2 investments under the FASB ASC Topic 820 hierarchy. The units held in pooled separate accounts are valued at the unit values as reported by the UWW Plan trustee as of December 31, 2022 and 2021. The unit values are based upon the fair values of underlying investments as determined periodically by the UWW Plan trustee.

The UWW Plan assets are diversified to minimize risk and maximize returns. Asset allocations will change in accordance with funded attainment levels. As of December 31, 2022 and 2021, the targeted asset allocation was 45% equities and 55% fixed income based upon a funded status of greater than 80% based on fair value and the funding target liability on a full Internal Revenue Service (IRS) yield curve. The UWW Plan assets are managed by professional investment managers and are monitored by UWW's management, Finance Committee, and Investment and Pension Subcommittee.

Estimations of Future Activity

Expected amortization of the net actuarial gain during the year ended December 31, 2023 is \$748,600.

The following benefit payments are expected to be paid as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 2,440,000
2024	2,290,000
2025	2,390,000
2026	2,430,000
2027	2,470,000
2028-2032	<u>12,970,000</u>
 Total	 <u>\$ 24,990,000</u>

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The UWW Plan is positioned to meet the minimum funding requirement as outlined in the Pension Protection Act of 2006. UWW continues to monitor the funded status of its defined benefit plan and to evaluate potential strategies that ensure the plan is managed in compliance with pension laws and regulations.

United Way Worldwide Non-Qualified Plans

The Non-Qualified Plans are described below by type of plan.

The 415 Replacement Plan is a non-qualified, noncontributory defined benefit pension plan established to restore the pension benefits lost under the qualified plan due to the limitations arising from Section 415 of the Tax Equity and Fiscal Responsibility Act of 1982.

The SERP is a non-qualified, noncontributory plan established in 2000. This plan was established to replace benefits in the qualified plan for participants affected by IRS salary limits, as well as benefit limits.

The 457(f) is a non-qualified, noncontributory plan established in 2018. The plan was established to limit the liability of the Organization relative to certain SERP participants by transferring the existing vested value in the SERP to a 457(f) plan where the assets are owned by the Organization, but investment of the assets is directed by the beneficiary. Future changes in liability are limited to realized and unrealized gains or losses on investment.

The following is a summary of the funded status of the Non-Qualified Plans as of December 31, 2022 and the key assumptions used by the actuary. The calculations are performed based on a measurement date of December 31, 2022 and 2021, respectively.

Obligations and Funded Status

	<u>2022</u>	<u>2021</u>
Projected benefit obligation	<u>\$ 38,841</u>	<u>\$ 46,193</u>
Funded status - underfunded	<u>\$ (38,841)</u>	<u>\$ (46,193)</u>
Unfunded pension liability	<u>\$ (38,841)</u>	<u>\$ (46,193)</u>

The Organization had a segregated account specifically for funding the SERP liability associated with one of the participants.

Under the terms of the 457(f), the Organization owns the assets of the funded account but management of the investment of this account is at the sole discretion of the participant whose liability it was intended to fund and the Organization's liability equals the account balance at all times.

Items not yet recognized as a component of net periodic pension cost as of December 31, 2022 and 2021 are as follows:

	<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
Net gain	<u>\$ 57,102</u>	<u>\$ 54,816</u>

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Net Periodic Benefit Cost

Components of net periodic benefit cost recognized as expenses in the accompanying consolidated statements of activities for the year ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest cost	\$ 1,170	\$ 1,106
Amortization of loss	<u>(6,236)</u>	<u>(5,953)</u>
Net periodic benefit cost	<u>\$ 5,066</u>	<u>\$ 4,847</u>

Assumptions

Weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost are as follows:

	<u>2022</u>	<u>2021</u>
Benefit obligation:		
Discount rate	5.10%	5.10%
Rate of compensation increase	N/A	N/A
Net periodic benefit cost:		
Discount rate	2.70%	5.10%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	N/A	N/A

Estimations of Future Activity

Expected amortization of the net actuarial gain during the year ending December 31, 2023 is \$7,039.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 5,700
2024	5,400
2025	5,100
2026	4,800
2027	4,400
2028-2032	<u>16,000</u>
Total	<u>\$ 41,400</u>

The Organization does not expect to make contributions to the Non-Qualified Plans in 2023.

United Way Worldwide Postretirement Benefit Plans

Health Care and Life Insurance Benefits

UWW provides health care and life insurance benefits to certain retired employees (Postretirement Benefit Plan). Employees become eligible for benefits in meeting certain age and service requirements. Spouses

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of eligible participants are also eligible if they meet certain requirements. The UWW's policy is to fund these benefits through premium reimbursements to participants. However, in conformity with FASB ASC Topic 715-60, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, the cost of providing these benefits is to be accrued over the service period of the active employee group.

Certain employees retiring from UWW at or after attaining age 55 and with five years of credited service are entitled to postretirement life insurance and medical and dental benefit coverage. These benefits are subject to deductibles, co-payment provisions, and other limitations. This plan is frozen and not open to new participants.

UWW costs are frozen at 50% of the premium rate effective when the medical and dental plans were frozen; there are no future health care costs expected, beyond this rate.

Other Life Insurance Benefits

UWW provides a flat dollar amount of life insurance benefits to certain retired employees (Postretirement Benefit Plan) under the legacy Tri-State division. Employees become eligible for benefits by meeting certain age and service requirements. However, in conformity with FASB ASC Topic 715-60, and as amended by FASB ASC Topic 715-30, the cost of providing these benefits are to be accrued over the average remaining lifetime of the retiree group.

Certain employees retiring from legacy Tri-State on or after attaining age 55 and with five years of credited service are entitled to postretirement life insurance coverage. The life insurance amount is generally a flat \$35,000 benefit with a few individuals entitled to slightly lesser amounts. This plan is frozen and not open to new participants. There are no plan assets associated with this obligation.

The following is a summary of the funded status of the Postretirement Plans as of December 31, 2022 and the key assumptions used by the actuary. The calculations are performed based on a measurement date of December 31, 2022 and 2021, respectively.

Obligations and Funded Status

	<u>2022</u>	<u>2021</u>
Accumulated benefit obligation	\$ 939,042	\$ 1,217,656
Funded status - underfunded	\$ (939,042)	\$ (1,217,656)
Unfunded postretirement benefit liability	\$ 939,042	\$ 1,217,656

Items not yet recognized as a component of net periodic postretirement benefit cost as of December 31, 2022 and 2021 are as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Net gain	\$ 775,189	\$ 682,589
Prior service cost	-	(6,407)
Total	\$ 775,189	\$ 676,182

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Contributions and benefit payments made during the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Employer contributions	\$ 143,295	\$ 96,887
Benefits paid	(143,295)	(96,887)

Net Periodic Benefit Cost

Components of net periodic postretirement benefit cost recognized as expenses in the accompanying consolidated statement of activities for the years ended December 31, 2022 and 2021 were:

	<u>2022</u>	<u>2021</u>
Service cost	\$ -	\$ 1,938
Interest cost	31,350	32,009
Net amortization		
Amortization of prior service cost	6,407	16,840
Amortization of net gain	<u>(74,069)</u>	<u>(56,288)</u>
Total	<u>\$ (36,312)</u>	<u>\$ (5,501)</u>

The discount rate applied for the years ending December 31, 2022 and 2021 were 2.7% and 2.35%, respectively.

Plan Assets

The Postretirement Plans are not funded. UWW makes contributions to the plans as benefit payments are made.

Estimations of Future Activity

Estimated amounts to be amortized during the year ending December 31, 2023:

	<u>Amount</u>
Prior service cost	\$ -
Net actuarial gain	166,669

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 107,000
2024	105,000
2025	102,000
2026	100,000
2027	95,000
2028-2032	<u>391,000</u>
 Total	 <u>\$ 900,000</u>

UWW does not expect to make contributions during 2023 to the Postretirement Plans.

UWW Make-Up Plan

UWW maintains an additional non-qualified benefit plan to provide employees with the benefits they are not eligible to receive under the qualified pension plan because of limits imposed by the Employee Retirement Income Security Act and the Internal Revenue Code (IRC). The projected benefit is estimated to be \$160,083 and \$273,255, which is accrued as of December 31, 2022 and 2021, respectively. Pension expense for these benefits amounted to \$113,172 and \$18,648 for the years ended December 31, 2022 and 2021, respectively.

Other Employee Benefit Plans

UWW 403(b) Plan

UWW offers a contributory defined contribution pension plan (IRC Section 403(b)), that provides for employer matching contributions of the employee contributions (3.0% to 5.0% of annual salary depending on years of service) plus an additional contribution of 1.0% to 3.0% depending on years of service for those employees covered under the frozen UWW Plan. UWW's contributions to this plan were \$1,052,904 and \$1,533,709 for the years ended December 31, 2022 and 2021, respectively.

UWW Deferred Compensation Plans

In 2005, UWW established a 457(b) eligible deferred compensation plan to provide make up benefits to highly compensated employees that would not otherwise receive their full employer match under the 403(b) plan. As of December 31, 2022 and 2021, the assets and matching liabilities of \$251,192 and \$435,384 for this plan are included in other assets and other liabilities in the consolidated statement of financial position, respectively. UWW did not contribute to this plan in 2022 or 2021.

UWW has a deferred compensation agreement for certain legacy Tri-State employees for the payment of a flexible premium annuity over the beneficiary's life with any remaining benefits to be distributed to the beneficiary's estate. As of December 31, 2022 and 2021, the assets of \$0 and \$34,591, respectively, are included in other assets in the consolidated statement of financial position. The fair value of the insurance policy was \$0 and \$114,830 at December 31, 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 30,921,933	\$ 2,092,996
Board designated for Center on Aging	346,315	354,421
Board designated for Donor Advised Funds	5,902,564	7,762,422
Board designated for Quasi-Endowment	<u>1,355,212</u>	<u>494,125</u>
Total net assets without donor restrictions	<u>\$ 38,526,024</u>	<u>\$ 10,703,964</u>

Board Designated for Center on Aging

The amounts designated by the Board are to be used for the future cost of rental of office space for the Center on Aging, which is a specialized training and conference resource within the Mary Gates Learning Center.

Board Designated for Donor Advised Funds

International Donor Advised Giving (IDAG)

The International Donor Advised Giving (IDAG) program is a component of net assets without donor restrictions and was established by the Board. Companies, foundations and individuals contribute to IDAG to achieve their philanthropic goals outside of the United States. IDAG provides comprehensive grant-making services to ensure compliance with both U.S. and international laws and UWW retains variance power of all contributions to IDAG.

The Board maintains a policy that all IDAG contributions are to be set aside for use in satisfying program grants and other program service costs. Contributions to the IDAG program were \$10,499,392 and \$12,210,633 for the years ended December 31, 2022 and 2021, respectively.

Grants (including program service expenses) made to organizations outside the United States from the IDAG program were \$12,359,250 and \$11,031,474 for the years ended December 31, 2022 and 2021, respectively, which are included in the consolidated statement of activities.

The balance of unexpended IDAG funds increased by \$1,859,859 and \$1,179,189 during the years ended December 31, 2022 and 2021, respectively.

Board Designated for Quasi-Endowment

UWW's Board has designated funds be set aside to establish and maintain a quasi-endowment for the purpose of securing UWW's long-term financial viability and continuing to meet the needs of UWW. The quasi-endowment funds totaled \$1,355,212 and \$494,125 at December 31, 2022 and 2021, respectively, and generated \$861,087 and \$1,112,825 of additional contributions and earnings for the years ended December 31, 2022 and 2021, respectively. UWW's Board released \$0 and \$3,591,200 from the quasi-endowment to operation for the years ended December 31, 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions		
Subject to expenditure for specified purpose or period:		
Impact, strategy, and innovation	\$ 6,781,159	\$ 10,041,780
U.S. network	5,241,492	10,147,212
International network	3,778,757	4,065,504
Investor relations	2,511,118	5,973,971
Other program services	<u>959,132</u>	<u>582,788</u>
Total subject to expenditure for specified purpose or period	<u>19,271,658</u>	<u>30,811,255</u>
Endowments subject to the Organization's spending policy and appropriation		
Investment in perpetuity (original amount of \$3,801,730), for which earnings are expendable to support:		
Senior resource center	3,791,087	3,791,087
Any activities of the Organization	10,643	10,643
Accumulated, unappropriated earnings	<u>98,147</u>	<u>1,000,291</u>
Total endowments subject to the Organization's spending policy and appropriation	<u>3,899,877</u>	<u>4,802,021</u>
Total net assets with donor restrictions	<u>\$ 23,171,535</u>	<u>\$ 35,613,276</u>

NOTE 13 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose or period restrictions accomplished:		
Impact, strategy, and innovation	\$ 8,756,943	\$ 5,293,065
U.S. network	3,729,900	10,929,859
International network	5,931,615	19,475,611
Investor relations	1,698,411	1,401,920
Other program services	<u>213,809</u>	<u>529,054</u>
Net assets released from restrictions	<u>\$ 20,330,678</u>	<u>\$ 37,629,509</u>

United Way Worldwide and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 14 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,447,863	\$ 17,731,456
Investments	28,221,096	6,910,076
Member United Way receivables, net	3,369,870	5,726,657
Contributions receivable, net	5,952,086	12,903,127
Accounts receivable, net	<u>777,049</u>	<u>984,654</u>
 Total financial assets	 45,767,964	 44,255,970
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions and time restrictions	(19,271,638)	(30,811,255)
Restricted by donors in perpetuity	<u>(3,899,877)</u>	<u>(4,802,021)</u>
 Total amounts unavailable for general expenditures within one year	 (23,171,535)	 (35,613,276)
 Amounts unavailable without Board's approval:		
Board designated for Quasi-Endowment	(1,355,212)	(494,125)
Board designated for Center on Aging	(346,315)	(354,421)
Board designated for Donor Advised Funds	<u>(5,902,564)</u>	<u>(7,762,422)</u>
 Total amounts unavailable without Board's approval	 (7,604,091)	 (8,610,968)
 Total financial assets available for general expenditure within one year	 <u>\$ 14,992,338</u>	 <u>\$ 31,726</u>

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of weekly requirements in short-term investments.

Additionally, the Organization has Board designated various net assets without donor restrictions that, while the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 15 - ENDOWMENT FUNDS

The Organization's donor restricted endowment consists of two funds, one established for the purpose of providing home care and assisted living to the elderly poor, with specific reference to assisting older people to remain in their own homes, and the other established for the purpose of providing general operational support for the Organization. As required by U.S. GAAP, net assets associated with endowment funds are

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds also include funds without donor restrictions that have been designated by the Board to function as an endowment.

Endowment Net Asset Composition

The following table represents the composition of the Organization's endowment net assets by type of fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated for quasi-endowment fund	\$ 1,355,212	\$ -	\$ 1,355,212
Donor restricted endowment funds:			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,801,730	3,801,730
Accumulated, unappropriated earnings or (released by board)	-	98,147	98,147
	<u>\$ 1,355,212</u>	<u>\$ 3,899,877</u>	<u>\$ 5,255,089</u>
Total endowment funds			

The following table represents the composition of the Organization's endowment net assets by type of fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated for quasi-endowment fund	\$ 494,125	\$ -	\$ 494,125
Donor restricted endowment funds:			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,801,730	3,801,730
Accumulated, unappropriated earnings	-	1,000,291	1,000,291
	<u>\$ 494,125</u>	<u>\$ 4,802,021</u>	<u>\$ 5,296,146</u>
Total endowment funds			

Changes in Endowment Net Assets

The following table represents the changes in UWW's endowment funds during the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 494,125	\$ 4,802,021	\$ 5,296,146
Contributions	890,800	-	890,800
Investment return, net	(29,713)	(750,075)	(779,788)
Appropriations	-	(152,069)	(152,069)
	<u>\$ 1,355,212</u>	<u>\$ 3,899,877</u>	<u>\$ 5,255,089</u>
Endowment net assets, end of year			

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The following table represents the changes in UWW's endowment funds during the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,972,500	\$ 4,477,848	\$ 7,450,348
Contributions	897,418	-	897,418
Investment return, net	215,407	467,033	682,440
Appropriations	<u>(3,591,200)</u>	<u>(142,860)</u>	<u>(3,734,060)</u>
Endowment net assets, end of year	<u>\$ 494,125</u>	<u>\$ 4,802,021</u>	<u>\$ 5,296,146</u>

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Agreement between UWW and Salesforce.org

During August 2017, UWW entered into a design partner and reseller agreement with Salesforce.org in order to form a strategic alliance centered on the design and deployment of Salesforce Philanthropy Cloud, a Corporate Social Responsibility technology platform and Employee Engagement Application (collectively, the CSR Package) each developed by Salesforce.org. In September 2021, UWW and Salesforce.org entered into an amendment to the parties' agreement which restructured the arrangements as between and among UWW, Salesforce.org, and Local United Ways who were resellers of the CSR Package. The amendment reduced UWW's payment obligations for the prepaid subscriptions to one payment of \$2.9 million which was paid during 2022. The arrangement as between UWW and Salesforce.org will end in June of 2023. The 2022 renegotiated arrangements with Salesforce.org resulted in a gain on the extinguishment of debt of \$2,180,000 during 2021.

NOTE 17 - DONATED SERVICES AND MATERIALS

The Organization recognizes contribution revenue for certain donated services and materials received at the fair value of those items. There were no such donations for the years ended December 31, 2022 and 2021.

UWW maintains relationships with certain partnering organizations on behalf of the member United Ways to place United Way advertisements in public media on a pro-bono basis. UWW underwrites the cost to produce these Public Service Announcements (PSAs) that promote education, financial stability, and healthy living that features individuals who are involved in various member United Way community volunteer activities. The partnering organizations coordinate acquisition of the media space (television and radio airtime, newspaper and magazine print space, billboards, etc.) throughout the year at no cost to UWW. The combined value of the donated media space was estimated to be \$14,042,200 and \$16,027,000 for the years ending December 31, 2022 and 2021, respectively.

UWW does not record the value of the donated media mentioned above because the donations are received on behalf of and for the benefit of the member United Ways. UWW records in-kind donations of media space for which it receives the future economic benefit.

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NOTE 18 - INCOME TAXES

UWW follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

UWW is exempt from federal income tax under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. UWW has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. UWW has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

NOTE 19 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 18, 2023, which is the date the consolidated financial statements were available to be issued. There were no events that require adjustments to or disclosure in the Organization's consolidated financial statements for the year ended December 31, 2022.