

**United Way of Dane County, Inc.,
United Way of Dane County
Foundation, Inc. and Affiliates**

Combined Financial Report
December 31, 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
United Way of Dane County, Inc.,
United Way of Dane County Foundation, Inc. and Affiliates

Report on the Audit of the Financial Statements

Opinion

We have audited the combined financial statements of the United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates (the Corporation), which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, (collectively, the financial statements).

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Corporation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, combining statement of financial position, combining statement of activities, and the fall of 2021 campaign, other revenue, program services and supporting expenses (unaudited), are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited," has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for that portion marked "unaudited," the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates' 2021 financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated June 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023, on our consideration of United Way of Dane County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the United Way of Dane County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Dane County, Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Madison, Wisconsin
June 8, 2023

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Combined Statement of Financial Position
December 31, 2022 (With Summarized Financial Information for 2021)

	2022	2021
Assets		
Cash	\$ 717,238	\$ 1,930,154
Certificates of deposit and money markets	12,672,411	12,649,421
Investments	17,405,611	17,703,852
Contributions receivable:		
Current year campaign (net of allowance for uncollectible pledges of \$504,010 for 2022)	5,621,241	7,893,386
Prior year campaigns (net of allowance for uncollectible pledges of \$639,794 for 2022)	1,017,753	914,493
Future years	113,021	356,000
Other receivables	5,668,756	4,584,559
Prepaid expenses and other assets	294,813	260,365
Certificates of deposit and money markets, whose use is limited	794,462	722,551
Investments, whose use is limited	160,493	244,808
Beneficial interest in annuity	(2,206)	(1,033)
Beneficial interest in assets held by others	903,604	1,039,758
Operating right-of-use assets	34,288	-
Land, building, and equipment, net of accumulated depreciation	2,328,295	2,313,888
Total assets	\$ 47,729,780	\$ 50,612,202
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 600,946	\$ 592,125
Distributions payable:		
Donor designations from current year campaign	3,787,600	4,035,363
Donor designations and allocations from prior year campaign	1,234,355	700,797
Gift annuity payable	(1,986)	(930)
Operating lease liabilities	34,288	-
Deferred compensation	160,493	244,808
Total liabilities	5,815,696	5,572,163
Net assets:		
Without donor restriction		
Available for general activities	7,395,717	8,180,259
Board-designated:		
Endowment fund	20,994,322	22,123,359
Building replacement	337,552	312,552
Special projects	1,385,118	632,932
Total net assets without donor restriction	30,112,709	31,249,102
With donor restriction	11,801,375	13,790,937
Total net assets	41,914,084	45,040,039
Total liabilities and net assets	\$ 47,729,780	\$ 50,612,202

See notes to combined financial statements.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Combined Statement of Activities

Year Ended December 31, 2022 (With Summarized Financial Information for 2021)

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
Public support and revenue:				
Total gross campaign results (fall of 2021/2022)	\$ 3,743,028	\$ -	\$ 3,743,028	\$ 3,761,929
Total gross campaign results in prior year released from restriction	15,551,487	(15,551,487)	-	-
Total campaign results (fall of 2021/2022)	19,294,515	(15,551,487)	3,743,028	3,761,929
Less donor designated pledges to specific agencies	5,420,457	(4,110,634)	1,309,823	1,174,636
Total campaign revenue	13,874,058	(11,440,853)	2,433,205	2,587,293
Less allowance for unpaid pledges	191,583	(392,409)	(200,826)	114,499
Net campaign revenue (fall of 2021/2022)	13,682,475	(11,048,444)	2,634,031	2,472,794
Total gross campaign results (fall of 2022/2023)	-	13,577,308	13,577,308	15,493,780
Less donor designated pledges to specific agencies	-	3,886,553	3,886,553	4,110,634
Campaign revenue	-	9,690,755	9,690,755	11,383,146
Less allowance for unpaid pledges	-	357,454	357,454	392,409
Net campaign revenue (fall of 2022/2023)	-	9,333,301	9,333,301	10,990,737
Current year campaign contributions released from restriction	82,145	(82,145)	-	-
Contributions received in current year for future years	-	258,100	258,100	499,000
Noncampaign contributions released from restriction	364,952	(364,952)	-	-
Noncampaign contributions of cash and other financial assets	4,003,172	7,610	4,010,782	9,384,678
Noncampaign contributions of nonfinancial assets	197,563	-	197,563	224,201
Grants	232,506	-	232,506	936,685
Federal grants	556,528	-	556,528	551,241
Total public support	19,119,341	(1,896,530)	17,222,811	25,059,336
Investment (loss) income	(2,921,553)	(142,570)	(3,064,123)	2,705,388
Change in beneficial interest in net assets held by others	(136,154)	-	(136,154)	128,670
Rental income	64,820	-	64,820	60,560
Donor designation fees	245,231	-	245,231	347,086
Miscellaneous	18,177	-	18,177	19,440
Sponsored activities, net	(57,601)	178,196	120,595	1,509
Other net assets released from restriction	128,658	(128,658)	-	-
Total public support and revenue	16,460,919	(1,989,562)	14,471,357	28,321,989

(Continued)

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Combined Statement of Activities (Continued)

Year Ended December 31, 2022 (With Summarized Financial Information for 2021)

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
Expenses:				
Program services:				
Community impact	\$ 13,442,702	\$ -	\$ 13,442,702	\$ 14,254,791
Agency and volunteer development	5,599,792	-	5,599,792	5,981,812
Total funds awarded/distributed	19,042,494	-	19,042,494	20,236,603
Less donor designations	5,058,386	-	5,058,386	4,594,753
Total program expenses	13,984,108	-	13,984,108	15,641,850
Supporting services:				
Resource development (fundraising)	2,291,887	-	2,291,887	2,240,217
Management and general	1,321,317	-	1,321,317	1,342,202
Total supporting services	3,613,204	-	3,613,204	3,582,419
Total expenses	17,597,312	-	17,597,312	19,224,269
Change in net assets	(1,136,393)	(1,989,562)	(3,125,955)	9,097,720
Net assets, beginning	31,249,102	13,790,937	45,040,039	35,942,319
Net assets, ending	\$ 30,112,709	\$ 11,801,375	\$ 41,914,084	\$ 45,040,039

See notes to combined financial statements.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Combined Statement of Functional Expenses
Year Ended December 31, 2022 (With Summarized Financial Information for 2021)

	Program Services			Supporting Services			2022 Total Expenses	2021 Total Expenses
	Community Impact	Agency and Volunteer Development	Total	Management and General	Resource Development	Total		
Salaries	\$ 1,825,232	\$ 683,179	\$ 2,508,411	\$ 725,774	\$ 1,216,768	\$ 1,942,542	\$ 4,450,953	\$ 4,358,211
Payroll taxes	128,902	58,004	186,906	56,607	94,182	150,789	337,695	316,007
Employee benefits	348,504	160,431	508,935	160,733	239,838	400,571	909,506	934,062
Total salaries and related expenses	2,302,638	901,614	3,204,252	943,114	1,550,788	2,493,902	5,698,154	5,608,280
Professional fees	454,901	52,688	507,589	79,758	53,090	132,848	640,437	1,016,639
Data processing	146,716	81,408	228,124	69,443	124,580	194,023	422,147	467,313
Supplies	13,648	111,512	125,160	487	1,391	1,878	127,038	42,948
Telephone and networks	4,407	15,263	19,670	4,333	4,830	9,163	28,833	48,585
Postage and shipping	862	257	1,119	5,927	2,473	8,400	9,519	11,346
Occupancy	33,746	38,870	72,616	48,671	74,601	123,272	195,888	187,187
Rental expense	95,501	32	95,533	271	-	271	95,804	91,214
Printing	19,706	31,281	50,987	12,512	133,333	145,845	196,832	206,504
Travel and meeting expense	5,039	13,801	18,840	7,674	20,508	28,182	47,022	17,410
Staff development	27,011	5,156	32,167	30,049	28,569	58,618	90,785	46,822
Insurance	6,160	2,309	8,469	2,848	4,699	7,547	16,016	11,520
Miscellaneous	10,511	2,103	12,614	28,704	117,045	145,749	158,363	149,394
Payments to affiliated organizations	94,072	55,177	149,249	55,221	90,453	145,674	294,923	387,681
Lease expense	9,400	4,947	14,347	5,039	7,987	13,026	27,373	-
Membership dues	10,468	5,718	16,186	5,857	9,437	15,294	31,480	31,177
Total operations before interest and depreciation	3,234,786	1,322,136	4,556,922	1,299,908	2,223,784	3,523,692	8,080,614	8,324,020
Depreciation	45,232	17,468	62,700	21,409	68,103	89,512	152,212	142,894
Total operations	3,280,018	1,339,604	4,619,622	1,321,317	2,291,887	3,613,204	8,232,826	8,466,914
Allocations/awards	10,162,684	4,260,188	14,422,872	-	-	-	14,422,872	15,352,108
Total operations and allocations/awards	13,442,702	5,599,792	19,042,494	1,321,317	2,291,887	3,613,204	22,655,698	23,819,022
Less donor designations	(3,976,108)	(1,082,278)	(5,058,386)	-	-	-	(5,058,386)	(4,594,753)
Total expenses	\$ 9,466,594	\$ 4,517,514	\$ 13,984,108	\$ 1,321,317	\$ 2,291,887	\$ 3,613,204	\$ 17,597,312	\$ 19,224,269

See notes to combined financial statements.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Combined Statement of Cash Flows

Year Ended December 31, 2022 (With Summarized Financial Information for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (3,125,955)	\$ 9,097,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	190,781	165,695
Loss (gain) on investments	3,480,563	(2,477,555)
Change in value of beneficial interest in annuity	1,173	2,540
Change in value of beneficial interest in assets held by others	136,154	(128,670)
Increase (decrease) from changes in:		
Contributions receivable and distributions payable	2,697,659	324,601
Other receivables	(1,084,197)	(3,946,558)
Prepaid expenses and other assets	(34,448)	80,701
Accounts payable and accrued expenses	8,821	396,757
Gift annuity payable	(1,056)	(2,286)
Operating lease liabilities	(15,854)	-
Deferred compensation	(84,315)	(45,399)
Net cash provided by operating activities	2,169,326	3,467,546
Cash flows from investing activities:		
Purchase of equipment	(189,334)	(237,855)
Purchase of certificates of deposit, money markets and investments	(16,175,562)	(11,552,942)
Proceeds from maturities and sales of certificates of deposit, money markets and investments	12,982,654	9,405,705
Net cash used in investing activities	(3,382,242)	(2,385,092)
Net (decrease) increase in cash	(1,212,916)	1,082,454
Cash, beginning	1,930,154	847,700
Cash, ending	\$ 717,238	\$ 1,930,154
Supplemental schedule of noncash operating activities:		
Right-of-use assets acquired through operating leases	\$ 12,147	\$ -
Right-of-use assets disposed through early termination of operating lease	\$ (3,174)	\$ -

See notes to combined financial statements.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: United Way of Dane County, Inc. (the Corporation) is a non-profit organization whose mission is to unite the community to achieve measurable results and change lives. United Way of Dane County Foundation, Inc. (the Foundation) is a non-profit organization which raises funds through lifetime and testamentary charitable contributions for the purpose of creating and maintaining an endowment fund to provide support for health and human service needs in and around Dane County. The Partners in Giving Campaign (State, University and UW Health Employees of Dane County Combined Campaign (SECC)), Madison Metropolitan School District, Monona Grove School District and Madison College Combined Campaigns (the Affiliates) collect contributions from employees for voluntary health, welfare, educational and social change agencies. United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates are collectively referred to as the Corporation throughout this report.

A summary of the Corporation's significant accounting policies follows:

Principles of combination: The combined financial statements include the accounts of United Way of Dane County, Inc. and United Way of Dane County Foundation, Inc. as well as all fundraising campaigns for which United Way of Dane County is the fiscal agent, which include SECC, Madison Metropolitan School District, Monona Grove School District and Madison College Combined Campaigns. SECC fiscal agent status is authorized under Administrative Rule section 30 of the Wisconsin Administrative Code. All significant intercompany accounts and transactions have been eliminated in combination.

Accounting policies: The Corporation follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, changes in net assets, and cash flows. References to accounting principles generally accepted in the United States of America (GAAP) in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Basis of presentation: The Corporation has presented its assets and liabilities on the combined statement of financial position in an unclassified manner, but in order of liquidity.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with Accounting Principles Generally Accepted (GAAP) in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's combined financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Use of estimates: The preparation of combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period.

Certificates of deposit and money markets: Certificates of deposit and money markets are carried at cost. Certificates of deposit and money markets whose use is limited for Affiliates consists of amounts held for the Partners in Giving Campaign (SECC), Madison Metropolitan School District, Monona Grove School District and Madison College Combined Campaigns.

Concentration of credit risk: The Corporation has deposits, money market funds, and investments in certificates of deposits in financial institutions which exceed the amounts insured by the Federal Deposit Insurance Corporation (FDIC). Management does not believe this exposes the Corporation to any unusual credit risk.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments, including those whose use is limited, include U.S. Government obligations, mutual funds, corporate bond obligations, and common stock, which are carried at fair value, with gains and losses included in the statement of activities as net assets without donor restriction unless the income or loss is restricted by donor or law. Investments, whose use is limited, are those investments relating to the deferred compensation agreement discussed in Note 6.

Contributions receivable: Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Management determines the allowance for uncollectible pledges by using historical experience applied to an aging of accounts. Contributions receivables are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received.

Current year and prior year campaign totaling \$6,638,994 are expected to be collected in 2023. Contributions receivable in future years are expected to be collected by 2024.

Other receivables: Other receivables primarily consist of non-campaign contribution pledges, loan receivables, and federal grants. Non-campaign contribution pledges and federal grants are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Loan receivables are valued at lower of cost or fair value less an allowance for loan losses. Management determines the allowance for doubtful accounts and loan losses by regularly evaluating individual balances for collectability. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on past due receivable balances. Management has determined that no allowance is needed at December 31, 2022.

Loan receivables consist of two loans with development corporations to help fund projects in conjunction with the Affordable Housing Fund within the United Way of Dane County Foundation. The Affordable Housing Fund is intended to help create and sustain affordable housing options in Dane County. As of December 31, 2022, the outstanding loan receivables balance is approximately \$141,000. Interest charged on loan receivables is 3% annually, and maturity dates range from August 2034 to March 2041.

Gift annuities: United Way Worldwide, the leadership and support organization for the Corporation, maintains gift annuities on behalf of another agency of which the Foundation receives 10% of the gift to be added to the Foundation's net assets without donor restriction. The combined statement of financial position presents the Foundation's beneficial interest in these annuities of (\$2,206) and a corresponding liability of (\$1,986) based upon the present value of future cash flows expected to be paid to the other agency. At December 31, 2022, the fair value of the annuity was negative. The difference between the change in the asset and the liability each year is included in investment income/loss on the combined statement of activities.

Beneficial interest in assets held by others: The Corporation has a beneficial interest in assets held by the Madison Community Foundation (MCF) in the United Way Endowment Fund (Endowment). The Endowment was created by a transfer of assets from the Corporation to MCF, naming the Corporation as beneficiary. The Corporation recognizes changes in its beneficial interest in assets held by others in the accompanying combined statement of activities as a change in beneficial interest in assets held by others.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Land, building and equipment: Land, building and equipment which exceed \$500 when acquired or received are recorded at cost if purchased or fair value if received as a contribution. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Lives used for calculating depreciation rates for the principal asset classifications are as follows:

Building	40 years
Building improvement	20 years
Furniture and equipment	10 years
Computer equipment	5 years

Classification of net assets: The Corporation has the following net asset classifications:

Net assets without donor restriction: Net assets without donor restriction represent resources that are generally available for support of the Corporation's activities. From time to time the Board designates a portion of these net assets for specific purposes. The Board has designated net assets for endowment, building replacement, and special project funds.

Net assets with donor restriction: Net assets with donor restriction are restricted by a donor for use for a particular purpose or in a particular future period. Some donor implied restrictions are temporary in nature and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor imposed restrictions are perpetual in nature; the Corporation must use the resources in accordance with the donor's instructions.

Contributions: All contributions are considered to be without donor restriction unless specifically restricted by the donor and are recorded upon receipt of cash or unconditional pledge. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restriction that increases that net asset class. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restriction and are reported in the combined statement of activities as net assets released from restriction.

Donor-designated campaign contributions: Donor designations to specific organizations for which the donor has not granted variance power to the Corporation are presented as agency transactions in the combined statement of financial position and are not recognized as revenue. Donor designations to specific organizations are distributed to the agencies. Donor-designated pledges are assessed a fundraising and management and general fee based upon actual historical costs. Donor designations to specific organizations are presented in the campaign results in the combined statement of activities and in contributions receivable and distributions payable in the combined statement of financial position.

Grants revenue: Revenue from grants, including federal grants, is recognized when the barriers have been substantially met (generally when qualifying expenses have been incurred and all other grant requirements have been met). The Corporation has received conditional commitments, which generally represent unexpended grants, amounting to approximately \$3,578,000 which have not been recognized, because the Corporation has not yet met the related barriers.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Leases—Lessor: On January 1, 2022, the Corporation adopted FASB ASC Topic 842, Leases, using the modified retrospective approach by electing a package of practical expedients including (1) to not reassess its prior conclusions under ASC Topic 840, Leases, regarding (a) whether a preexisting contract is or contains a lease, (b) whether a preexisting lease should be classified as an operating or finance lease and (c) whether the initial direct costs capitalized for a preexisting lease under ASC Topic 840 qualify for capitalization.

The Corporation leases primarily office space within their owned building to nonprofit organizations. These leases may contain extension and termination options that are predominantly at the sole discretion of the lessee, provided certain conditions are satisfied.

Topic 842 provides lessors a practical expedient, applicable by class of underlying asset, to not separate nonlease components from the associated lease component if certain criteria are met. An underlying asset is an asset that is the subject of a lease for which a right to use that asset has been conveyed to a lessee. The Corporation considers real estate as a class of underlying assets.

Lease components are elements of an arrangement that provide the customer with the right to use an identified asset. Nonlease components are distinct elements of a contract that are not related to securing the use of the leased asset and revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Corporation has no nonlease components.

In addition, under Topic 842, lessors will only capitalize incremental direct leasing costs. As a result, starting January 1, 2022, the Corporation no longer capitalizes non-incremental direct costs. The Corporation had no incremental leasing costs for the year ended December 31, 2022.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized and presented by function and natural classification. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated to program services, resource development, and management and general include: Salary, taxes, benefits, telephone expenses, insurance, and membership dues which are allocated based upon individual staff time estimates by department and program areas. Building depreciation is allocated based upon square footage by department, furniture/equipment depreciation is allocated based upon acquisitions, and computer depreciation is allocated based upon staff usage by department.

Income taxes: The Corporation and the Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Corporation and the Foundation are also exempt from state income and franchise taxes.

The Corporation and the Foundation file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions include such matters as the following; the tax exempt status of the Corporation and the Foundation and various positions relative to potential sources of unrelated business income tax (UBIT). UBIT is reported on 990T, as appropriate. The benefit of a tax position is recognized in the combined financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Notes to Combined Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Leases—Lessee: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Corporation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period combined financial statements. Under this transition provision, the Corporation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Corporation's historical accounting treatment under ASC Topic 840, Leases.

The Corporation elected the package of practical expedients under the transition guidance within Topic 842, in which the Corporation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Corporation has not elected to adopt the hindsight practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Corporation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Corporation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Corporation also considers whether its service arrangements include the right to control the use of an asset.

The Corporation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Corporation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Corporation has not made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its equipment asset class. The non-lease components typically represent additional services transferred to or by the Corporation, such as supplies and maintenance, which are expensed as incurred in accordance with other U.S. GAAP.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Corporation's operating leases in which the Corporation is a lessee of \$41,169 at January 1, 2022. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recently adopted accounting pronouncements: In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The impact of the adoption on the combined financial statements was not significant.

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including loan receivables) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for the Corporation's year ending December 31, 2023. The Corporation is currently evaluating the impact of adopting this new guidance on its combined financial statements and does not expect the impact to be significant.

Subsequent events: Management of the Corporation has evaluated subsequent events through June 8, 2023, the date the combined financial statements were available to be issued for possible measurement and/or disclosure effects on the combined financial statements.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 2. Liquidity and Availability of Resources

The Corporation's financial assets available for general expenditures within one year of December 31, 2022:

Cash	\$ 717,238
Certificates of deposit and money markets	12,672,411
Investments	17,405,611
Contributions receivable, net	6,638,994
Certificates of deposit and money markets, whose use is limited	794,462
Other receivables	5,668,756
Total financial assets	<u>43,897,472</u>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	471,827
Restricted by donor with designations	3,886,553
Restricted by donors in perpetuity	439,560
Non-campaign pledges due in future years	2,510,007
Total amounts unavailable for general expenditures within one year	<u>7,307,947</u>
Amounts unavailable to management without Board approval:	
Board-designated for Endowment fund	20,994,322
Board-designated for Building replacement	337,552
Board-designated for Special projects	1,385,118
Total amounts unavailable to management without Board approval	<u>22,716,992</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 13,872,533</u>

Liquidity management: The Corporation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation invests cash in excess of immediate needs into short-term investments. In the event of an unanticipated liquidity need, the Corporation could draw upon its board-designated net assets. The contribution receivables are subject to time and purpose restrictions. The time restrictions are expected to be released within one year. Purpose restrictions not expected to be accomplished within one year are removed from financial assets available for general expenditures within one year, as noted above.

Note 3. Fair Value Measurements and Investments

Fair value is defined as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the provisions as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the provisions are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. This level of the fair value hierarchy provides for the most reliable evidence of fair value and is used to measure fair value whenever available.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 3. Fair Value Measurements and Investments (Continued)

Level 2: Inputs other than quoted prices within Level 1 that are observable for the investment, either directly or indirectly. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment, for example interest rate and yield curves, volatilities, prepayment speeds and credit risk among others. These are inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entity requires judgment and considers factors specific to the investment.

The table below presents the balances of investments measured at fair value on a recurring basis by level within the hierarchy:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed income securities:				
U.S. Government obligations	\$ 3,368,860	\$ 3,368,860	\$ -	\$ -
Corporate bond obligations	145,225	145,225	-	-
Equity securities	7,490,728	7,490,728	-	-
Mutual funds:				
Equity	5,512,616	5,512,616	-	-
Fixed income	1,048,675	1,048,675	-	-
Total investments	17,566,104	17,566,104	-	-
Beneficial interest in annuity	(2,206)	-	-	(2,206)
Beneficial interest in assets held by Madison Community Foundation	903,604	-	-	903,604
	<u>\$ 18,467,502</u>	<u>\$ 17,566,104</u>	<u>\$ -</u>	<u>\$ 901,398</u>

The reconciliation of the table above to the combined statement of financial position is as follows:

Investments	\$ 17,405,611
Investments, whose use is limited	160,493
Beneficial interest in annuity	(2,206)
Beneficial interest in assets held by others	903,604
	<u>\$ 18,467,502</u>

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 3. Fair Value Measurements and Investments (Continued)

Investment (loss) income on the combined statement of activities for the year ended December 31, 2022, consisted of:

Interest and dividends	\$ 416,440
Net realized and unrealized losses	(3,480,563)
	<u>\$ (3,064,123)</u>

The following is a description of the valuation techniques used for the Corporation's assets measured at fair value:

Investments: The Corporation's investment portfolio consists of debt and equity securities which are traded on the NASDAQ and the NYSE. Fair value is based on quoted market prices for the individual investment security.

The Corporation invests in a professionally managed portfolio that contains equity securities, corporate bond obligations, equity and fixed income mutual funds, and U.S. Government obligations. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the combined financial statements.

Beneficial interest in annuity: The fair value of the beneficial interest in an annuity is estimated based on the present value of the expected future cash flows expected to be received over the term of the agreement.

Beneficial interest in assets held by others: The beneficial interest in assets held by others is measured at fair value that is determined by underlying assets which are Level 1 and Level 2 investments.

For the year ended December 31, 2022, valuation techniques have been consistent with the prior year.

Note 4. Land, Building and Equipment

Land, building, and equipment consisted of the following at December 31, 2022:

Land	\$ 137,238
Construction in progress	88,520
Building and building improvement	3,974,229
Furniture and equipment	1,779,799
	<u>5,979,786</u>
Less accumulated depreciation	3,651,491
	<u>\$ 2,328,295</u>

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 5. Postretirement Benefits

The Corporation has a defined contribution plan covering substantially all employees who have met certain age and service requirements. The Board of Directors approves the base contribution percentage annually, which for year ending December 31, 2022, was 8% of compensation. Cost of the plan charged to operations was approximately \$267,500 for the year ended December 31, 2022.

Note 6. Deferred Compensation Agreement

The Corporation has a deferred compensation agreement with its former President/CEO. The deferred compensation expense is adjusted based on the fair market value changes of the underlying fund balance. The change in fair value for the year ended December 31, 2022, was \$(24,103). The deferred compensation liability was \$160,493 at December 31, 2022. The full value of the fund is being distributed to the former president in 20 quarterly installments, which began in 2020. The deferred compensation distributions in 2022 was \$60,212.

Note 7. Vision Council Funding/Designations to Agencies

A total of \$19,042,494 was distributed to agencies and the “Agenda for Change” through the work of the Vision Council and the Community Solutions teams. These funds were distributed to the following categories during the year ended December 31, 2022:

Community impact	\$ 13,442,702
Agency and volunteer development	5,599,792
Total	<u>19,042,494</u>
Less donor designations to specific organizations	5,058,386
Total community building funds net of designations	<u><u>\$ 13,984,108</u></u>

United Way of Dane County, Inc. has an agreement with Community Health Charities, an unrelated nonprofit organization, to provide a single community-wide campaign which began with the 2016 campaign. Terms of the agreement provide for Community Health Charities to receive the greater of actual designations or 5.1% of private sector net campaign receipts. The actual amount allocated is reduced by a percentage of campaign administration expenses and uncollectible pledges. The allocation was approximately \$480,000 in 2022, which is included in the allocation/awards on the combined statement of functional expenses. The allocation for 2023 will approximate \$485,000.

United Way of Dane County, Inc. has an agreement with the American Heart Association, an unrelated nonprofit organization, which began with the 2021 campaign and continues through December 31, 2024. As part of the agreement, the American Heart Association is associated with United Way’s annual campaigns and receives funding. The American Heart Association received approximately \$184,000 in 2022, which is included in the allocation/awards on the combined statement of functional expenses. The allocation for 2023 will approximate \$169,000.

Note 8. Payments to Affiliated Organizations

United Way of Dane County, Inc. serves the citizens of Dane County, and is independently governed by a local board of community leaders and volunteers. United Way of Dane County, Inc. is dedicated to creating positive change and is a member organization of United Way Worldwide and paid annual membership fees of \$294,923 for the year ended December 31, 2022.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 9. Fiscal Agent Services

United Way of Dane County, Inc. is the fiscal agent for the Partners in Giving Campaign (State, University and UW Health Employees of Dane County Combined Campaign (SECC)) and Madison College Combined Campaigns. It has custody of the campaign receipts and is responsible for all disbursements and financial reporting of the fundraising campaigns. The total gross campaign results (fall of 2022/2023) for the year ended December 31, 2022, was as follows:

Partners in Giving Campaign—SECC	\$ 1,927,406
Madison College	79,026
Total	<u>\$ 2,006,432</u>

Note 10. Net Assets with Donor Restriction

Net assets with donor restriction are restricted for the following purposes:

Subject to expenditure for specified purpose:	
HealthConnect	\$ 79,529
Alexis de Tocqueville Society	83,977
	<u>163,506</u>
Subject to the passage of time:	
For periods after December 31, 2022	10,889,988
Subject to Corporation spending policy and appropriation:	
Investment in perpetuity (including amounts above original gift amount of \$439,560), which, once appropriated, is expendable to support:	
Children, elderly and families	747,881
Total net assets with donor restriction	<u>\$ 11,801,375</u>

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Purpose restriction accomplished:	
HealthConnect	\$ 32,763
Alexis de Tocqueville Society	564
	<u>33,327</u>
Time restriction expired:	
Passage of specified time	11,554,926
Release of appropriated endowment amounts with purpose restriction:	
Children, elderly and families	35,946
Total restrictions released	<u>\$ 11,624,199</u>

Note 11. Contributed Services

Contributed services are included in the accompanying combined statement of activities as noncampaign contributions of nonfinancial assets. Contributed services include marketing services of \$27,866, included in resource development expense, legal services of \$26,948, included in management and general expense and supervisory services of \$142,749, included in program expenses. All contributed services are reported at the estimated fair value in the combined statement of activities based on current rates for similar services.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 11. Contributed Services (Continued)

Approximately 22,000 hours in 2022 were volunteered by employees of local companies participating in activities including the Board of Directors, employee campaign managers, loaned executives, operating committees, and program volunteers. Volunteers assist the Corporation during the annual campaign. No value has been assigned or reported in the accompanying combined financial statements for volunteered services.

Note 12. Endowment Funds

The Corporation's endowment consists of individual funds established for programs intended to protect the future of the children, adult and elderly programs, community building and Vision Council purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. Donor-restricted endowment funds include those funds that provide a perpetual source of support for the Corporation's activities (referred to as perpetual endowments) and those that are restricted by donors to investment for a specified term (referred to as term endowments). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restriction.

Interpretation of relevant law: The Board of Directors of the Corporation has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. Donor-restricted endowment funds are subject to a time restriction imposed by UPMIFA until amounts are appropriated for expenditure by the Corporation. In addition, most perpetual donor restricted endowment funds are subject to restrictions on the use of the appropriated amounts. Note 10 describes the purposes for which donor-restricted endowment may be used. As a result of this interpretation, the Corporation classified as with donor restriction (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment 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 in perpetually restricted net assets are included in endowment net assets with donor restriction until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Corporation's endowment net asset composition by type of fund is as follows as of December 31, 2022:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted	\$ -	\$ 831,858	\$ 831,858
Board-designated	20,994,322	-	20,994,322
Total funds	<u>\$ 20,994,322</u>	<u>\$ 831,858</u>	<u>\$ 21,826,180</u>

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 12. Endowment Funds (Continued)

The changes in endowment by net asset class for the Corporation were as follows for the year ended December 31, 2022:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of the year	\$ 22,123,359	\$ 931,285	\$ 23,054,644
Investment return:			
Investment income	336,629	18,381	355,010
Net depreciation (realized and unrealized)	(2,907,955)	(166,484)	(3,074,439)
Total investment loss	(2,571,326)	(148,103)	(2,719,429)
Transfer to restricted endowed from restricted non-endowed	-	85,186	85,186
Transfer to board designated	2,043,228	-	2,043,228
Appropriation of endowment assets for expenditures	(600,939)	(36,510)	(637,449)
Endowment net assets, end of year	<u>\$ 20,994,322</u>	<u>\$ 831,858</u>	<u>\$ 21,826,180</u>

Funds with deficiencies: From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or Wisconsin UPMIFA requires the Corporation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2022.

Return objectives and risk parameters: The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The Corporation expects the endowment fund to achieve competitive investment results by providing total return, balancing growth and preservation of capital that allows the Corporation to pay a portion of assets in grants each year while maintaining purchasing power of the assets.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a managed diversified asset allocation that places emphasis on debt, government, and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Corporation has a policy of appropriating for distribution each year a percentage of the three-year average quarterly net fair market value of the Corporation assets valued as of December 31 of each year. This calculation is determined by averaging the current quarter value with the prior eleven quarters. The distribution percentage shall be established from time to time by the Corporation Trustees, as they deem appropriate to fulfill the mission of the Corporation. In establishing this policy, the Corporation considered the long-term expected return on its endowment.

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 13. Leases—Lessee

The Corporation leases equipment under operating lease agreements that have initial terms of two to five years. Leases include an option to renew, at the Corporation's sole discretion, with renewal terms that can extend the lease term up to five more years. The option to extend a lease is included in the lease terms when it is reasonably certain that the Corporation will exercise that option. The Corporation's operating leases do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term and is included in the accompanying combined statement of functional expenses under the caption lease expense.

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows—payments on operating leases	\$ 27,373

Supplemental combined statement of financial position information related to leases is as follows as of December 31, 2022:

Operating leases weighted-average remaining lease term	2.4 years
Operating leases weighted-average discount rate	2.5%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the combined statement of financial position are as follows as of December 31, 2022:

	Operating Leases
	<u> </u>
Years ending December 31:	
2023	\$ 27,828
2024	8,388
2025	4,500
2026	4,500
2027	3,375
Total lease payments	<u>48,591</u>
Less imputed interest	(14,303)
Total present value of lease liabilities	<u><u>\$ 34,288</u></u>

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Notes to Combined Financial Statements

Note 14. Centennial Campaign Pledge Receivables

The Foundation has received multiple unconditional non-campaign pledge receivables which are included in the endowment fund as part of the Centennial Campaign. The Foundation will receive payments related to the pledges over the next five years. The pledge receivables have been discounted using U.S. Treasury rates ranging from 0.48% to 4.36%. The pledge receivable is included in other receivables on the combined statement of financial position.

Non-campaign pledge receivables	\$ 4,950,000
Less unamortized discount	123,493
Net pledges receivable	<u>\$ 4,826,507</u>

Amounts due in:	
Less than one year	\$ 2,316,500
One to five years	2,510,007
Total	<u>\$ 4,826,507</u>

As of December 31, 2022, approximately 81% of the outstanding balances were due from one donor.

Note 15. Leases—Lessor

Portions of the Corporation's office building are leased to other nonprofit organizations under operating leases with term expiration dates ranging from 2023 to 2024. The Corporation's investment in assets held under operating leases in which the Corporation is the lessor by major class of assets is as follows as of December 31, 2022:

Building	\$ 3,974,229
Less accumulated depreciation	2,100,684
	<u>\$ 1,873,545</u>

The Corporation manages its residual asset risk by properly insuring and maintaining the repairs on the building. The Corporation's rental income is composed of payments defined under each lease agreement. Rental income is included within the Corporation's combined statement of activities as rental income. The Corporation had no additional property expenses directly reimbursed by lessees for the year ended December 31, 2022.

Future undiscounted cash flows to be received are as follows as of December 31, 2022:

	Operating Leases
Years ending December 31:	
2023	\$ 66,765
2024	23,216
Total lease payments	<u>\$ 89,981</u>

Supplementary Information

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

Combining Statement of Financial Position
December 31, 2022

	United Way of Dane County, Inc.	United Way of Dane County Foundation, Inc.	Affiliates	Eliminations	Total
Assets					
Cash	\$ 361,176	\$ 356,062	\$ -	\$ -	\$ 717,238
Certificates of deposit and money markets	11,010,792	1,661,579	40	-	12,672,411
Investments	190,991	17,214,620	-	-	17,405,611
Contributions receivable:					
Current year campaign, net	4,988,301	-	1,354,211	(721,271)	5,621,241
Prior year campaigns, net	1,017,544	-	209	-	1,017,753
Future years	113,021	-	-	-	113,021
Other receivables	836,254	5,080,006	-	(247,504)	5,668,756
Prepaid expenses and other assets	263,252	29,961	1,600	-	294,813
Certificates of deposit and money markets, whose use is limited	-	-	794,462	-	794,462
Investments, whose use is limited	160,493	-	-	-	160,493
Beneficial interest in annuity	-	(2,206)	-	-	(2,206)
Beneficial interest in assets held by others	903,604	-	-	-	903,604
Interest in net assets of United Way of Dane County Foundation, Inc.	24,285,444	-	-	(24,285,444)	-
Operating right-of-use assets	34,288	-	-	-	34,288
Land, building, and equipment, net of accumulated depreciation	2,262,185	66,110	-	-	2,328,295
Total assets	\$ 46,427,345	\$ 24,406,132	\$ 2,150,522	\$ (25,254,219)	\$ 47,729,780
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 580,393	\$ 122,674	\$ 145,383	\$ (247,504)	\$ 600,946
Distributions payable:					
Donor designations from current year campaign	2,785,330	-	1,810,289	(808,019)	3,787,600
Donor designations and allocations from prior year campaign	1,095,728	-	138,627	-	1,234,355
Gift annuity payable	-	(1,986)	-	-	(1,986)
Operating lease liabilities	34,288	-	-	-	34,288
Deferred compensation	160,493	-	-	-	160,493
Total liabilities	4,656,232	120,688	2,094,299	(1,055,523)	5,815,696
Net assets:					
Without donor restriction:					
Available for general activities	7,248,082	1,149,270	-	(1,001,635)	7,395,717
Board-designated:					
Endowment fund	20,994,322	20,994,322	-	(20,994,322)	20,994,322
Building replacement	337,552	-	-	-	337,552
Special projects	1,385,118	1,169,946	-	(1,169,946)	1,385,118
Total net assets without donor restriction	29,965,074	23,313,538	-	(23,165,903)	30,112,709
With donor restriction	11,806,039	971,906	56,223	(1,032,793)	11,801,375
Total net assets	41,771,113	24,285,444	56,223	(24,198,696)	41,914,084
Total liabilities and net assets	\$ 46,427,345	\$ 24,406,132	\$ 2,150,522	\$ (25,254,219)	\$ 47,729,780

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

**Combining Statement of Activities
Year Ended December 31, 2022**

	Without Donor Restriction					With Donor Restriction					Total
	United Way of Dane County, Inc.	United Way of Dane County Foundation, Inc.	Affiliates	Eliminations	Total	United Way of Dane County, Inc.	United Way of Dane County Foundation, Inc.	Affiliates	Eliminations	Total	
	Public support and revenue:										
Total gross campaign results (fall of 2021/2022)	\$ 3,769,879	\$ -	\$ 96,289	\$ (123,140)	\$ 3,743,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,743,028
Total gross campaign results in prior year released from restriction	14,469,058	-	1,996,552	(914,123)	15,551,487	(14,469,058)	-	(1,996,552)	914,123	(15,551,487)	-
Total campaign results (fall of 2021/2022)	18,238,937	-	2,092,841	(1,037,263)	19,294,515	(14,469,058)	-	(1,996,552)	914,123	(15,551,487)	3,743,028
Less donor designated pledges to specific agencies	4,385,430	-	1,991,074	(956,047)	5,420,457	(3,041,407)	-	(1,908,388)	839,161	(4,110,634)	1,309,823
Total campaign revenue	13,853,507	-	101,767	(81,216)	13,874,058	(11,427,651)	-	(88,164)	74,962	(11,440,853)	2,433,205
Less allowance for unpaid pledges	185,891	-	5,692	-	191,583	(387,675)	-	(4,734)	-	(392,409)	(200,826)
Net campaign revenue (fall of 2021/2022)	13,667,616	-	96,075	(81,216)	13,682,475	(11,039,976)	-	(83,430)	74,962	(11,048,444)	2,634,031
Total gross campaign results (fall of 2022/2023)	-	-	-	-	-	12,439,783	-	2,006,432	(868,907)	13,577,308	13,577,308
Less donor designated pledges to specific agencies	-	-	-	-	-	2,830,349	-	1,864,223	(808,019)	3,886,553	3,886,553
Campaign revenue	-	-	-	-	-	9,609,434	-	142,209	(60,888)	9,690,755	9,690,755
Less allowance for unpaid pledges	-	-	-	-	-	353,613	-	3,841	-	357,454	357,454
Net campaign revenue (fall of 2022/2023)	-	-	-	-	-	9,255,821	-	138,368	(60,888)	9,333,301	9,333,301
Current year campaign contributions released from restriction	-	-	82,145	-	82,145	-	-	(82,145)	-	(82,145)	-
Contributions received in current year for future years	-	-	-	-	-	258,100	-	-	-	258,100	258,100
Noncampaign contributions released from restriction	364,952	-	-	-	364,952	(364,952)	-	-	-	(364,952)	-
Noncampaign contributions of cash and other financial assets	1,674,437	3,020,839	-	(692,104)	4,003,172	7,610	-	-	-	7,610	4,010,782
Noncampaign contributions of nonfinancial assets	197,563	-	-	-	197,563	-	-	-	-	-	197,563
Grants	232,506	-	-	-	232,506	-	-	-	-	-	232,506
Federal grants	556,528	-	-	-	556,528	-	-	-	-	-	556,528
Total public support	16,693,602	3,020,839	178,220	(773,320)	19,119,341	(1,883,397)	-	(27,207)	14,074	(1,896,530)	17,222,811
Investment (loss) income	(155,372)	(2,766,427)	246	-	(2,921,553)	-	(142,570)	-	-	(142,570)	(3,064,123)
Change in beneficial interest in net assets held by others	(136,154)	-	-	-	(136,154)	-	-	-	-	-	(136,154)
Rental income	64,820	-	-	-	64,820	-	-	-	-	-	64,820
Donor designation fees	245,155	-	76	-	245,231	-	-	-	-	-	245,231
Miscellaneous	62,623	1,644	-	(46,090)	18,177	-	-	-	-	-	18,177
Sponsored activities, net	(55,430)	(2,171)	-	-	(57,601)	178,196	-	-	-	178,196	120,595
Other net assets released from restriction	57,941	70,717	-	-	128,658	(57,941)	(70,717)	-	-	(128,658)	-
Total public support and revenue	16,777,185	324,602	178,542	(819,410)	16,460,919	(1,763,142)	(213,287)	(27,207)	14,074	(1,989,562)	14,471,357

(Continued)

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

**Combining Statement of Activities (Continued)
Year Ended December 31, 2022**

	Without Donor Restriction					With Donor Restriction					Total
	United Way of Dane County, Inc.	United Way of Dane County Foundation, Inc.	Affiliates	Eliminations	Total	United Way of Dane County, Inc.	United Way of Dane County Foundation, Inc.	Affiliates	Eliminations	Total	
	Expenses:										
Program services:											
Community impact	\$ 15,022,301	\$ -	\$ -	\$ (1,579,599)	\$ 13,442,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,442,702
Agency and volunteer development	2,741,730	836,157	2,021,905	-	5,599,792	-	-	-	-	-	5,599,792
Total funds awarded/distributed	17,764,031	836,157	2,021,905	(1,579,599)	19,042,494	-	-	-	-	-	19,042,494
Less donor designations	3,976,108	-	1,930,410	(848,132)	5,058,386	-	-	-	-	-	5,058,386
Total program expenses	13,787,923	836,157	91,495	(731,467)	13,984,108	-	-	-	-	-	13,984,108
Supporting services:											
Resource development (fundraising)	2,203,976	88,807	87,047	(87,943)	2,291,887	-	-	-	-	-	2,291,887
Management and general	1,308,383	12,934	-	-	1,321,317	-	-	-	-	-	1,321,317
Total supporting services	3,512,359	101,741	87,047	(87,943)	3,613,204	-	-	-	-	-	3,613,204
Total expenses	17,300,282	937,898	178,542	(819,410)	17,597,312	-	-	-	-	-	17,597,312
Change in interest in net assets of United Way of Dane County Foundation, Inc.											
	(613,296)	-	-	613,296	-	(213,287)	-	-	213,287	-	-
Change in net assets	(1,136,393)	(613,296)	-	613,296	(1,136,393)	(1,976,429)	(213,287)	(27,207)	227,361	(1,989,562)	(3,125,955)
Net assets, beginning	31,101,467	23,926,834	-	(23,779,199)	31,249,102	13,782,468	1,185,193	83,430	(1,260,154)	13,790,937	45,040,039
Net assets, ending	\$ 29,965,074	\$ 23,313,538	\$ -	\$ (23,165,903)	\$ 30,112,709	\$ 11,806,039	\$ 971,906	\$ 56,223	\$ (1,032,793)	\$ 11,801,375	\$ 41,914,084

United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates

**Fall of 2021 (2021-2022) Campaign, Other Revenue, Program Services
and Supporting Expenses (Unaudited)
December 31, 2022**

2021 campaign pledge results:		
Gross undesignated campaign results	\$ 13,874,060	
Gross designated campaign results	5,420,457	
Allowance for unpaid pledges	<u>(363,679)</u>	
Net campaign results from the fall of 2021's campaign	18,930,838	
Current year campaign contributions released from restrictions	82,145	
Unrestricted noncampaign contributions and grants	2,329,836	
Federal grants	<u>556,528</u>	
Total public support	21,899,347	
Investment income	90,107	
Rental loss	(34,508)	
Net sponsored activity	(55,431)	
Miscellaneous income	<u>20,873</u>	
Total public support and revenue	<u>21,920,388</u>	
Distributions, program and supporting services:		
Program services	18,755,693	
Management and general	1,281,434	
Resource development/fundraising	<u>2,169,964</u>	
Total distributions, program and supporting services	<u>22,207,091</u>	
Deficit of public support and revenue over total distributions, program and supporting services	<u>\$ (286,703)</u>	
Distributions and services/public support and revenue ratio:		
Total distributions and program services	<u>\$ 18,755,693</u>	86%
Total public support and revenue	<u>21,920,388</u>	

This report is provided so the reader may better interpret the information shown on the organizations Federal Form 990. This report includes both designated and undesignated pledges made to the fall of 2021's United Way of Dane County campaign. As a part of a change in accounting practice, we are no longer able to report designated pledges in the statement of activities. By excluding these designated gifts, we are only able to show a portion of the campaign results and not the total support generated by the community for health and human service needs. This statement does not include in-kind contributions of \$142,749 and the activity of the United Way of Dane County Foundation.

**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**

Independent Auditor's Report

Board of Directors
United Way of Dane County, Inc.
United Way of Dane County Foundation Inc. and Affiliates

We have audited, in accordance with the auditing standards generally accepting 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 combined financial statements of United Way of Dane County, Inc., United Way of Dane County Foundation, Inc. and Affiliates, which comprise the combined statement of financial position as of December 31, 2022, the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 8, 2023. The financial statements of United Way of Dane County Foundation, Inc. and Affiliates were not audited in accordance with *Governmental Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with United Way of Dane County Foundation, Inc. and Affiliates.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Dane County, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 the United Way of Dane County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Dane County, Inc.'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of Dane County, Inc.'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 statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Madison, Wisconsin
June 8, 2023