

GIVE. ADVOCATE. VOLUNTEER.



United Way of Eastern Maine

FINANCIAL STATEMENTS

June 30, 2020

(With comparative totals for June 30, 2019)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Eastern Maine

We have audited the accompanying financial statements of United Way of Eastern Maine (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Eastern Maine as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited United Way of Eastern Maine's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script, reading "Raymond Keston Ouellette".

November 30, 2020
South Portland, Maine

UNITED WAY OF EASTERN MAINE
Statements of Financial Position
June 30, 2020
(With comparative totals for June 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 344,808	410,865
Pledges receivable, net	472,734	495,898
Other receivables	105,247	44,040
Prepaid expenses	21,613	30,859
Investments	790,506	781,331
Equipment, net	17,151	23,931
Cash surrender value of life insurance	7,309	6,974
Beneficial interest in perpetual trusts	370,005	369,017
Beneficial interest in assets held by Maine Community Foundation (MCF)	3,157,364	3,250,555
Total assets	\$ 5,286,737	5,413,470
LIABILITIES		
Accounts payable	\$ 13,220	26,231
Allocations payable	350,135	350,135
Designations payable	188,343	174,210
Accrued expenses	37,628	24,419
Deferred revenue	-	1,000
Capital lease obligation	7,389	10,244
Total liabilities	596,715	586,239
NET ASSETS		
Without donor restrictions:		
Designated for:		
Charles F. Bragg 2nd Society Fund	183,810	188,508
Stabilization reserve	684,996	680,641
Future allocations and community investments	117,183	124,657
Undesignated	34,277	50,239
Total net assets without donor restrictions	1,020,266	1,044,045
With donor restrictions:		
Campaign contributions for future periods and funds restricted for purpose	405,657	427,122
Other contributions for future periods	3,140	1,500
Charles F. Bragg 2nd Society fund unappropriated appreciation	540,333	634,926
Beneficial interests in perpetual trust funds	370,005	369,017
Charles F. Bragg 2nd Society Fund, corpus	2,350,621	2,350,621
Total net assets with donor restrictions	3,669,756	3,783,186
Total net assets	4,690,022	4,827,231
Total liabilities and net assets	\$ 5,286,737	5,413,470

See independent auditor's report and accompanying notes to financial statements.

UNITED WAY OF EASTERN MAINE

Statement of Activities

For the Year Ended June 30, 2020

(With comparative totals for the year ended June 30, 2019)

	2020			2019 Totals
	Without donor restrictions	With donor restrictions	Total	
Public Support and revenues:				
Gross campaign results	\$ -	1,661,997	1,661,997	1,661,379
Less: donor designations	-	(495,619)	(495,619)	(255,829)
Less: provision for uncollectibles	-	(72,218)	(72,218)	(150,411)
Net campaign revenue	-	1,094,160	1,094,160	1,255,139
Government grants	111,600	29,076	140,676	19,749
Special events, net of expenses of \$26,417 and \$36,721 in 2020 and 2019, respectively	485,000	-	485,000	4,149
Other contributions, grants, and bequests	-	124,046	124,046	95,187
In-kind revenues	-	22,097	22,097	342,180
Total public support and revenues	596,600	1,269,379	1,865,979	1,716,404
Revenues, gains and other support:				
Service fees	74,521	-	74,521	29,611
Perpetual trust beneficiary income	14,299	-	14,299	15,150
Endowment income distributed	128,600	-	128,600	125,110
Investment income, net	26,992	-	26,992	27,189
Realized and unrealized (loss) gain on investments	(19,091)	-	(19,091)	12,060
Change in value of assets held by MCF	(8,565)	(94,593)	(103,158)	5,898
Change in value of perpetual trusts	-	988	988	(3,069)
Other income	1,412	-	1,412	1,598
Net assets released from restrictions	1,289,204	(1,289,204)	-	-
Total revenues, gains and other support	1,507,372	(1,382,809)	124,563	213,547
Total revenues	2,103,972	(113,430)	1,990,542	1,929,951
Expenses:				
Program services	1,596,279	-	1,596,279	1,554,025
Management and general	84,983	-	84,983	30,802
Fundraising	446,489	-	446,489	398,017
Total expenses	2,127,751	-	2,127,751	1,982,844
Changes in net assets	(23,779)	(113,430)	(137,209)	(52,893)
Net assets, beginning of year	1,044,045	3,783,186	4,827,231	4,880,124
Net assets, end of year	\$ 1,020,266	3,669,756	4,690,022	4,827,231

See independent auditor's report and accompanying notes to financial statements.

UNITED WAY OF EASTERN MAINE
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With comparative totals for the year ended June 30, 2019)

	2020							2019 Totals
	Program services				Supporting services			
	Education	Income	Health	Total Programs	Management and general	Fundraising	Totals	
Member Agencies:								
Gross funds awarded/distributed	\$ 172,951	727,509	295,429	1,195,889	-	-	1,195,889	1,001,734
Less: donor designations	(71,677)	(301,505)	(122,436)	(495,618)	-	-	(495,618)	(255,829)
Net funds awarded/distributed	101,274	426,004	172,993	700,271	-	-	700,271	745,905
Other agency amounts:								
In-kind	-	11,225	-	11,225	-	-	11,225	335,808
Other amounts	-	450,788	-	450,788	-	300	451,088	12,209
Total other agency	-	462,013	-	462,013	-	300	462,313	348,017
General Support:								
Salaries and wages	41,075	123,621	33,099	197,795	116,960	189,204	503,959	425,396
Benefits	6,696	20,152	5,396	32,244	19,066	30,842	82,152	74,142
Payroll taxes	3,111	9,362	2,507	14,980	8,857	14,328	38,165	34,323
Total salaries and benefits	50,882	153,135	41,002	245,019	144,883	234,374	624,276	533,861
Professional fees	24,182	6,632	3,132	33,946	70,319	32,610	136,875	145,669
Bank and credit card fees	-	-	-	-	3,012	10,671	13,683	4,074
Office supplies	3,276	4,189	38	7,503	10,652	1,351	19,506	10,755
Telephone and internet	54	340	-	394	8,059	-	8,453	8,405
Postage	42	1,119	41	1,202	662	1,981	3,845	2,032
Volunteer/agency meetings	540	1,959	540	3,039	1,278	350	4,667	3,875
Staff travel	779	1,359	443	2,581	725	1,564	4,870	8,692
Staff training	4,086	3,261	3,227	10,574	5,183	152	15,909	24,456
Dues and subscriptions	157	455	157	769	1,039	853	2,661	2,528
Rent	-	-	-	-	33,767	-	33,767	35,241
Occupancy / utilities	-	-	-	-	21,695	-	21,695	20,187
Insurance, property and liability	-	-	-	-	5,900	-	5,900	5,422
Miscellaneous expense	884	1,883	830	3,597	14,646	2,216	20,459	23,136
UWW dues	-	-	-	-	18,781	-	18,781	18,865
Marketing and media	327	1,119	327	1,773	-	18,649	20,422	32,286
Depreciation	-	-	-	-	8,880	-	8,880	8,880
Interest	-	-	-	-	518	-	518	558
Allocation of administration	26,703	77,559	19,336	123,598	(265,016)	141,418	-	-
Total other expenses	61,030	99,875	28,071	188,976	(59,900)	211,815	340,891	355,061
Total general support	111,912	253,010	69,073	433,995	84,983	446,189	965,167	888,922
Total expenses	\$ 213,186	1,141,027	242,066	1,596,279	84,983	446,489	2,127,751	1,982,844

See independent auditor's report and accompanying notes to financial statements.

UNITED WAY OF EASTERN MAINE
Statements of Cash Flows
For the Year Ended June 30, 2020
(With comparative totals for the year ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (137,209)	(52,893)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	8,880	8,880
Change in allowance for pledges receivable	2,007	138
Net realized and unrealized loss (gain) on investments	19,091	(12,060)
Change in value of assets held by MCF	93,191	(5,898)
Change in value of perpetual trusts	(988)	3,069
Change in cash surrender value of life insurance	(335)	(374)
Decrease (increase) in assets:		
Accounts receivable	(61,207)	(18,256)
Pledges receivable	21,157	63,788
Prepaid expenses	9,246	(8,578)
Increase (decrease) in liabilities:		
Accounts payable	(13,011)	7,106
Allocations payable	-	(48,276)
Designations payable	14,133	19,489
Accrued expenses	13,209	(5,456)
Deferred revenue	(1,000)	1,000
Net cash and cash equivalents used in operating activities	(32,836)	(48,321)
Cash flows from investing activities:		
Purchase of property and equipment	(2,100)	(4,400)
Purchase of investments	(28,266)	(29,427)
Proceeds from sale of investments	-	332,000
Net cash and cash equivalents (used in) provided by investing activities	(30,366)	298,173
Cash flows from financing activities:		
Principal payments on capital lease obligation	(2,855)	(2,743)
Net cash and cash equivalents used in financing activities	(2,855)	(2,743)
Net change in cash and cash equivalents	(66,057)	247,109
Cash and cash equivalents at beginning of year	410,865	163,756
Cash and cash equivalents at end of year	\$ 344,808	410,865
Supplemental disclosure of cash flow activity:		
Cash paid for interest	\$ 518	558

See independent auditor's report and accompanying notes to financial statements.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements
June 30, 2020

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - The United Way of Eastern Maine (the Organization) is a not-for-profit organization that was founded in 1937, and is governed by a volunteer board of directors. The purposes of the Organization are:

1. To improve our community through education, income (financial stability), and health. Through these three building blocks, we see families and individuals tackle crises, turn challenges around, become self-sufficient, and strive to be better citizens and foster a safe and healthy home for everyone.
2. In 2018, the Board of Directors adopted Opportunity 2028 to more specifically advance education, income, and health, through a series of bold goals and a 10-year plan for community change. The Organization's work in each of the three areas is focused in the following ways: early childhood development (education), basic needs (income), and reducing substance use disorder (health).
3. To serve as a catalyst for helping solve community health and human care problems through periodically assessing the need for various services, assisting in the development of human service programs, prompting preventive activities, fostering cooperation among agencies serving the community, and other similar programs and activities as may be determined by the Board of Directors.
4. To encourage collaboration and deploy financial support and volunteer resources to maximize the effectiveness of health and human service agencies and to support the Organization's work to build stronger and healthier communities.
5. To conduct a single, community-wide, fundraising campaign annually and develop as fully as possible the financial resources needed to meet the human care needs of the community.
6. To mobilize a systematic communications program that promotes community support for and commitment to the entire United Way program and which both speaks and listens to the citizens, agencies, and donors.
7. To receive by gift, grant, devise, bequest or otherwise, and from any private or public sources, personal or real property, and to hold, administer, sell, invest, reinvest, manage, use, disburse and distribute, and apply the income and/or principal of the same in accordance with the directions and intent of the donor or donors of such property, or in the absence of such directions, as the Organization may deem best from time to time, for the promotion of any or all of the foregoing purposes and objectives.
8. To engage in any other lawful activity, either alone or in cooperation with other organizations or institutions, which it may deem necessary or proper in order to carry out any or all of the foregoing objectives or purposes.

Basis of Accounting - The financial statements of United Way of Eastern Maine are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets with donor restrictions and net assets without donor restrictions.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net assets without donor restrictions are resources available to support operations and are not subject to donor imposed restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents, and its application for tax-exempt status. The governing board has designated a portion of net assets without donor restrictions as net assets for long-term investment.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as where the donor stipulates that resources be maintained in perpetuity. The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limits their use. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

The Board of Directors has interpreted the State of Maine law as requiring the preservation of the original fair value of the gift of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The expendable portion of income and gains on such net assets is reported in the statements of activities as restricted investment income and reclassified to net assets without donor restrictions when the stipulated donor restriction is accomplished. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions when the stipulated donor restriction is accomplished or investment income or gains are appropriated by the Board.

Comparative Financial Information - The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Revenues and Expenses - Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions that are temporary in nature on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers highly liquid debt instruments, other than those classified as investments, purchased with a maturity of three months or less, to be cash equivalents.

Investments - Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities. Investments in securities traded on a national securities exchange are stated at the closing price on the day of valuation.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In-Kind Revenues - In prior years, in-kind revenue consisted primarily of donated food, which was solicited during the large-scale food drive that occurs during the spring months. During the year ended June 30, 2020, the COVID-19 pandemic prohibited those activities from occurring, which resulted in a significant decrease in the overall amount of food raised. The Organization has remained committed to combating food insecurity and many of the grants from the COVID relief funds were targeted at this critical issue. It is anticipated those activities will resume as safety protocols allow.

Donated Services - Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

Additionally, a number of volunteers have donated their time to the Organization's activities, but these services do not meet the two recognition criteria described above. Accordingly, the value of this contribution for the years ended June 30, 2020 and 2019 has not been reflected in the accompanying financial statements. Total hours donated by volunteers approximated 15,000 each year.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 these estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on internal accounting data and estimates made by management.

Equipment - Equipment is carried at cost if purchased, or fair market value at the date of gift if donated. The Organization's policy is to capitalize costs for major improvements over \$1,000 and charge repairs and maintenance currently for costs that do not extend the lives of the related asset. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years. Depreciation expense for each of the years ended June 30, 2020 and 2019 totaled \$8,880.

Income Taxes - The Organization qualifies as an exempt charitable organization under Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income or excise taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1) of the Code.

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and state taxing authorities. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Pass-through Revenues Designated - The financial statements have excluded amounts that were raised for organizations specifically designated by the donors from the revenue campaign. The same amount is also excluded from program service expenses. Amounts received but not yet distributed are reflected as designations payable in the financial statements.

Allocations Payable - Organizations receive funding based on a June year-end, and the amount committed for the next 6 months is reflected as an allocation payable to them since it is deemed to result from the current campaign. The balance of the funding is deemed to result from the next year's campaign.

New Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. Under ASU 2016-02, at the commencement of a long-term lease (greater than 12 months), the lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Application of this standard must be applied using a modified retrospective transition approach for leases existing at the earliest comparative period presented in the financial statements. Recently, the FASB issued a new ASU No. 2020-05, which delays the implementation date of ASU 2016-02, and revises the effective date for nonprofit organizations to be fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of this ASU on the financial statements.

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances at a local financial institution located in Maine. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020 and 2019, the Organization's cash and cash equivalents exceeded federally insured limits by \$106,507 and \$140,510, respectively. The Organization has not experienced any losses in these accounts and believes that it is not exposed to any significant risk with regard to its cash or cash equivalents.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

PLEDGES RECEIVABLE

Pledges receivable are presented net of allowance for uncollectible pledges, calculated based on a three-year historical average of gross campaign results adjusted by management estimates of current economic factors. Substantially all pledges are expected to be received in one year or less. The following schedule summarizes net pledges receivable at June 30:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 572,884	598,055
Less: allowance for uncollectible pledges	(100,150)	(102,157)
<u>Pledges receivable, net</u>	<u>\$ 472,734</u>	<u>495,898</u>

The following schedule summarizes the results of the annual campaigns for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>
2019 Campaign	\$ 1,661,997	-
2018 Campaign	-	1,661,379
Total campaign results	1,661,997	1,661,379
Less: designations	(495,619)	(255,829)
Less: Uncollectible pledges	(72,218)	(150,411)
<u>Net campaign results</u>	<u>\$ 1,094,160</u>	<u>1,255,139</u>

INVESTMENTS

Investments are separated into short-term and long-term categories. The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investments, at fair value, are classified in the statement of financial position as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash and money market funds	\$ 112,143	65,720
Government securities	-	26,000
Certificates of deposit	-	10,027
Corporate bonds	27,719	40,667
Corporate equities	107,979	109,478
Exchange traded funds	75,900	162,398
Mutual funds	466,765	367,041
<u>Total investments</u>	<u>\$ 790,506</u>	<u>781,331</u>

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Organization is a beneficiary of three perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Organization has legally enforceable rights and claims relating to such assets, including the sole right to income earned on the trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a contribution with donor restrictions at the date the trust is established. The Organization's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from the trustees. Net realized and unrealized gains (losses) and undistributed investment income, net of trust management fees related to the beneficial interests, are reported as changes in net assets with donor restrictions that are permanent in nature based on explicit donor stipulations. Distributions received during the year from the various trusts are recorded as increases in net assets without donor restrictions based on donor stipulations. The fair values of the beneficial interests in perpetual trusts amounted to \$370,005 and \$369,017 at June 30, 2020 and 2019, respectively. Total distributions received from these trusts amounted to \$14,299 and \$15,150 during the years ended June 30, 2020 and 2019, respectively.

TRANSFERS OF ASSETS TO A RECIPIENT ORGANIZATION

The Organization transfers assets to the Maine Community Foundation (recipient organization), specifying itself as the sole beneficiary. The purpose of these asset transfers is for the Maine Community Foundation to invest the assets and generate income to be distributed to the Organization under the guidelines of the agreement. Variance power was granted to the Maine Community Foundation. The Board of Directors of the Maine Community Foundation shall have the power to modify, consistent with state law, including seeking approval of the appropriate court or Attorney General, where applicable, any restriction or condition on the distribution of funds for any specified organization if, in the sole judgement of the Board, (without the necessity of the approval of any participating trustee, custodian, or agent), such restrictions or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

The aggregate amount of cumulative transfers plus related earnings recognized in the statement of financial position at June 30, 2020 and 2019 was \$3,157,364 and \$3,250,555, respectively.

ENDOWMENT

The Maine Community Foundation (MCF) is utilized to manage the donor restricted and Board-designated endowment funds. At June 30, 2020 and 2019, the Organization held donor-restricted endowments of \$2,890,954 and \$2,985,547 and Board-designated endowments of \$183,810 and \$188,508, respectively. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Organization's programs. The Organization follows the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. Under this guidance, the Organization is required to classify and report net assets associated with endowment funds, including those designated by the Board of Directors to function as endowments, based on the existence or absence of donor-imposed restrictions. The Organization is also required to provide the following disclosures relating to its endowment activities.

Interpretation of Relevant Law – United Way of Eastern Maine conducts its activities in Bangor, Maine, and accordingly, considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of Maine's legislature. In accordance with that statute, the Organization has interpreted State law to require all net investment income on investments with donor-imposed restrictions that are perpetual in nature to be restricted until appropriated by the Board of Directors. Accordingly,

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

ENDOWMENT, CONTINUED

except for explicit donor stipulations specifying reinvestment of some or all of net investment income on investments with donor-imposed restrictions that are perpetual in nature is available for appropriation and is reported as increases (decreases) in net assets with donor restrictions, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Absent explicit donor stipulations to the contrary, the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) 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 retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) possible effects of inflation and deflation, (5) expected total return from income and the appreciation of investments, (6) other resources of the Organization, (7) the Organization's investment policies.

Endowment Spending Policy - The Organization has a policy of appropriating for distribution each year no more than 4% of the endowment funds' average fair value over the prior 12 calendar quarters. Over the long term, the Organization expects its current spending policy to allow its endowments to grow.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). For endowed funds that are below their historic gift value, spending is reduced to 2.5% to allow the funds to recover the amount below the historic gift value.

Endowment Investment Policy - The Organization has transferred its endowment funds to the MCF and relies on MCF's investment policies for endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. The MCF invests the endowment assets to provide a reasonable, prudent balance between risk and return. The Organization expects its endowment funds, over time, to produce an average rate of more than 5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the MCF 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 MCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

ENDOWMENT, CONTINUED

The Organization's endowment balances were comprised of the following at June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 183,810	-	183,810
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,350,621	2,350,621
Accumulated investment gains	-	540,333	540,333
Totals	\$ 183,810	2,890,954	3,074,764

The changes in the Organization's endowment balances for the year ended June 30, 2020 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 188,508	2,985,547	3,174,055
Contributions	9,967	-	9,967
Investment return, net	1,865	23,577	25,442
Amounts appropriated for expenditure	(10,430)	(118,170)	(128,600)
Other transfers	(6,100)	-	(6,100)
Endowment net assets, end of year	\$ 183,810	2,890,954	3,074,764

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

ENDOWMENT, CONTINUED

The Organization's endowment balances were comprised of the following at June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 188,508	-	188,508
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,350,621	2,350,621
Accumulated investment gains	-	634,926	634,926
Totals	\$ 188,508	2,985,547	3,174,055

The changes in the Organization's endowment balances for the year ended June 30, 2019 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 261,469	2,980,188	3,241,657
Contributions	3,000	-	3,000
Investment return, net	10,659	120,349	131,008
Amounts appropriated for expenditure	(86,620)	(114,990)	(201,610)
Endowment net assets, end of year	\$ 188,508	2,985,547	3,174,055

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with FASB ASC 820-10 Fair Value Measurements, the Organization is required to disclose for its assets and liabilities measured at fair value on a recurring basis the inputs used to determine those fair value measurements. The guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

- *Level 1*: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.
- *Level 2*: Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.
- *Level 3*: Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The following is a description of the valuation methodologies used for level 2 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- *Corporate bonds*: Valued at the net present value of the bond's future interest payments.
- *Beneficial Interests in trusts*: Valued using readily available quoted market prices of the asset's underlying investments.

The Organization follows the provisions of the Financial Accounting Standards Board (FASB) ASU No. 2015-07: *Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its equivalent)*. This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient and certain disclosure requirements.

Beneficial interests in assets held by others are assets held by the Maine Community Foundation and are valued using the net asset value per share as a practical expedient. As such, assets held by the Maine Community Foundation are not assigned a level within the fair value hierarchy.

As discussed in the "Transfers of assets to a recipient organization" note, upon transfer of the assets to the Maine Community Foundation, variance power over the assets is granted to the Maine Community Foundation, with no opportunity for redemption, and the Organization is designated the sole beneficiary.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

Fair value measurements at June 30, 2020 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and equivalents	\$ 112,143	112,143	-
Corporate bonds	27,719	-	27,719
Corporate equities:			
Healthcare	23,165	23,165	-
Technology	11,736	11,736	-
Communications	9,730	9,730	-
Financial services	13,609	13,609	-
Energy	7,321	7,321	-
Consumer defensive	15,484	15,484	-
Real estate	3,012	3,012	-
Industrials	8,415	8,415	-
Consumer cyclical	12,865	12,865	-
Utilities	2,642	2,642	-
Total corporate equities	107,979	107,979	-
Mutual funds and ETF's:			
Small blend	31,688	31,688	-
Large blend	194,018	194,018	-
Commodities	20,921	20,921	-
Bond funds	103,254	103,254	-
Managed allocations	83,490	83,490	-
Foreign markets	99,242	99,242	-
Real estate	10,052	10,052	-
Total mutual funds and ETF's	542,665	542,665	-
Beneficial interest in trusts	370,005	-	370,005
Total	\$ 1,160,511	762,787	397,724
Interest in assets held by MCF	3,157,364		
Totals	\$ 4,317,875		

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

Fair value measurements at June 30, 2019 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and equivalents	\$ 65,720	65,720	-
Government securities	26,000	26,000	-
Certificates of deposit	10,027	10,027	-
Corporate bonds	40,667	-	40,667
Corporate equities:			
Healthcare	3,206	3,206	-
Technology	24,782	24,782	-
Communications	10,169	10,169	-
Financial services	17,976	17,976	-
Energy	11,007	11,007	-
Consumer defensive	17,997	17,997	-
Basic materials	6,243	6,243	-
Industrials	9,650	9,650	-
Consumer cyclical	3,738	3,738	-
Utilities	4,710	4,710	-
Total corporate equities	109,478	109,478	-
Mutual funds and ETF's:			
Small blend	48,689	48,689	-
Large blend	132,241	132,241	-
Commodities	24,376	24,376	-
Bond funds	85,476	85,476	-
Managed allocations	101,641	101,641	-
Foreign markets	43,177	43,177	-
Convertibles	13,217	13,217	-
Financial services	69,085	69,085	-
Real estate	11,537	11,537	-
Total mutual funds and ETF's	529,439	529,439	-
Beneficial interest in trusts	369,017	-	369,017
Total	\$ 1,150,348	740,664	409,684
Interest in assets held by MCF	3,250,555		
Totals	\$ 4,400,903		

Transfers between asset levels are recognized on the actual date of the event, or change in circumstances, that caused the transfer. There were no such transfers between levels during the year ended June 30, 2020.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

EQUIPMENT, NET

Equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 130,005	127,905
Less: accumulated depreciation	(112,854)	(103,974)
<u>Total equipment, net</u>	<u>\$ 17,151</u>	<u>23,931</u>

OBLIGATION UNDER OPERATING LEASE

In 2015, the Organization entered into a five year operating lease effective July 2015 for its main corporate office in Bangor. The lease calls for monthly payments of \$2,417, for the term of the lease, plus a portion of the annual property taxes. Upon expiration of the original lease term on July 1, 2020, the Organization exercised its option to extend the lease for an additional five-year term, including monthly payments starting at \$2,534 with slight increases each year thereafter. Total lease expense for the years ended June 30, 2020 and 2019 was \$29,000 for both years.

OBLIGATION UNDER CAPITAL LEASE

During 2018, the Organization secured the use of certain office equipment under the terms of a capital lease. The cost basis of equipment thus capitalized amounted to \$14,512. Accumulated depreciation amounted to (\$7,497) and (\$4,595) at June 30, 2020 and 2019, respectively. Future minimum required payments under this lease are as follows at June 30, 2020:

Year ended	Total:
2021	\$ 3,213
2022	3,213
2023	1,335
Subtotal	7,767
Less amounts representing interest	(378)
<u>Principal balance</u>	<u>\$ 7,389</u>

LINE OF CREDIT

The Organization has an available \$75,000 bank line of credit. The agreement is renewed annually. There was no outstanding balance on the line of credit at June 30, 2020.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

PAYCHECK PROTECTION PROGRAM

On April 9, 2020, as a result of the negative financial impact of COVID-19, the Organization applied for and was granted a loan (the Loan) from Bangor Savings Bank in the aggregate amount of \$111,600, pursuant to the Paycheck Protection Program (the "PPP") under division A, Title I of the Coronavirus Aid, Relief and Economy Security Act (CARES Act), which was enacted in March, 2020. The Loan, which was in the form of a note dated April 9, 2020, matures on April 9, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 9, 2020. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization intended to and did use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. While the Organization currently believes that its use of the Loan proceeds will meet the conditions for forgiveness of the Loan, it is uncertain whether events will take place that could cause the Organization to be ineligible for forgiveness of the Loan, in whole or in part.

The Organization has elected to treat the Loan as a conditional grant pursuant FASB ASC 958-605. The Organization believes that as of June 30, 2020, all conditions for forgiveness have been met and the Loan has been recorded as governmental grant revenue in the accompanying statement of activities.

RETIREMENT PLAN

The Organization offers a Tax Deferred Annuity Plan under section 403(b) of the Internal Revenue Code. Employees may elect to defer a portion of their compensation, and the Organization will make matching contributions equal to 50% of the salary reduction amount the employee is contributing during the plan year, up to a max of 8% of the employees compensation received during the plan year. In addition, the Plan provides for discretionary contributions by the Organization. This plan is available to all employees who have been employed for a year or more. There is a three year vesting period before benefits become non-forfeitable. The Organization's contribution to the Plan for the years ended June 30, 2020 and 2019 was \$7,647 and \$9,418, respectively.

COMMITMENT

In May 2019, the Organization made a three-year commitment to fund certain programs of its member agencies. Amounts committed for the period of July 1, 2020 through December 31, 2020 were based on the 2019 campaign results and have been recorded as a liability of \$350,135 in these financial statements. Future allocations are contingent upon the future campaign results, members' compliance with the United Way guidelines, and continued success of the community agencies' programs.

RELATED PARTY TRANSACTIONS

The Organization received marketing services from a company owned by a member of the Board of Directors. Amounts paid for these services during the years ended June 30, 2020 and 2019, approximated \$32,000 and \$33,000, respectively. Additional marketing services were provided as in-kind donations in the amount of \$6,400 during each of the years ended June 30, 2020 and 2019, respectively.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restriction consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Campaign time restriction	\$ 1,084,735	1,094,642
Satisfaction of purpose restrictions	204,469	561,459
Total net assets released from restrictions	\$ 1,289,204	1,656,101

LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

Cash and cash equivalents	\$ 344,808
Accounts receivable, net	105,247
Short-term investments	790,506
Total	\$ 1,240,561

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization's endowment funds consist of donor-restricted endowments and Board-designated quasi-endowment. As described in the "Endowment" footnote, the Organization's Board of Directors has adopted an endowment spending policy under which, an amount equal to 4% of the market value of the fund based on a rolling three-year average of the fund's calendar year-end market value, shall be available to the Organization each year.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in the "Lines of Credit" note, the Organization has one committed line of credit in the amount of \$75,000 which it could draw upon in the event of an unanticipated liquidity need. Additionally, although the Organization does not intend to spend from its quasi-endowment fund other than amounts appropriated for general expenditure as part of its annual distribution, amounts from its quasi-endowment funds could be made available if such a request was granted by the Board of Directors of the Maine Community Foundation.

METHOD USED FOR ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include administrative salaries and wages, employee benefits and payroll taxes, and indirect operating expenses. Each month the total administrative costs is allocated based on a percentage of employee time for each program or supporting functions versus the overall time for all employees.

UNITED WAY OF EASTERN MAINE
Notes to Financial Statements, Continued
June 30, 2020

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through November 30, 2020, which is the date these financial statements were available to be issued.