



Heart of Maine

FINANCIAL STATEMENTS
June 30, 2022
(With comparative totals for June 30, 2021)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	
Financial Statements:	
Statements of Financial Position	1
Statement of Activities	2
Statement of Functional Expenses	3
Statements of Cash Flows	4
Notes to Financial Statements	5

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heart of Maine United Way

We have audited the accompanying financial statements of Heart of Maine United Way (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Maine United Way as of June 30, 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. 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 Heart of Maine United Way 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 Heart of Maine United Way's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted 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 generally accepted 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 Heart of Maine United Way 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 Heart of Maine United Way'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.

Report on Summarized Comparative Information

We have previously audited Heart of Maine United Way's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



February 8, 2023
South Portland, Maine

HEART OF MAINE UNITED WAY
Statements of Financial Position
June 30, 2022
(With comparative totals for June 30, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 755,161	376,791
Pledges receivable, net	464,196	454,604
Other receivables	85,614	53,426
Prepaid expenses	28,597	26,210
Investments	3,624,630	4,624,855
Equipment, net	11,299	10,639
Cash surrender value of life insurance	7,526	7,424
Beneficial interest in perpetual trusts	362,281	451,865
Total assets	\$ 5,339,304	6,005,814
LIABILITIES		
Accounts payable	\$ 16,385	23,906
Allocations payable	355,000	338,769
Designations payable	246,612	234,328
Accrued expenses	68,627	34,612
Capital lease obligation	1,325	4,418
Total liabilities	687,949	636,033
NET ASSETS		
Without donor restrictions:		
Designated for:		
Charles F. Bragg 2nd Society Fund	168,087	225,123
Stabilization reserve	641,409	747,081
Future allocations and community investments	165,233	22,733
Undesignated	79,968	71,102
Total net assets without donor restrictions	1,054,697	1,066,039
With donor restrictions:		
Campaign contributions for future periods and funds restricted for purpose	689,692	472,935
Other contributions for future periods	2,168	2,624
Charles F. Bragg 2nd Society fund unappropriated appreciation	191,896	1,025,697
Beneficial interests in perpetual trust funds	362,281	451,865
Charles F. Bragg 2nd Society Fund, corpus	2,350,621	2,350,621
Total net assets with donor restrictions	3,596,658	4,303,742
Total net assets	4,651,355	5,369,781
Total liabilities and net assets	\$ 5,339,304	6,005,814

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

HEART OF MAINE UNITED WAY
Statement of Activities
For the Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)

	2022			2021 Totals
	Without donor restrictions	With donor restrictions	Total	
Public Support and revenues:				
Contributions of cash and other financial assets:				
Gross campaign results	\$ -	1,871,519	1,871,519	1,593,125
Less: donor designations	-	(375,824)	(375,824)	(318,282)
Less: provision for uncollectibles	-	(99,731)	(99,731)	(105,098)
Net campaign revenue	-	1,395,964	1,395,964	1,169,745
Government grants	-	3,446	3,446	127,213
Sponsorships	-	15,778	15,778	40,350
Other contributions, grants, and bequests	-	521,189	521,189	159,589
Service fees	47,074	-	47,074	45,906
Special events, net of expenses of \$45,044 and \$5,719 in 2022 and 2021, respectively	(11,887)	-	(11,887)	(2,127)
Contributions of nonfinancial assets	-	122,545	122,545	528,280
Total public support and revenues	35,187	2,058,922	2,094,109	2,068,956
Revenues, gains and other support:				
Perpetual trust beneficiary income	15,703	-	15,703	17,196
Endowment income distributed	135,292	-	135,292	130,404
Investment income, net	27,843	37,276	65,119	69,916
Realized and unrealized (loss) gain on investments	(316,766)	(748,785)	(1,065,551)	613,194
Change in value of perpetual trusts	-	(86,884)	(86,884)	81,860
Other income	843	-	843	50
Net assets released from restrictions	1,967,613	(1,967,613)	-	-
Total revenues, gains and other support	1,830,528	(2,766,006)	(935,478)	912,620
Total revenues	1,865,715	(707,084)	1,158,631	2,981,576
Expenses:				
Program services	1,271,908	-	1,271,908	1,646,313
Management and general	23,026	-	23,026	63,122
Fundraising	582,123	-	582,123	592,382
Total expenses	1,877,057	-	1,877,057	2,301,817
Changes in net assets	(11,342)	(707,084)	(718,426)	679,759
Net assets, beginning of year	1,066,039	4,303,742	5,369,781	4,690,022
Net assets, end of year	\$ 1,054,697	3,596,658	4,651,355	5,369,781

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

HEART OF MAINE UNITED WAY
Statement of Functional Expenses
For the Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)

	2022							2021 Totals
	Program services				Supporting services		Totals	
	Education	Income	Health	Total Programs	Management and general	Fundraising		
Member Agencies:								
Gross funds awarded/distributed	\$ 217,212	636,749	216,233	1,070,194	-	-	1,070,194	987,574
Less: donor designations	(78,337)	(219,504)	(77,983)	(375,824)	-	-	(375,824)	(318,282)
Net funds awarded/distributed	138,875	417,245	138,250	694,370	-	-	694,370	669,292
Other agency amounts:								
In-kind	-	115,388	-	115,388	-	-	115,388	604,788
Other amounts	-	57,154	-	57,154	-	32,769	89,923	-
Total other agency	-	172,542	-	172,542	-	32,769	205,311	604,788
General Support:								
Salaries and wages	56,311	73,002	55,662	184,975	122,038	238,835	545,848	523,208
Benefits	7,375	9,561	7,290	24,226	15,982	31,278	71,486	75,163
Payroll taxes	2,383	2,787	2,324	7,494	18,212	13,415	39,121	39,798
Total salaries and benefits	66,069	85,350	65,276	216,695	156,232	283,528	656,455	638,169
Professional fees	3,613	3,613	3,613	10,839	66,990	29,716	107,545	170,100
Bank and credit card fees	1	1	1	3	5,089	558	5,650	4,727
Office supplies	784	37	-	821	17,400	2,357	20,578	9,963
Telephone and internet	221	172	172	565	6,424	-	6,989	7,298
Postage	128	124	124	376	1,153	2,620	4,149	3,635
Volunteer/agency meetings	477	477	477	1,431	2,461	64	3,956	4,283
Staff travel	933	1,290	873	3,096	1,243	405	4,744	656
Staff training	1,336	1,336	1,336	4,008	3,973	2,130	10,111	10,841
Dues and subscriptions	67	67	67	201	2,819	-	3,020	2,503
Rent	-	-	-	-	30,370	-	30,370	30,402
Occupancy / utilities	-	-	-	-	25,776	-	25,776	26,826
Insurance, property and liability	-	-	-	-	5,488	810	6,298	6,080
Miscellaneous expense	-	-	-	-	(356)	676	320	596
UWW dues	-	-	-	-	24,342	-	24,342	25,887
Marketing and media	8,492	876	463	9,831	63	17,971	27,865	52,886
Licenses and fees	2,171	2,171	2,171	6,513	22,397	2,636	31,546	24,804
Depreciation	-	-	-	-	7,600	-	7,600	7,606
Interest	-	-	-	-	62	-	62	475
Allocation of administration	47,971	55,900	46,746	150,617	(356,500)	205,883	-	-
Total other expenses	66,194	66,064	56,043	188,301	(133,206)	265,826	320,921	389,568
Total expenses	\$ 271,138	741,201	259,569	1,271,908	23,026	582,123	1,877,057	2,301,817

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

HEART OF MAINE UNITED WAY
Statements of Cash Flows
For the Year Ended June 30, 2022
(With comparative totals for the year ended June 30, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (718,426)	679,759
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	7,600	7,606
Change in allowance for pledges receivable	14,826	2,007
Net realized and unrealized loss (gain) on investments	1,065,551	(613,194)
Change in value of perpetual trusts	86,884	(81,860)
Change in cash surrender value of life insurance	(102)	(115)
Decrease (increase) in assets:		
Accounts receivable	(32,188)	51,821
Pledges receivable	(24,418)	16,123
Prepaid expenses	(2,387)	(4,597)
Increase (decrease) in liabilities:		
Accounts payable	(7,521)	10,686
Allocations payable	16,231	(11,366)
Designations payable	12,284	45,985
Accrued expenses	34,015	(3,016)
Net cash and cash equivalents provided by operating activities	452,349	99,839
Cash flows from investing activities:		
Purchase of property and equipment	(8,260)	(1,095)
Purchase of investments	(268,278)	(4,066,416)
Proceeds from sale of investments	205,652	4,002,626
Net cash and cash equivalents used in investing activities	(70,886)	(64,885)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(3,093)	(2,971)
Net cash and cash equivalents used in financing activities	(3,093)	(2,971)
Net change in cash and cash equivalents	378,370	31,983
Cash and cash equivalents at beginning of year	376,791	344,808
Cash and cash equivalents at end of year	\$ 755,161	376,791
Supplemental disclosure of cash flow activity:		
Cash paid for interest	\$ 62	475

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

HEART OF MAINE UNITED WAY
Notes to Financial Statements
June 30, 2022

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - The Heart of Maine United Way (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, 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.

During the year ended June 30, 2022, the Organization changed its name from United Way of Eastern Maine to Heart of Maine United Way.

Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues and gains are reported when earned and expenses and losses are recorded when incurred.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 placed by its donors: net assets with donor restrictions and net assets without donor restrictions.

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, 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.

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.

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 \$2,500 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 the years ended June 30, 2022 and 2021 totaled \$7,600 and \$7,606, respectively.

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 annual award is deemed to result from the next campaign year.

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, 2021, from which the summarized information was derived.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributed Revenue, Support and Expenses - Contributions and pledges received are recorded as revenues with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donations of marketable securities or other non-cash assets are recorded at fair value as of the date the item is received. Contributions of cash that must be used to acquire equipment are reported as revenues with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the acquired asset is placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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.

Contributions of Nonfinancial Assets - Historically, contributions of nonfinancial assets consisted primarily of donated food, which was solicited during the large-scale food drive that occurs during the spring months. Due to the COVID-19 pandemic, the Organization experienced a significant decrease in the overall amount of food raised, but has remained committed to combating food insecurity, and many of the grants from the COVID relief funds were targeted at this critical issue.

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, 2022 and 2021 has not been reflected in the accompanying financial statements. Total volunteer hours for the years ended June 30, 2022 and 2021 amounted to 4,683 and 4,461, respectively.

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.

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.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 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 its financial statements.

During the year ended June 30, 2022, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, nonprofit organizations are required to separately present contributed nonfinancial assets (in-kind contributions) as a separate line item in the statement of activities. They are also required to disaggregate by category and present qualitative information on each type of contributed nonfinancial asset in the footnotes.

During the year ended June 30, 2022, the Organization adopted the provisions of Statements on Auditing Standards (SAS) 134 thru 140, as applicable, which addresses the auditor's responsibility over the opinion of the financial statements and the form and content of the auditor's report, the concept of materiality, and related party discussions, among other topics.

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, 2022 and 2021, the Organization's cash and cash equivalents exceeded federally insured limits by \$568,394 and \$180,768, 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.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

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>2022</u>	<u>2021</u>
Pledges receivable	\$ 578,472	554,054
Less: allowance for uncollectible pledges	(114,276)	(99,450)
Pledges receivable, net	\$ 464,196	454,604

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

	<u>2022</u>	<u>2021</u>
2021 Campaign	\$ 1,871,519	-
2020 Campaign	-	1,593,125
Total campaign results	1,871,519	1,593,125
Less: designations	(375,824)	(318,282)
Less: uncollectible pledges	(99,731)	(105,098)
Net campaign results	\$ 1,395,964	1,169,745

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>2022</u>	<u>2021</u>
Cash and money market funds	\$ 7,598	18,492
Intermediate-term bonds	31,705	-
Corporate equities	1,476,802	1,998,890
Exchange traded funds	916,005	1,327,827
Mutual funds	1,192,520	1,279,646
Total investments	\$ 3,624,630	4,624,855

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

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 \$362,281 and \$451,865 at June 30, 2022 and 2021, respectively. Total distributions received from these trusts amounted to \$18,403 and \$17,196 during the years ended June 30, 2022 and 2021, respectively.

ENDOWMENT

At June 30, 2022 and 2021, the Organization held donor-restricted endowments of \$2,542,517 and \$3,376,318 and Board-designated endowments of \$168,087 and \$225,123, 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 - Heart of Maine United Way 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, except for explicit donor stipulations specifying reinvestment of some or all of investment return, net return on investment of endowment funds 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.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

ENDOWMENT, CONTINUED

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's investment policies for endowment assets attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. The Organization 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 Organization 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 Organization targets a diversified asset allocation that places a greater emphasis upon equity-based investments to achieve its long-term objectives within prudent risk constraints.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

ENDOWMENT, CONTINUED

The Organization's endowment balances were comprised of the following at June 30, 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 168,087	-	168,087
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,350,621	2,350,621
Accumulated investment gains	-	191,896	191,896
Totals	\$ 168,087	2,542,517	2,710,604

The changes in the Organization's endowment balances for the year ended June 30, 2022 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 225,123	3,376,318	3,601,441
Contributions	10,000	2,542	12,542
Investment return, net	(56,577)	(711,509)	(768,086)
Amounts appropriated for expenditure	(10,459)	(124,834)	(135,293)
Endowment net assets, end of year	\$ 168,087	2,542,517	2,710,604

The Organization's endowment balances were comprised of the following at June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 225,123	-	225,123
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	2,350,621	2,350,621
Accumulated investment gains	-	1,025,697	1,025,697
Totals	\$ 225,123	3,376,318	3,601,441

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

ENDOWMENT, CONTINUED

The changes in the Organization's endowment balances for the year ended June 30, 2021 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 183,810	2,890,954	3,074,764
Contributions	-	-	-
Investment return, net	51,812	605,269	657,081
Amounts appropriated for expenditure	(60,499)	(119,905)	(180,404)
Other transfers	50,000	-	50,000
Endowment net assets, end of year	\$ 225,123	3,376,318	3,601,441

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.

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, 2022 and 2021.

- *Beneficial Interests in trusts:* Valued using readily available quoted market prices of the asset's underlying investments.

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.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

Fair value measurements at June 30, 2022 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and equivalents	\$ 7,598	7,598	-
Intermediate-term bonds	31,705	31,705	-
Corporate equities:			
Healthcare	163,341	163,341	-
Technology	343,745	343,745	-
Communications	258,032	258,032	-
Financial services	289,452	289,452	-
Industrial	48,412	48,412	-
Energy	63,028	63,028	-
Consumer defensive	93,886	93,886	-
Consumer cyclical	157,276	157,276	-
Utilities	14,661	14,661	-
Real estate	44,969	44,969	-
Total corporate equities	1,476,802	1,476,802	-
Mutual funds and ETF's:			
Treasury bond fund	19,428	19,428	-
Agency bond fund	33,586	33,586	-
Short-term treasury bond fund	79,668	79,668	-
Prime mobile pay ETF	62,960	62,960	-
S&P biotech ETF	64,023	64,023	-
Emerging markets	92,806	92,806	-
Medical device ETF	161,936	161,936	-
Mega cap growth ETF	174,432	174,432	-
Growth ETF	127,246	127,246	-
Biotechnology	82,547	82,547	-
Mega cap value	17,372	17,372	-
Short-term asset fund	13,009	13,009	-
Multi-sector bond fund	210,636	210,636	-
Core plus bond fund	179,354	179,354	-
Dollar-hedged institutional	204,454	204,454	-
Hedged equity class	29,827	29,827	-
Mid-cap growth fund	145,724	145,724	-
Institutional fund	225,735	225,735	-
Mortgage-backed securities	183,782	183,782	-
Total mutual funds and ETF's	2,108,525	2,108,525	-
Beneficial interest in trusts	362,281	-	362,281
Totals	\$ 3,986,911	3,624,630	362,281

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

Fair value measurements at June 30, 2021 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and equivalents	\$ 18,492	18,492	-
Corporate equities:			
Healthcare	145,306	145,306	-
Technology	538,424	538,424	-
Communications	399,757	399,757	-
Financial services	410,368	410,368	-
Energy	50,924	50,924	-
Consumer defensive	106,412	106,412	-
Real estate	50,579	50,579	-
Industrials	44,800	44,800	-
Consumer cyclical	238,581	238,581	-
Utilities	13,739	13,739	-
Total corporate equities	1,998,890	1,998,890	-
Mutual funds and ETF's:			
Treasury bond fund	20,142	20,142	-
Agency bond fund	35,761	35,761	-
Short-term treasury bond fund	79,872	79,872	-
Short-term asset fund	13,197	13,197	-
Multi-sector bond fund	200,920	200,920	-
Core bond class fund	194,882	194,882	-
Core plus bond fund	199,605	199,605	-
Dollar-hedged institutional fund	224,387	224,387	-
Hedged equity class fund	30,004	30,004	-
Mid cap growth fund	195,926	195,926	-
Institutional fund	220,724	220,724	-
Genomic revenue ETF	170,368	170,368	-
Autonomous tech ETF	18,621	18,621	-
Prime mobile pay ETF	153,326	153,326	-
S&P biotech ETF	116,719	116,719	-
Emerging markets	138,750	138,750	-
Medical device ETF	207,828	207,828	-
Mega cap growth ETF	183,004	183,004	-
Growth ETF	203,437	203,437	-
Total mutual funds and ETF's	2,607,473	2,607,473	-
Beneficial interest in trusts	451,865	-	451,865
Totals	\$ 5,076,720	4,624,855	451,865

There were no transfers between levels during either of the year ended June 30, 2022 or 2021.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

EQUIPMENT, NET

Equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 139,360	131,100
<u>Less: accumulated depreciation</u>	<u>(128,061)</u>	<u>(120,461)</u>
 <u>Total equipment, net</u>	 <u>\$ 11,299</u>	 <u>10,639</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, 2022 and 2021 amounted to \$30,370 and \$30,402, respectively. Future minimum required payments under this lease are as follows at June 30:

<u>Year ending</u>	<u>Total</u>
2023	\$ 31,001
2024	31,321
2025	31,640
<u>Thereafter</u>	<u>-</u>
 <u>Total</u>	 <u>\$ 93,962</u>

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 (\$13,303) and (\$10,400) at June 30, 2022 and 2021, respectively. Future minimum required payments under this lease are as follows at June 30:

<u>Year ending</u>	<u>Total</u>
<u>2023</u>	<u>\$ 1,338</u>
Subtotal	1,338
<u>Less amounts representing interest</u>	<u>(13)</u>
 <u>Principal balance</u>	 <u>\$ 1,325</u>

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

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 either June 30, 2022 or 2021.

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, 2022 and 2021 was \$18,068 and \$15,133, respectively.

COMMITMENT

In June 2022, the Organization made a three-year commitment to fund certain programs of its member agencies. Amounts committed for the period of July 1, 2022 through December 31, 2022 were based on the 2021 campaign results and have been recorded as a liability of \$355,000 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.

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

Net assets with donor restrictions consisted of the following at June 30:

To be held in perpetuity:

	<u>2022</u>	<u>2021</u>
Endowment funds held in perpetuity	\$ 2,350,621	2,350,621
Beneficial interest in perpetual trusts	362,281	451,865
Totals	\$ 2,712,902	2,802,486

Subject to appropriation and expenditure when a specified event or time occurs:

Cumulative endowment earnings	\$ 191,896	1,025,697
Contributions restricted for future program purposes	691,860	475,559
Totals	\$ 883,756	1,501,256
Total net assets with donor restrictions	\$ 3,596,658	4,303,742

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Campaign time restriction	\$ 1,430,997	\$ 1,128,649
Satisfaction of purpose restrictions	536,616	949,671
<u>Total net assets released from restrictions</u>	<u>\$ 1,967,613</u>	<u>2,078,320</u>

RELATED PARTY TRANSACTIONS

During the year ended June 30, 2021, the Organization received marketing services from a company owned by a member of the Board of Directors. Amounts paid for these services approximated \$36,200. There were no such related party transactions during the year ended June 30, 2022.

LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization had the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 755,161	376,791
Accounts receivable, net	85,614	53,426
Stabilization reserve investments	641,608	747,081
<u>Total</u>	<u>\$ 1,482,383</u>	<u>1,177,298</u>

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. Although stabilization reserve investments are board-designated, they could be undesignated and made available for operating costs should the need arise.

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 "Line 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 Board-designated investment funds other than amounts appropriated for general expenditure as part of its annual distribution, amounts from these funds could be made available through approval of the Board of Directors.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Food	\$ 70,525	14,979
School supplies	27,500	-
Household items	7,148	8,950
Baby supplies	-	73,595
Software	150 7,800	
COVID-19 supplies	-	409,860
Services	7,157	4,779
Socks	10,065	8,317
Total	\$ 122,545	528,280

The Organization recognized contributed nonfinancial assets within revenue, including food, supplies, household items, software, COVID-19 supplies, services and clothing. Unless otherwise noted, all contributed nonfinancial assets are donor-restricted for program related use.

Contributed food, school supplies, household items, baby supplies, COVID-19 supplies, and socks were all utilized in the basic needs program of the Organization. In valuing these items, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the area. Software and services recognized consist of professional services donated to a special event put on by the Organization. They were valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

REVENUE RECOGNITION

During the years ended June 30, 2022 and 2021, the Organization had contract revenue totaling \$15,778 and \$40,350, respectively, all of which pertained to sponsorships. There were no contract assets or liabilities outstanding at June 30, 2022 or 2021. For each of the years ended June 30, 2022 and 2021, goods and services provided to customers consisted of advertising at various Organizational events.

To best match the timing of the transfer of goods or services, the Organization recognizes revenue from contracts with customers when performance obligations are satisfied, which is at the time a sponsored event occurs. All prices are fixed and there are no financing terms available. There are no significant warranties of return, refund, or discount obligations related to any contracts with customers. For each of the years ended June 30, 2022 and 2021, the greatest economic factor effecting contract revenue has been the COVID-19 pandemic.

Contract transaction prices include management's judgment of variable consideration, which includes incentives, and rebates. Based on available information, management must include an estimate of any variable consideration, if applicable, when determining the contract transaction price. There were no such variable considerations in determining contract transaction prices.

HEART OF MAINE UNITED WAY
Notes to Financial Statements, Continued
June 30, 2022

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.

GEOGRAPHICAL EXPANSION TO SOMERSET AND WALDO COUNTIES (GESW)

On November 15, 2021, the Organization entered into an agreement with another local United Way in Maine that will allow the Heart of Maine United Way to expand its geographical footprint to include five additional towns in Waldo County, and all of Somerset County. In accordance with the terms of the agreement, any assets transferred to the Heart of Maine United Way must be used for staffing and the community benefit within those two counties. In February, 2022 the Organization received a transfer in the amount of \$320,064 from the United Way of Mid-Maine, which is included in other restricted contributions, grants, and bequests on the accompanying statement of activities. Funds from the transfer must be used to pay all allocations and designations previously committed to by the United Way of Mid-Maine through December 31, 2021, and were not included as part of the Organization's campaign. Campaign revenue recorded after January 1, 2022 related to the Mid-Maine geographical footprint is included with Organization's campaign.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through February 8, 2023, which is the date these financial statements were available to be issued.