Consolidated Financial Statements

Valley of the Sun United Way
Fiscal Years Ended June 30, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Valley of the Sun United Way

Consolidated Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

Contents

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Report of Independent Auditors

The Board of Directors
Valley of the Sun United Way

Opinion

We have audited the consolidated financial statements of Valley of the Sun United Way (the Organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization at June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 of 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Ernst & Young LLP

November 20, 2023

Valley of the Sun United Way

Consolidated Statements of Financial Position

	June 30 2023	June 30 2022
Assets		
Current assets:		
Cash	**$ 9,283,377**	$ 17,125,624
Contributions receivable, net	**7,664,990**	8,023,349
Grants and other receivables	**7,539,857**	759,664
Prepaids and other assets	**544,290**	1,324,853
Total current assets	**25,032,514**	27,233,490
Long-term investments	**79,304,183**	73,725,855
Contributions receivable, less current portion, net	**672,294**	765,766
Property and equipment, net	**1,184,346**	1,548,927
Operating lease right-of-use asset	**1,585,939**	–
Other assets	**754,610**	824,893
Total assets	**$ 108,533,886**	$ 104,098,931
Liabilities and net assets		
Current liabilities:		
Allocations payable, undesignated	**6,874,269**	$ 7,071,056
Allocations payable, donor-designated	**5,408,613**	4,305,799
Accounts payable and accrued liabilities	**11,466,727**	6,508,773
Line of credit	**–**	2,000,000
Refundable advances	**11,743,616**	15,510,201
Operating lease liability, current	**943,645**	–
Total current liabilities	**36,436,870**	35,395,829
Other long term liabilities	**266,547**	331,462
Operating lease liability, less current portion	**1,378,221**	–
Total liabilities	**38,081,638**	35,727,291
Net assets:		
Without donor restrictions:		
Undesignated	**13,702,751**	16,309,238
Board-designated – endowments	**38,192,721**	34,161,256
Total without donor restrictions	**51,895,472**	50,470,494
With donor restrictions	**18,556,776**	17,901,146
Total net assets	**70,452,248**	68,371,640
Total liabilities and net assets	**$ 108,533,886**	$ 104,098,931

See accompanying notes.

Valley of the Sun United Way

Consolidated Statement of Activities

Fiscal Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Gross campaign results (2022/2023)	$ 16,163,431	$ –	$ 16,163,431
Less donor designations	(5,228,951)	–	(5,228,951)
Campaign revenue	10,934,480	–	10,934,480
Less provision for uncollectible pledges	(609,933)	–	(609,933)
Net campaign revenue (2022/2023)	10,324,547	–	10,324,547
Other net campaign results	1,097,308	644,630	1,741,938
Investment gains, net	6,620,916	–	6,620,916
Grants	2,233,000	–	2,233,000
Government contracts	86,592,161	–	86,592,161
Endowment contributions	1,018,326	11,000	1,029,326
Gifts-in-kind and contributed services	364,119	–	364,119
Designated from other United Ways	3,412	–	3,412
Administrative fees	376,258	–	376,258
Miscellaneous income	237,186	–	237,186
	98,542,686	655,630	99,198,316
Total revenue and support	108,867,233	655,630	109,522,863
Expenses:			
Program services:			
Gross funds awarded/distributed	98,574,660	–	98,574,660
Less donor designations	(5,228,951)	–	(5,228,951)
Net funds awarded/distributed	93,345,709	–	93,345,709
Other program services	5,972,867	–	5,972,867
Total program services	99,318,576	–	99,318,576
Supporting services:			
Organizational administration	3,711,235	–	3,711,235
Fundraising	4,412,444	–	4,412,444
Total supporting services	8,123,679	–	8,123,679
Total expenses	107,442,255	–	107,442,255
Changes in net assets	1,424,978	655,630	2,080,608
Net assets, beginning of year	50,470,494	17,901,146	68,371,640
Net assets, end of year	$ 51,895,472	$ 18,556,776	$ 70,452,248

See accompanying notes.

Valley of the Sun United Way

Consolidated Statement of Activities

Fiscal Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Gross campaign results (2021/2022)	$ 17,561,943	$ –	$ 17,561,943
Less donor designations	(6,087,304)	–	(6,087,304)
Campaign revenue	11,474,639	–	11,474,639
Less provision for uncollectible pledges	(639,320)	–	(639,320)
Net campaign revenue (2021/2022)	10,835,319	–	10,835,319
Other net campaign results	2,191,891	530,123	2,722,014
Investment losses, net	(11,391,617)	–	(11,391,617)
Grants	767,500	–	767,500
Government contracts	52,902,740	–	52,902,740
Endowment contributions	794,410	1,010,000	1,804,410
Gifts-in-kind and contributed services	397,136	–	397,136
Designated from other United Ways	27,947	–	27,947
Administrative fees	350,264	–	350,264
Learn United revenue	94,800	–	94,800
Miscellaneous income	131,968	–	131,968
	46,267,039	1,540,123	47,807,162
Total revenue and support	57,102,358	1,540,123	58,642,481
Expenses:			
Program services:			
Gross funds awarded/distributed	67,705,619	–	67,705,619
Less donor designations	(6,087,304)	–	(6,087,304)
Net funds awarded/distributed	61,618,315	–	61,618,315
Other program services	5,537,551	–	5,537,551
Total program services	67,155,866	–	67,155,866
Supporting services:			
Organizational administration	3,470,077	–	3,470,077
Fundraising	3,897,752	–	3,897,752
Total supporting services	7,367,829	–	7,367,829
Total expenses	74,523,695	–	74,523,695
Changes in net assets	(17,421,337)	1,540,123	(15,881,214)
Net assets, beginning of year	67,891,831	16,361,023	84,252,854
Net assets, end of year	$ 50,470,494	$ 17,901,146	$ 68,371,640

See accompanying notes.

Valley of the Sun United Way

Consolidated Statement of Functional Expenses

Fiscal Year Ended June 30, 2023

	Program Services	Supporting Services: Organizational Administration	Supporting Services: Fundraising	Total
Salaries	$ 3,165,493	$ 1,802,386	$ 2,451,679	$ 7,419,558
Employee benefits	546,078	301,109	423,168	1,270,355
Payroll taxes	241,325	133,206	189,695	564,226
	3,952,896	2,236,701	3,064,542	9,254,139
Professional fees	355,089	196,098	67,487	618,674
Supplies	101,821	7,486	11,227	120,534
Telephone	64,559	30,912	46,379	141,850
Postage	4,159	3,896	3,708	11,763
Occupancy	485,479	247,542	356,084	1,089,105
Equipment rental and maintenance	20,839	11,711	15,398	47,948
Printing and publications	7,203	9,214	72,429	88,846
Local transportation	15,403	1,269	4,348	21,020
Travel and conferences	7,889	4,362	2,525	14,776
Local meetings	10,279	5,667	8,288	24,234
Other fees	15,634	107,598	11,152	134,384
Computer services	246,282	168,356	143,219	557,857
Advertising	165,609	215,793	139,302	520,704
Staff development	12,988	17,448	7,195	37,631
Special events	21,383	26,212	100,646	148,241
Miscellaneous	19,007	27,981	12,434	59,422
Contributed services	–	–	5,000	5,000
National dues	201,526	262,594	146,564	610,684
	1,755,149	1,344,139	1,153,385	4,252,673
Depreciation	264,822	130,395	194,517	589,734
	5,972,867	3,711,235	4,412,444	14,096,546
Gifts-in-kind distributed	359,119	–	–	359,119
Grants and contracts awarded/ distributed	92,986,590	–	–	92,986,590
Net funds awarded/distributed	93,345,709	–	–	93,345,709
	$ 99,318,576	$ 3,711,235	$ 4,412,444	$107,442,255

See accompanying notes.

Valley of the Sun United Way

Consolidated Statement of Functional Expenses

Fiscal Year Ended June 30, 2022

	Program Services	Supporting Services: Organizational Administration	Supporting Services: Fundraising	Total
Salaries	$ 3,035,280	$ 1,766,211	$ 2,212,771	$ 7,014,262
Employee benefits	521,444	270,581	377,554	1,169,579
Payroll taxes	235,898	132,325	173,079	541,302
	3,792,622	2,169,117	2,763,404	8,725,143
Professional fees	274,715	197,658	63,613	535,986
Supplies	74,691	8,842	5,988	89,521
Telephone	73,565	36,207	49,603	159,375
Postage	2,623	2,756	3,448	8,827
Occupancy	467,691	243,928	322,935	1,034,554
Equipment rental and maintenance	19,531	12,386	13,558	45,475
Printing and publications	15,873	13,023	48,430	77,326
Local transportation	425	429	733	1,587
Travel and conferences	3,725	1,026	3,383	8,134
Local meetings	1,249	1,362	1,602	4,213
Other fees	19,189	90,251	12,853	122,293
Computer services	268,169	168,905	116,800	553,874
Advertising	149,490	193,567	131,406	474,463
Staff development	12,719	18,132	6,904	37,755
Special events	19,486	24,501	101,679	145,666
Miscellaneous	22,594	27,692	13,971	64,257
Contributed services	7,387	9,565	22,562	39,514
National dues	117,376	151,985	79,869	349,230
	1,550,498	1,202,215	999,337	3,752,050
Depreciation	194,431	98,745	135,011	428,187
	5,537,551	3,470,077	3,897,752	12,905,380
Gifts-in-kind distributed	357,622	–	–	357,622
Grants and contracts awarded/ distributed	61,260,693	–	–	61,260,693
Net funds awarded/distributed	61,618,315	–	–	61,618,315
	$ 67,155,866	$ 3,470,077	$ 3,897,752	$ 74,523,695

See accompanying notes.

Valley of the Sun United Way

Consolidated Statements of Cash Flows

	Fiscal Year Ended June 30	
	2023	**2022**
Operating activities		
Changes in net assets	**$ 2,080,608**	$ (15,881,214)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	**589,734**	428,187
Provision for uncollectible pledges	**609,933**	639,320
Net unrealized (gain) loss on investments	**(4,194,489)**	15,239,843
Changes in operating assets and liabilities:		
Contributions receivable	**(251,574)**	92,949
Other receivables	**(6,780,193)**	(314,326)
Long-term contributions receivable	**93,472**	(376,019)
Prepaids and other assets	**780,563**	(223,647)
Operating lease right-of-use asset	**(1,585,939)**	–
Other long-term assets	**70,283**	349,520
Allocations payable	**906,027**	(2,119,560)
Accounts payable, accrued liabilities, and refundable advances	**1,191,369**	10,709,196
Operating lease liability	**2,321,866**	–
Other long-term liabilities	**(64,915)**	(341,745)
Net cash (used in) provided by operating activities	**(4,233,255)**	8,202,504
Investing activities		
Gross proceeds sales of investments	**14,437,839**	11,538,666
Gross purchases of investments	**(15,821,678)**	(16,152,987)
Purchases of property and equipment	**(225,153)**	(934,427)
Net cash used in investing activities	**(1,608,992)**	(5,548,748)
Financing activities		
Borrowings on line of credit	**–**	2,000,000
Payments on line of credit	**(2,000,000)**	–
Net cash (used in) provided by financing activities	**(2,000,000)**	2,000,000
(Decrease) Increase in cash	**(7,842,247)**	4,653,756
Cash, beginning of year	**17,125,624**	12,471,868
Cash, end of year	**$ 9,283,377**	$ 17,125,624

See accompanying notes.

1. Description of Business

Valley of the Sun United Way (the Organization) is an Arizona nonprofit organization whose mission is to improve lives by mobilizing the caring power of its community. Formed in 1925, Valley of the Sun United Way has addressed Maricopa County's most important health and human care needs for nearly 100 years.

Valley of the Sun United Way has unified diverse partners, donors, businesses, nonprofits, government, and faith-based communities to build a stronger Valley for us all. Valley of the Sun United Way and our partners envision a community where every child, family and individual is healthy, has a safe place to live and has every opportunity to succeed in school, life and work. We belong to our community, so we seek community input on the most pressing issues. Then, we bring people, organizations and companies together to proactively solve them.

In 2021, we announced Mighty Change 2026 (MC2026), our new five-year community plan designed to address the most urgent needs of the community. In it, we unveiled bold goals in the areas of Health, Housing and Homelessness, Education and Workforce Development. Together with nonprofit, community, regional and corporate partners, we will work to:

- Decrease food insecurity by 50%
- Increase the number of individuals with access to affordable healthcare by 100,000
- Reduce homelessness by 50%
- Increase third grade reading proficiency by 25%
- Increase youth age 16-24 engaged in education and employment opportunities by 38%
- Increase preparation of individuals for a living wage job by 33%
- Increase achievement of higher paying employment by 20%

2. Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements reflect the consolidated operations of all owned operating units of Valley of the Sun United Way and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Significant Accounting Policies (continued)

Use of 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 the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash

Cash held for others is restricted and consists of cash received from donors designated for specific nonprofit organizations. Cash held for others totaled approximately $1,515,990 and $599,000 as of June 30, 2023 and 2022, respectively.

Investments

The Organization invests excess cash in investment-grade marketable securities. Such investments are governed by a comprehensive investment policy that details guidelines concerning investment types, concentrations, and maturities and managed by professional investment managers.

Investments in equity securities with readily determinable fair values and investments in debt securities are measured at fair value (based on quoted market prices). Investment income is presented net of related expenses.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the consolidated financial statements.

The Organization invests in alternative investments, including hedge funds and private capital investments. The Organization accounts for its ownership interest in these alternative investments at net asset value determined by the fund manager as a practical expedient to fair value. The net asset value is determined based on the estimated fair value of each of the underlying investments held in the funds. These investment holdings may include investments in private investment funds whose values have been estimated by the fund managers in absence of readily ascertainable fair values. Due to the uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed. The investment income recorded is based on the Organization's proportionate share of the funds' change in net asset value during the year.

2. Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and contributions receivable. The Organization places its cash with federally insured institutions.

Concentrations of credit risk with respect to contributions receivable are generally limited due to the large number of contributors comprising the Organization's contributor base. As a result, the Organization does not consider itself to have significant concentrations of credit risk with respect to contributions receivable. Substantially all of the Organization's contributions receivable are due from companies and individuals located within Maricopa County.

Government Contracts

The First Things First (FTF) contracts for service originate from a 2006 voter-backed initiative in which Arizona voters imposed an 80-cent-per-pack increased tax on tobacco products. The successful passage of that initiative resulted in Arizona legislation creating the First Things First state agency and its programs to promote a family-centered, comprehensive, collaborative, and high-quality early childhood system that supports the development, health, and early education of all Arizona's children from birth through age five. Revenues from FTF are statutorily designated dollars earmarked to benefit Arizona children. Using this revenue, FTF has contracted with the Organization for over ten years to leverage the Organization's technology and resources to administer certain statewide programs on which agencies and community stakeholders in all Arizona regions rely. Management of this revenue is a unique and important opportunity for the Organization to collaborate with state government, which then benefits other nonprofits, childcare providers, families, and children located throughout the state of Arizona. This collaboration enables FTF to fulfill its vision that all Arizona's children are ready to succeed in school and in life. The Organization receives advances of funding for these programs with any unused funding considered as refundable advances due back to FTF. For the year ended June 30, 2023, contract for service revenue with FTF totaled approximately $83,589,000 and refundable advances totaled approximately $11,665,000. Comparatively, for the year ended June 30, 2022, contract for service revenue with FTF totaled approximately $51,769,000 and refundable advances totaled approximately $15,510,000.

Beginning in November 2022, FTF has contracted with the Organization to increase funding to these programs to address the cost of quality childcare. This increased funding is on a cost reimbursement basis. For the year ended June 30, 2023 grants receivable totaled approximately $6,391,000 for these programs. No grants receivable from FTF were held at June 30, 2022.

2. Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give are recorded at fair value upon receipt of a written commitment from the donor. Multiyear pledges are recognized at their net present value using yields on U.S. Treasury obligations of equivalent maturity dates at the time the pledge is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the conditions are met.

An allowance for uncollectible contributions receivable is computed based upon a four-year historical average of collection experience by contribution type, adjusted for management's estimate of current economic factors and using the specific identification method.

Property and Equipment

Building, furniture, fixtures, equipment, and software are initially recorded at cost. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

Building improvements	5–10 years
Furniture, fixtures, and equipment	3–10 years
Software	3–5 years

Routine maintenance and repairs are charged to expense as incurred.

Net Assets

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-specific contributions whose restrictions are met within the same year they are received are reported as campaign revenue without donor restrictions in the accompanying consolidated financial statements.

The Organization's net assets without donor restrictions are reported in the following categories:

- *Undesignated* represents amounts available to fund the Organization's future operating expenses, including allocations payable to other eligible 501(c)(3) organizations.

- *Board-designated – endowments* represents amounts designated by the Board of Directors for long-term investment purposes. The related principal amounts are not intended for current use.

2. Significant Accounting Policies (continued)

Contributions designated by the donor for a specific unrelated organization are recognized by the Organization as reductions to gross campaign results in the accompanying consolidated statement of activities.

Contributions that are restricted by the donor for a specific purpose or time period are reported as campaign revenue with donor restrictions in the accompanying consolidated statement of activities. Net assets with donor restrictions also include contributions that require, by donor restriction, that the corpus be invested in perpetuity.

In fiscal year 2021, the Organization received a $25,000,000 unrestricted grant from philanthropist, author, and Amazon co-founder MacKenzie Scott (National Philanthropic Trust). The transformational gift is being deployed directly into the community over the five years beginning fiscal year 2021. The funds are being used to execute its MC2026 plan and will provide multiyear support to help stabilize foundational community programs. The grant will also allow the Organization to create capacity to build deeper engagement opportunities around key issues to involve members of the community like never before, and to invest in expanding efforts to make Diversity, Equity, Access, and Inclusion foundational to all its work. The Organization's five-year expenditure plan for this gift resulted in the planned use of $5,736,000 for the year ended June 30, 2023. The future planned expenditures related to the grant total $5,079,000.

Gifts-in-Kind and Contributed Services

Donated assets and services are reflected as contributions on the accompanying consolidated statements of activities at their estimated fair values at the date of receipt. Gifts-in-kind received includes food, household goods, office furniture, and supplies.

Contributions of services are recognized if the services received create or enhance a nonfinancial asset or the services require specialized skills that are provided by individuals possessing those skills and include television, radio, print, and outdoor advertising. Such contributions are measured at the estimated fair value of the services received. Contributed services are reflected as unrestricted revenue and an equal amount is recorded in unrestricted organizational administration expenses on the consolidated statements of activities, resulting in no net impact on the changes in net assets during the year.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in specific assistance programs, campaign solicitations, and various committee assignments. Since the services provided in these instances do not require specialized skills, they have not been valued or reflected on the accompanying consolidated statements of activities.

2. Significant Accounting Policies (continued)

Administrative Fees

Fees deducted from donor-designated contributions to cover administrative costs are recorded as administrative fees within total revenue and support in the accompanying consolidated statement of activities

Functional Allocation of Expenses

Expenses are classified on a functional basis on the accompanying consolidated statements of activities. Program services are those related to community investment and community initiative activities and include the cost of certain community programs and the expenses associated with the administration and management of these activities. Supporting services are those expenses associated with fundraising and organizational administration.

All salary, overhead, and miscellaneous costs attributable to fundraising efforts are recorded as operating expenses in the period incurred.

Net funds awarded/distributed consist of funding of programmatic activities, as well as funds distributed to health and human service organizations, all of which align with the Organization's community objectives.

For purposes of the consolidated statements of functional expenses, a portion of organizational administration expenses is allocated to all program and supporting services on the basis of full-time employee equivalents.

Tax Status

The Organization is a nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, a provision for income taxes has not been included on the accompanying consolidated statements of activities.

Management is of the opinion that substantially all of the Organization's activities are related to its tax-exempt purpose, and no material uncertain tax positions have been identified or recorded in the accompanying consolidated financial statements at June 30, 2023 or 2022.

3. Endowment Campaign

In late fiscal 2007, the Organization commenced an endowment campaign, whereby funds raised are invested and the related investment income is used to underwrite the organizational administration and fundraising costs of the Organization. Through June 30, 2023, the endowment has cumulatively received unconditional pledges, net of pledges deemed to be uncollectible, to the endowment campaign totaling $16,646,000, all of which have been collected at June 30, 2023.

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted by the donor for a specific purpose that must be met before reclassifying those net assets to net assets without donor restrictions. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

The endowment investments are recorded within long-term investments on the Organization's consolidated statement of financial position.

In accordance with SPMIFA, 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) The purposes of the Organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effects of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Organization

(7) The investment policies of the Organization

3. Endowment Campaign (continued)

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or that the Board of Directors has designated as endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a target annual rate of return greater than the Consumer Price Index plus 4.5%, over a full market cycle (defined over a five-year moving period) without exceeding a standard deviation of 1.2 times a weighted benchmark index. The benchmark index comprises each asset class index weighted by its target allocation. 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 on equity-based and fixed-income investments to achieve its long-term objectives within prudent risk constraints. Over the long term, the Organization expects its endowment to grow at an average of the long-term rate of inflation. The Organization's objectives are to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return. The investment income related to the endowment net assets with donor restrictions are not restricted; however, the Board of Directors has designated earnings be added to the board-designated endowment and, thus, reflected as a transfer to net assets without donor restrictions.

At June 30, 2023, the endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 38,192,721	$ –	$ 38,192,721
Donor-designated	–	16,646,001	16,646,001
Total funds	$ 38,192,721	$ 16,646,001	$ 54,838,722

3. Endowment Campaign (continued)

Changes in endowment net assets for the year ended June 30, 2023, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	**$ 34,161,256**	**$ 16,635,001**	**$ 50,796,257**
Investment return:			
Interest and dividends	**1,012,141**	**492,867**	**1,505,008**
Net realized and unrealized gains	**2,498,122**	**1,216,473**	**3,714,595**
Total investment gains, net	**3,510,262**	**1,709,341**	**5,219,603**
Endowment net assets, subtotal	**37,671,518**	**18,344,342**	**56,015,860**
Transfers, contributions, and other	**2,727,677**	**(1,698,341)**	**1,029,326**
Appropriation of endowment assets for expenditure	**(2,206,464)**	**–**	**(2,206,464)**
Endowment net assets, end of year	**$ 38,192,721**	**$ 16,646,001**	**$ 54,838,722**

At June 30, 2022, the endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 34,161,256	$ –	$ 34,161,256
Donor-designated	–	16,635,001	16,635,001
Total funds	$ 34,161,256	$ 16,635,001	$ 50,796,257

3. Endowment Campaign (continued)

Changes in endowment net assets for the year ended June 30, 2022, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 43,317,435	$ 15,625,001	$ 58,942,436
Investment return:			
Interest and dividends	2,305,303	831,544	3,136,847
Net realized and unrealized losses	(8,184,137)	(2,952,093)	(11,136,230)
Total investment losses, net	(5,878,834)	(2,120,549)	(7,999,383)
Endowment net assets, subtotal	37,438,601	13,504,452	50,943,053
Transfers, contributions, and other	(1,326,139)	3,130,549	1,804,410
Appropriation of endowment assets for expenditure	(1,951,206)	–	(1,951,206)
Endowment net assets, end of year	$ 34,161,256	$ 16,635,001	$ 50,796,257

4. Contributions Receivable

Contributions receivable as of June 30, are as follows:

	2023	2022
Less than one year	**$ 8,795,828**	$ 9,195,218
More than one year	**713,983**	792,099
	9,509,811	9,987,317
Allowance for uncollectible pledges	**(1,130,837)**	(1,171,870)
Discount (0.16% to 4.14%)	**(41,690)**	(26,332)
	8,337,284	8,789,115
Less current portion	**(7,664,990)**	(8,023,349)
	$ 672,294	$ 765,766

Management routinely evaluates the collectability of contributions receivable and records an allowance for doubtful accounts to the extent that it is probable that the Organization will be unable to collect all amounts pledged and the amount of the loss can be reasonably estimated.

5. Fair Value Measurements

The Organization uses a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

- *Level 1:* Pricing is based on observable inputs for identical instruments, such as quoted prices in active markets.
- *Level 2:* Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.
- *Level 3:* Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimates, based on assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates.

Assets measured at fair value are based on one or more of three valuation techniques described below.

(a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

(b) *Cost approach*. Amount that would be required to replace the service capacity of an asset (replacement cost).

(c) *Income approach*. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option pricing, and excess earnings models).

All of the Organization's investments, excluding alternative investments, as of and for the years ended June 30, 2023 and 2022, are considered Level 1 and were valued using the market approach. There have not been any changes in any investments' fair value classification in 2023 or 2022.

The Organization values its alternative investment funds at the net asset value as determined by the fund manager as practical expedient to fair value. At June 30, 2023, the Organization held $2,797,000 of alternative investments. No alternative investments were held at June 30, 2022.

6. Investments

Investments, measured at fair value, consist of the following as of June 30:

	2023	2022
Mutual funds:		
Bond funds	**$ 18,463,758**	$ 14,557,584
Equity funds	**41,924,483**	41,163,346
Exchange-traded funds	**16,119,386**	18,004,925
Alternative investments	**2,796,556**	–
Long-term investments	**$ 79,304,183**	$ 73,725,855

Investment income (loss) consists of the following for the years ended June 30:

	2023	2022
Interest and dividends	**$ 2,194,119**	$ 3,861,357
Realized gains (losses)	**232,308**	(13,131)
Unrealized gains (losses)	**4,194,489**	(15,239,843)
	$ 6,620,916	$ (11,391,617)

7. Property and Equipment

Property and equipment consisted of the following as of June 30:

	2023	2022
Building improvements	**$ 1,126,053**	$ 1,062,717
Furniture, fixtures, and equipment	**2,267,740**	2,122,322
Software	**1,041,601**	1,025,388
	4,435,394	4,210,427
Less accumulated depreciation	**(3,251,048)**	(2,661,500)
	$ 1,184,346	$ 1,548,927

8. Related-Party Transactions

Volunteers from the local business community are relied upon to serve on the Board of Directors, on committees, and in other key positions within the Organization. Many of the volunteers make significant contributions through their involvement and assistance with fundraising campaigns on behalf of the Organization. Pledges from Board of Directors members totaled approximately $311,000 and $821,000 for the years ended June 30, 2023 and 2022, respectively.

9. Liquidity

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following for the years ended June 30:

	2023	2022
Cash	**$ 9,283,377**	$ 17,125,624
Contributions receivable, net	**7,664,990**	8,023,349
Grant and other receivables	**7,539,857**	759,664
	$ 24,488,224	$ 25,908,637

The Organization has the ability to structure its financial assets to be available as its general expenditures and other obligations come due.

10. Line of Credit

The Organization maintains a line of credit (LOC) agreement to manage timing and cash flow needs. The credit agreement is up to $3,000,000 with a termination date of May 2024 and bears an annual interest rate of the greater of (i) the Prime Rate or (ii) 2.50%. The renewal of the LOC agreement is reviewed annually for further extensions.

There were no amounts outstanding under the LOC as of June 30, 2023, and $2,000,000 was outstanding as of June 30, 2022. The Organization was in compliance with all debt covenants as of June 30, 2023.

11. Leases

ASC 842, *Leases* was effective for the Organization July 1, 2022, and was adopted using a modified retrospective approach. This accounting standard requires the rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the statements of financial position. The accounting standard requires disclosures to help the users of the financial statements better understand the amount, timing, and uncertainty of cash flows arising from leases. The primary effect of the new standard was to record right-of-use assets and obligations for current operating leases, which increased assets and liabilities by approximately $1,568,000 on the consolidated statement of financial position. The transition adjustment did not have a material impact on the consolidated statement of activities.

The Organization leases its corporate office and equipment under operating type leases. For leases greater than 12 months, management records the related right-of-use assets and lease obligations at the present value of lease payments or straight-line expense over the lease term. The Organization has elected to exclude non-lease components from the straight-line expense used to calculate the right-of-use assets and liabilities. The Organization uses a risk-free discount rate commensurate with the lease term to determine the present value of lease payments. The weighted-average discount rate is 2.22% and the weighted-average lease term is 2.42 years.

Future minimum cash basis lease payments at June 30, 2023 are as follows:

Fiscal year:	
2024	$ 986,273
2025	997,121
2026	404,484
	2,387,878
Discount to net present value	(66,012)
Present value of future lease payments	2,321,866
Less: operating lease liability, current	943,645
Operating lease liability, less current portion	$ 1,378,221

The Organization accounts for all rent holidays and rent increases and the Organization recognizes rent expense on a straight-line basis over the lease period. The difference between the lease expense recognized and the actual lease payment is recorded as a reduction to the right-of-use asset. Operating lease expense associated with the Organization’s corporate office, not including parking, taxes, or common area maintenance expenses, was $793,000 for the year ended June 30, 2023.

Operating cash flows for operating leases was $970,000 for the year ended June 30, 2023.

12. Subsequent Events

The Organization has evaluated events subsequent to June 30, 2023, to assess the need for potential recognition or disclosure in the accompanying consolidated financial statements. Such events were evaluated through November 20, 2023, the date these consolidated financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the accompanying consolidated financial statements.

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