




United Way of Greater Kansas City, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2023



United Way of Greater Kansas City, Inc.

June 30, 2023

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Independent Auditor's Report

Board of Directors
United Way of Greater Kansas City, Inc.
Kansas City, Missouri

Opinion

We have audited the financial statements of United Way of Greater Kansas City, Inc., which comprise the statement of financial position as of June 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of United Way of Greater Kansas City, Inc., as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 United Way of Greater Kansas City, Inc., 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 United Way of Greater Kansas City, Inc.'s ability to continue as a going concern within one year after the date that these 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 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 United Way of Greater Kansas City, Inc.'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 United Way of Greater Kansas City, Inc.'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.

FORVIS,LLP

Kansas City, Missouri
December 21, 2023, except as to *Note 16*, which is as of February 15, 2024

United Way of Greater Kansas City, Inc.
Statement of Financial Position
June 30, 2023

Assets

Cash	\$ 5,183,464
Restricted cash - Quasi Endowment	676,746
Contributions receivable, net of allowance - \$1,600,817	7,890,567
Accounts and grants receivable	908,906
Investments	2,239,009
Beneficial interest in assets held by others - Quasi Endowment	8,349,064
Beneficial interest in assets held by others - Endowment	2,446,962
Beneficial interest in trusts	796,184
Property and equipment, net accumulated depreciation and amortization - \$1,051,085	188,210
Right-of-use assets - operating leases, net	157,696
Right-of-use assets - financing leases, net	19,511
Other	<u>278,377</u>
Total assets	<u><u>\$ 29,134,696</u></u>

Liabilities and Net Assets

Liabilities

Payables to agencies – Community Care funds	\$ 4,280,000
Designations to agencies	2,632,039
Accounts payable	2,408,927
Accrued expenses	614,758
Operating lease liabilities	195,768
Financing lease liabilities	24,570
Refundable advance	<u>652,805</u>
Total liabilities	<u>10,808,867</u>

Net Assets

Without donor restrictions	10,750,809
With donor restrictions	<u>7,575,020</u>
Total net assets	<u>18,325,829</u>
Total liabilities and net assets	<u><u>\$ 29,134,696</u></u>

United Way of Greater Kansas City, Inc.
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	Board- Designated Quasi Endowment	With Donor Restrictions	Total
Revenues, Gains and Other Support				
Campaign Revenue				
Gross campaign revenues	\$ 17,815,107	\$ -	\$ 606,195	\$ 18,421,302
Less				
Donor designation	(4,472,795)	-	-	(4,472,795)
Provision for uncollectible pledges	(566,660)	-	-	(566,660)
Net campaign revenue	12,775,652	-	606,195	13,381,847
Grants	-	-	3,654,572	3,654,572
Federal grants	-	-	5,925,896	5,925,896
Other contribution income	204,508	-	132,358	336,866
Contributed services	96,589	-	-	96,589
Change in beneficial interest in trusts	-	-	(8,966)	(8,966)
Net investment return	77,115	755,465	216,775	1,049,355
United Way 211 income	261,043	-	-	261,043
Other	215,294	-	-	215,294
Net assets released from restrictions	11,563,920	-	(11,563,920)	-
Total revenues, gains and other support	25,194,121	755,465	(1,037,090)	24,912,496
Allocations and Expenses				
Program services				
Agency allocations and grants	6,889,329	-	-	6,889,329
Community services	10,958,543	-	-	10,958,543
Support services				
Management and general	1,562,353	-	-	1,562,353
Financial resources development	2,951,037	-	-	2,951,037
Total allocations and expenses	22,361,262	-	-	22,361,262
Change in Net Assets	2,832,859	755,465	(1,037,090)	2,551,234
Net Assets, Beginning of Year	(1,107,860)	8,270,345	8,612,110	15,774,595
Net Assets, End of Year	\$ 1,724,999	\$ 9,025,810	\$ 7,575,020	\$ 18,325,829

United Way of Greater Kansas City, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services		Support Services		Total
	Agency Allocations and Grants	Community Services	Management and General	Financial Resources Development	
Agency allocations	\$ 4,280,000	\$ -	\$ -	\$ -	\$ 4,280,000
Community change strategy grant payments	2,512,740	-	-	-	2,512,740
Program assistance and other	-	6,838,418	-	-	6,838,418
Salaries	-	2,491,312	786,796	1,481,242	4,759,350
Employee benefits	-	275,219	75,444	130,236	480,899
Retirement expense	-	266,479	73,019	136,360	475,858
Payroll taxes	-	185,836	55,333	107,814	348,983
Contract and temporary services	-	155,898	84,796	101,660	342,354
Travel, training and conferences	-	29,466	13,928	28,234	71,628
Insurance	-	15,262	10,780	12,926	38,968
Printing, postage and supplies	-	22,880	7,594	16,073	46,547
Occupancy and maintenance	-	168,979	119,322	143,118	431,419
Events and donor communications	-	80,561	-	303,693	384,254
Professional fees	-	108,323	195,016	113,032	416,371
Campaign materials and expenses	-	22,990	-	125,749	148,739
Telecommunications and technology services	-	180,822	76,854	135,576	393,252
Interest expense	-	3,885	2,113	3,839	9,837
Gifts in-kind	96,589	-	-	-	96,589
Miscellaneous expense	-	1,634	1,273	2,200	5,107
United Way of America dues	-	83,588	45,450	82,585	211,623
	6,889,329	10,931,552	1,547,718	2,924,337	22,292,936
Gain on disposals of long-lived assets	-	(243)	(172)	(206)	(621)
Amortization	-	8,660	4,708	8,555	21,923
Depreciation	-	18,574	10,099	18,351	47,024
	6,889,329	10,958,543	1,562,353	2,951,037	22,361,262
Total operating expense	\$ 6,889,329	\$ 10,958,543	\$ 1,562,353	\$ 2,951,037	\$ 22,361,262

United Way of Greater Kansas City, Inc.
Statement of Cash Flows
Year Ended June 30, 2023

Operating Activities	
Change in net assets	\$ 2,551,234
Items not requiring (providing) cash	
Depreciation and amortization	68,947
Noncash operating lease expense	369,008
Net realized and unrealized gains on investments	(12,051)
Net realized and unrealized gains on assets held by others	(760,145)
Change in beneficial interests in trusts	8,966
Gain on disposal of property and equipment	(621)
Changes in	
Contributions receivable	1,881,562
Accounts and grants receivable	1,314,761
Other assets	128,683
Payable to agencies – Community Care funds	(915,000)
Operating lease liability	(460,379)
Designations to agencies	108,996
Accounts payable and accrued expenses	140,018
Refundable advance	(80,136)
	<u>4,343,843</u>
Net cash provided by operating activities	<u>4,343,843</u>
Investing Activities	
Purchase of investments	(1,272,796)
Proceeds from beneficial interest in assets held by others	547,409
Purchase of beneficial interest in assets held by others	(237,320)
Purchase of property and equipment	(178,549)
	<u>(1,141,256)</u>
Net cash used in investing activities	<u>(1,141,256)</u>
Financing Activities	
Principal payments on finance lease liability	(35,848)
	<u>(35,848)</u>
Net cash used in financing activities	<u>(35,848)</u>
Increase in Cash	3,166,739
Cash, Beginning of Year	<u>2,693,471</u>
Cash, End of Year	<u><u>\$ 5,860,210</u></u>
Reconciliation of Cash	
Cash	\$ 5,183,464
Restricted cash	676,746
	<u><u>\$ 5,860,210</u></u>

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

June 30, 2023

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

United Way of Greater Kansas City, Inc. (the “Organization”) is a not-for-profit organization focused on community impact, seeking to improve lives and strengthen communities. The Organization works collaboratively with a wide range of community partners to achieve lasting results through a combination of organization initiatives and funding of health and human service programs. The Organization’s primary source of revenue is an annual fundraising campaign.

The Organization’s revenues and other support are derived principally from contributions and federal and state grants and its activities are conducted principally in the Kansas City area.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents. At June 30, 2023, the Organization’s cash accounts cumulatively exceeded federally insured limits by approximately \$5,203,000.

Restricted Cash Quasi Endowment

The Organization holds certain cash accounts for board restricted contributions awaiting transfer to the board-designated quasi endowment.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return is reflected in the statement of activities as without donor restrictions and with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

June 30, 2023

Accounts and Grants Receivable

Accounts and grants receivable primarily consist of amounts due from customers under the United Way 211 program and grant funds payable to the Organization as the grantor imposed barriers were met.

Accounts receivable are stated at the amount of consideration from customers of which the Organization has an unconditional right to receive plus any accrued and unpaid interest. If necessary, the Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	3-10 years
Equipment, furniture and fixtures	3-10 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2023.

Payable to Agencies and Other Organizations

Unconditional grants to participating agencies and other approved organizations are recorded when approved by the board of directors and the grantee is notified. Conditional grants are recorded when the grantee has substantially met the conditions of the grant. Generally, all payables to agencies and other organizations are payable within one year.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

June 30, 2023

Amounts Raised on Behalf of Others

Contributions which are donor-designated for specific agencies or communities are considered amounts raised on behalf of others. These amounts are included in designations to agencies on the statement of financial position. Funds are distributed to designated agencies based on the original amounts from the donor.

Refundable Advances

Advances of funds received under conditional contributions and grants for which the stated condition has not been met to be entitled to the funds are recorded as refundable advances.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated from net assets without donor restrictions a board-designated endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Board-Designated Quasi Endowment

The quasi endowment represents the beneficial interest in assets held by others and other general investments, which are designated by the governing body of the Organization to be used in a manner similar to an endowment.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

June 30, 2023

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i> Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i> Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

June 30, 2023

Contributions include amounts received from the annual fundraising campaign conducted each fall. Certain contributions received in the fundraising campaign are designated by donors for specific agencies or for United Way organizations in areas other than the Greater Kansas City area. Accounting standards require organizations receiving contributions that are designated by donors for other organizations exclude such designated contributions from the amount recognized as contributions received and made. The Organization classifies and reports such designations in its statement of activities as a reduction of campaign revenue.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services was \$96,589 for the year ended June 30, 2023.

No amounts have been reflected in the financial statements for donated services related to campaign volunteers since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and financial resources development.

Federal Grants and Grant Revenue

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated by management among the program, management and general and financial resources development categories based on estimated usage and the accumulation of relevant, current and historical data.

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
June 30, 2023

Note 2: Conditional Gifts

The Organization has received the following conditional promises to give at June 30, 2023 that are not recognized in the financial statements:

Conditional promises to give upon incurring qualifying expenses subject to the Uniform Guidance (UG) regulations	\$ 3,373,234
Conditional promises to give upon meeting matching requirements	<u>250,000</u>
	<u><u>\$ 3,623,234</u></u>

Note 3: Contributions Receivable

Contributions receivable consisted of the following as of June 30, 2023:

Due within one year	\$ 9,491,384
Due within one to five years	<u>-</u>
	9,491,384
Less Allowance for uncollectible contributions	<u>1,600,817</u>
	<u><u>\$ 7,890,567</u></u>

Note 4: Beneficial Interest in Trusts

The Organization is the beneficiary under two perpetual trusts administered by an outside party. Under the terms of the trust agreements, the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated fair value of the trust assets was \$727,726 at June 30, 2023. The income from these trusts for the year ended June 30, 2023 was \$11,099.

The Organization is the beneficiary under one charitable remainder trust administered by an outside party. Under the terms of the trust, the Organization has the irrevocable right to receive income earned on the trust assets and a portion of the corpus upon termination of the trust. The estimated value of the trust assets was \$68,458 at June 30, 2023. The income from this trust for the year ended June 30, 2023 was \$588.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

June 30, 2023

Note 5: Beneficial Interest in Assets Held by Others

The Organization has transferred assets to the Greater Kansas City Community Foundation (Foundation) and retained a beneficial interest in those assets. At the time of the transfer, the Organization granted variance power to the Foundation. That power gives the Foundation the right to make the final decision regarding distributions from the Fund. One of the funds held at the Foundation is considered as net assets with restriction. All other funds held at the Foundation are board-designated and, therefore, are considered without restriction. Under the terms of the agreement, the Organization can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, provided the governing board of the Organization and the Foundation approve of the withdrawal. At June 30, 2023, the fair value of the retained beneficial interest in assets held by others was \$10,796,025. The assets of the funds consist of money market, short-term fixed income, intermediate fixed income and equity securities.

The Organization is the beneficiary under a donor advised fund administered by the Catholic Foundation of Northeast Kansas (CFNEK). The establishing document of the fund called for CFNEK to distribute annual net income from the fund to the Organization and to distribute principal from the fund over the course of twenty years. The assets of this fund are not included in the statement of financial position of the Organization since the establishing document of the fund grants CFNEK variance power to modify the beneficiaries, restriction or condition of the distribution of the funds. Contribution income from this fund for 2023 was \$116,128.

Note 6: Property and Equipment

Property and equipment at June 30, 2023 consists of:

Leasehold improvements	\$ 879,820
Construction in progress - leasehold improvements	172,955
Equipment, furniture and fixtures	186,520
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	1,239,295
Less accumulated depreciation and amortization	1,051,085
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	\$ 188,210
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Note 7: Line of Credit

The Organization has a \$3,000,000 revolving bank line of credit. The revolving bank line expires in January 2024. There were no outstanding borrowings on the line at June 30, 2023. Interest varies based on the one month SOFR index plus 1.5 percentage points with a minimum interest rate of 2.75 percent, which was 6.64 percent at June 30, 2023 and is payable monthly.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

June 30, 2023

Note 8: Leases

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Organization adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with nonlease components that relate to the lease components. The Organization did not elect the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Organization did not elect to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$526,704 and \$656,147, respectively, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent and lease incentives were reclassified as a component of the ROU assets for a total of \$129,443. The standard did not significantly affect the statements of financial position, activities or cash flows.

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization accounts for the lease and nonlease components separately. The Organization allocates the consideration to the lease and nonlease components using their relative standalone values.

United Way of Greater Kansas City, Inc.

Notes to Financial Statements

June 30, 2023

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all operating lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of copiers for use in the office. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

Operating Leases

The Organization has a lease for office space that expires in 2023. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Organization has no material related-party leases.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of June 30, 2023, the Organization has entered into an additional operating lease, primarily for office space, that has not yet commenced. This operating lease will commence in fiscal year 2024 with lease terms of 10 years.

United Way of Greater Kansas City, Inc.
Notes to Financial Statements
June 30, 2023

Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2023 are:

Lease cost	
Finance lease cost	
Amortization of right-of-use asset	\$ 21,923
Interest on lease liabilities	3,232
Operating lease cost	<u>380,727</u>
Total lease cost	<u><u>\$ 405,882</u></u>
Other Information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (<i>i.e.</i> , interest)	\$ 3,054
Financing cash flows from finance leases (<i>i.e.</i> , principal portion)	33,620
Operating cash flows from operating leases	472,098
Weighted-average remaining lease term in years for finance leases	3.02
Weighted-average remaining lease term in years for operating leases	0.42
Weighted-average discount rate for finance leases	8.81%
Weighted-average discount rate for operating leases	2.88%

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2023, are as follows:

	Finance Leases	Operating Leases
	<u> </u>	<u> </u>
2024	\$ 11,659	\$ 196,708
2025	6,656	-
2026	6,656	-
2027	<u>2,773</u>	<u>-</u>
Total future undiscounted lease payments	27,744	196,708
Less imputed interest	<u>(3,174)</u>	<u>(940)</u>
Lease liabilities	<u><u>\$ 24,570</u></u>	<u><u>\$ 195,768</u></u>

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Note 9: Endowment

The Organization's governing body is subject to the *State of Missouri Prudent Management of Institutional Funds Act* (SPMIFA). As a result, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures.

Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The Organization's endowment consists of three individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2023 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,039,517	\$ 1,039,517
Accumulated investment gains	-	1,407,445	1,407,445
Board-designated endowment funds	9,025,810	-	9,025,810
Total endowment funds	<u>\$ 9,025,810</u>	<u>\$ 2,446,962</u>	<u>\$ 11,472,772</u>

Changes in endowment net assets for the year ended June 30, 2023, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 8,270,345	\$ 2,230,187	\$ 10,500,532
Investment return, net	755,465	216,775	972,240
Endowment net assets, end of year	<u>\$ 9,025,810</u>	<u>\$ 2,446,962</u>	<u>\$ 11,472,772</u>

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Total board-designated endowment funds are reflected in the statement of financial position at June 30, 2023 as follows:

Restricted cash - Quasi Endowment	\$ 676,746
Beneficial interest in assets held by others - Quasi Endowment	<u>8,349,064</u>
 Total board-designated endowment funds	 <u><u>\$ 9,025,810</u></u>

Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity, as well as those of board-designated endowment funds. During the year ended June 30, 2023, endowment assets are targeted for a ratio of 60 percent equity securities and 40 percent fixed income securities. The Organization expects its endowment funds to provide an average rate of return of approximately 5 percent annually based on the fund’s average balance over the previous three years. Any portion of investment returns that is not distributed for a particular calendar year will be reinvested. 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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Underwater Endowments

The governing body 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. At June 30, 2023, no endowments were considered underwater.

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Note 10: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 were available for the following purposes or periods:

Subject to expenditure for specified purpose	
Centennial 2.0 - Legacy Fund	\$ 160,309
Diversity in Leadership	118,431
Education	15,299
Eviction Prevention	650,190
Income	1,111,219
Other	276,426
	2,331,874
Subject to passage of time	
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	2,000,000
Beneficial interest in trusts	68,458
	2,068,458
Endowments	
Subject to endowment spending policy and appropriation for general use	2,446,962
Not subject to spending policy or appropriation	
Beneficial interest in perpetual trusts	727,726
	\$ 7,575,020

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Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2023 have been designated for the following purposes:

Undesignated	\$ 1,724,999
Designated by the Board for endowment	<u>9,025,810</u>
Net assets without donor restrictions	<u><u>\$ 10,750,809</u></u>

Net Assets Released from Restrictions

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

Expiration of time restrictions	\$ 2,000,000
Satisfaction of purpose restrictions	
Children and Families	130,088
Choice Neighborhoods	23,982
Education	165,949
Eviction Prevention	5,777,688
Financial Stability	342,084
Health	1,074,658
Income	113,368
Promise 1000	563,688
Youth Build	494,016
Other	331,599
Equity	<u>546,800</u>
	<u><u>\$ 11,563,920</u></u>

Note 11: Related Party Transactions

Contributions and Contributions Receivable

The Organization received approximately \$652,000 from board members and management during the year ended June 30, 2023, of which approximately \$257,000 was recorded as a contribution receivable as of June 30, 2023.

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Notes to Financial Statements

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Leasehold Improvements

The Organization entered into a contract with a construction firm that has members of management on the Board of Trustees. The total amounts paid during the fiscal year ended June 30, 2023 was \$172,955.

Note 12: Employee Benefit Plans

Defined Contribution Plan

The Organization sponsors a 403(b) defined contribution plan, where eligible employees may defer a percentage of their salary to such plan. This plan includes a 50 percent employer matching contribution for the first 8 percent of salary contributed by employees. The Organization's matching contributions amounted to \$121,774 for the year ended June 30, 2023.

The plan also allows for a discretionary contribution, if financially feasible. During the year ended June 30, 2023, the Organization made additional discretionary contributions to the 403(b) plan of \$351,709.

Deferred Compensation Plan

The Organization also sponsors a 457(b) deferred compensation plan for the executive management team. The plan includes an employer discretionary contribution on behalf of the participants and also participant contributions based on a chosen deferral amount documented in Salary Reduction Agreements. During the year ended June 30, 2023, the Organization made a discretionary contribution of \$20,500 to the 457(b) plan. An asset and corresponding liability are recorded in the statement of financial position for \$23,147 as of June 30, 2023, representing the amounts held in the plan which have been contributed by the employer or plan participants and the funds owed to the participants.

Note 13: Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing agency allocation and grants, community service programs, administrative and general expenses, and financial resources development expenses. To ensure financial assets are available, the Organization prepares annual operating and capital budgets for the upcoming fiscal year.

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As of June 30, 2023, the following financial assets could readily be made available within one year of the statement of financial position to meet general expenditures:

Financial Assets	
Cash	\$ 5,183,464
Contributions receivable, net	7,890,567
Accounts and grants receivable	908,906
Investments	<u>2,239,009</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 16,221,946</u></u>

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended June 30, 2023, restricted contributions of \$4,331,874 were included in financial assets available to meet cash needs for general expenditures within one year.

In addition, the Organization holds board designated endowment funds totaling \$9,025,810 as of June 30, 2023. Although the Organization does not intend to spend from its quasi-endowment, other than investment income appropriated for general expenditures, amounts from the quasi-endowment could be made available if necessary. The Organization also has a revolving bank line of credit available to meet short-term needs. See *Note 7* for information about this line of credit.

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments - U.S. government treasury notes	\$ 1,737,661	\$ -	\$ 1,737,661	\$ -
Investments held at cost - certificates of deposit	501,348			
Subtotal investments	<u>2,239,009</u>			
Beneficial interest in assets held by others	10,796,026	-	10,796,026	-
Beneficial interest in trusts	796,184	-	-	796,184
Other assets				
Deferred compensation (457b) - mutual funds	<u>23,147</u>	<u>23,147</u>	<u>-</u>	<u>-</u>
	13,854,366	23,147	12,533,687	796,184
Accrued expenses				
Deferred compensation (457b) - obligations	23,388	23,388	-	-

Following is a description of valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2023.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Assets Held by Others

The value of certain interest in assets held by others is determined using net asset value which estimates fair value. Investments for which the Organization expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2.

Beneficial Interest in Trusts

Fair value is estimated based on the Organization's beneficial interest in the trust assets which represents the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Deferred Compensation (457b) Investment and Accrued Expenses

The deferred compensation plan is invested in mutual funds which have a readily determinable fair value and are classified as Level 1.

Transfers To and From Level 3

During the year ended June 30, 2023, \$8,966 of the corpus was distributed from a beneficial interest in trust which is a transfer out of Level 3.

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Unobservable Level 3 Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at 6/30/2023	Valuation Technique	Unobservable Inputs
Beneficial interest in trusts	\$ 796,184	Estimated value of the expected future cash flows	Present value of estimated future cash flows

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

Contributions Receivable

Approximately 37 percent of contributions receivable as of June 30, 2023 were due from one entity (inclusive of corporate and individual gifts).

Contributions Receivable Allowance

The Organization estimates the allowance for uncollectible contributions receivable based upon a review of outstanding receivables, historical collection information and existing economic conditions. It is at least reasonably possible that actual collection could differ materially from the contributions receivable currently reported in the accompanying statement of financial position.

Campaign Revenue

Approximately 59 percent of gross campaign revenue was from two entities for the year ended June 30, 2023.

Grants and Federal Grants Revenue

Approximately 66 percent of grants and federal grants revenue for the year ended June 30, 2023 was from three grantors.

United Way of Greater Kansas City, Inc.

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Functional Allocation of Expenses

As discussed in *Note 1*, certain costs have been allocated among the program, management and general and financial resources development categories based on management's estimate of usage and other methods.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 change could materially affect the amounts reported in the accompanying statement of financial position.

Note 16: Revision

A revision in the amount of \$625,728 was made to correct a clerical error. This error resulted in an overstatement of the gross provision for uncollectible pledges and an overstatement of the gross campaign revenues on the statement of activities. The presentation of the statement of activities reflects the proper amount of gross campaign revenues and gross provision for uncollectible pledges. The revision did not have any impact on the change in net assets, net campaign revenue, or any net asset restrictions.

Note 17: Subsequent Events

Subsequent to the year end, the Organization signed a three-year commitment with a vendor for a total value of \$5,250,000.

A new 10-year operating lease is anticipated to commence on December 1, 2023. The lease is expected to have annual payments ranging from approximately \$481,000 to \$601,000.

Subsequent events have been evaluated through December 21, 2023, which is the date the financial statements were available to be issued.