

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants and Single Audit Reports

United Way of Metropolitan Chicago, Inc.

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
United Way of Metropolitan Chicago, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of United Way of Metropolitan Chicago, Inc., which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards for the year ended June 30, 2021, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information on page 30 is presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 15, 2021, on our consideration of the United Way of Metropolitan Chicago, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the United Way of Metropolitan Chicago, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the United Way of Metropolitan Chicago, Inc.'s internal control over financial reporting and compliance.

Grant Thornton LLP

Chicago, Illinois
December 15, 2021

United Way of Metropolitan Chicago, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30,
(Dollars in thousands)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 46,592.3	\$ 13,549.7
Pledges receivable, net	12,919.2	24,474.9
Beneficial interest in split-interest agreement	101.5	90.2
Other receivables and prepaid expenses	652.3	1,111.3
Total current assets	60,265.3	39,226.1
Long-term pledges receivable, net	149.9	319.1
Beneficial interest in split-interest agreement, long term	913.5	811.4
Investments	8,814.1	7,252.9
Property and equipment, net	1,065.4	1,213.7
Total assets	\$ 71,208.2	\$ 48,823.2
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,745.2	\$ 2,528.2
Designation and pledge processing payables	947.0	2,789.9
Deferred rent	847.3	861.2
Refundable advance	2,000.0	-
Loan payable	800.0	400.0
Total current liabilities	8,339.5	6,579.3
Non-current liabilities		
Loan payable	2,000.0	2,800.0
Deferred rent	1,031.5	1,236.0
Asset retirement obligation	246.1	240.0
Obligations for retirement benefits	1,130.1	1,778.2
Total non-current liabilities	4,407.7	6,054.2
Total liabilities	12,747.2	12,633.5
Net assets		
Without donor restrictions	23,951.7	(4,696.3)
With donor restrictions	34,509.3	40,886.0
Total net assets	58,461.0	36,189.7
Total liabilities and net assets	\$ 71,208.2	\$ 48,823.2

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Chicago, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2021
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Public support and other revenue			
Current year campaign	\$ 56,105.7	\$ 8,508.6	\$ 64,614.3
Amounts designated to other organizations	(16,047.6)	-	(16,047.6)
Provision for uncollectible pledges	-	(915.0)	(915.0)
Net from current year campaign	40,058.1	7,593.6	47,651.7
Contributions received for future campaigns	-	0.7	0.7
Collections from, and adjustments to, prior years' campaigns	1,167.2	-	1,167.2
Net assets released from time restrictions	5,369.0	(5,369.0)	-
Net campaign revenue	46,594.3	2,225.3	48,819.6
Other public support and other revenue			
Grants and other contributions	12,395.9	3,513.2	15,909.1
Paycheck Protection Program	8.5	-	8.5
Gifts in-kind and contributed services	1,444.6	-	1,444.6
Net assets released from purpose restrictions	15,345.8	(15,345.8)	-
Net assets restricted in consolidation	(1,883.3)	1,883.3	-
Pledges and designations processing fees and other revenue	360.3	-	360.3
Total other public support and other revenue	27,671.8	(9,949.3)	17,722.5
Total public support and other revenue	74,266.1	(7,724.0)	66,542.1
Grantmaking and other expenses			
Programs			
Grantmaking and other funding	39,646.0	-	39,646.0
Less amounts designated to other organizations	(16,047.6)	-	(16,047.6)
Other program expenses	16,264.0	-	16,264.0
Total programs	39,862.4	-	39,862.4
Management and general	4,379.0	-	4,379.0
Fundraising	2,848.6	-	2,848.6
Total grantmaking and other expenses	47,090.0	-	47,090.0
Changes in net assets from operations	27,176.1	(7,724.0)	19,452.1
Non-operating activities			
Investment return, net	524.1	1,439.4	1,963.5
Interest expense	(72.4)	-	(72.4)
Endowment contributions	14.1	-	14.1
Net assets released from time restriction	302.0	(302.0)	-
Change in value of split-interest agreements	-	209.9	209.9
Total non-operating activities	767.8	1,347.3	2,115.1
Changes in net assets before pension-related changes	27,943.9	(6,376.7)	21,567.2
Pension-related changes other than net periodic pension cost	704.1	-	704.1
CHANGES IN NET ASSETS	28,648.0	(6,376.7)	22,271.3
Net assets, beginning of year	(4,696.3)	40,886.0	36,189.7
Net assets, end of year	\$ 23,951.7	\$ 34,509.3	\$ 58,461.0

The accompanying notes are an integral part of this consolidated financial statement.

United Way of Metropolitan Chicago, Inc.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating			
Public support and other revenue			
Current year campaign	\$ 32,899.9	\$ 8,789.4	\$ 41,689.3
Amounts designated to other organizations	(18,667.9)	-	(18,667.9)
Provision for uncollectible pledges	-	(1,845.0)	(1,845.0)
Net from current year campaign	14,232.0	6,944.4	21,176.4
Contributions received for future campaigns	20.3	15.3	35.6
Collections from, and adjustments to, prior years' campaigns	404.9	-	404.9
Net assets released from time restrictions	7,221.4	(7,221.4)	-
Net campaign revenue	21,878.6	(261.7)	21,616.9
Other public support and other revenue			
Grants and other contributions	26,762.1	24,165.0	50,927.1
Paycheck Protection Program	1,347.4	-	1,347.4
Gifts in-kind and contributed services	1,253.2	-	1,253.2
Net assets released from purpose restrictions	3,079.4	(3,079.4)	-
Net assets restricted in consolidation	(1,666.7)	1,666.7	-
Pledges and designations processing fees and other revenue	719.6	-	719.6
Total other public support and other revenue	31,495.0	22,752.3	54,247.3
Total public support and other revenue	53,373.6	22,490.6	75,864.2
Grantmaking and other expenses			
Programs			
Grantmaking and other funding	58,464.9	-	58,464.9
Less amounts designated to other organizations	(18,667.9)	-	(18,667.9)
Other program expenses	5,635.8	-	5,635.8
Total programs	45,432.8	-	45,432.8
Management and general	3,253.7	-	3,253.7
Fundraising	3,325.1	-	3,325.1
Total grantmaking and other expenses	52,011.6	-	52,011.6
Changes in net assets from operations	1,362.0	22,490.6	23,852.6
Non-operating activities			
Investment return, net	60.1	(3.3)	56.8
Interest expense	(83.0)	-	(83.0)
Endowment contributions	2.5	-	2.5
Net assets assumed in acquisition	49.8	-	49.8
Net assets released from time restriction	276.0	(276.0)	-
Change in value of split-interest agreements	-	6.9	6.9
Total non-operating activities	305.4	(272.4)	33.0
Changes in net assets before pension-related changes	1,667.4	22,218.2	23,885.6
Pension-related changes other than net periodic pension cost	(498.9)	-	(498.9)
CHANGES IN NET ASSETS	1,168.5	22,218.2	23,386.7
Net assets, beginning of year	(5,864.8)	18,667.8	12,803.0
Net assets, end of year	\$ (4,696.3)	\$ 40,886.0	\$ 36,189.7

The accompanying notes are an integral part of this consolidated financial statement.

United Way of Metropolitan Chicago, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,
(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 22,271.3	\$ 23,386.7
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	181.4	183.9
Realized and unrealized investment (gains) losses	(1,650.4)	168.0
Changes in operating assets and liabilities		
Pledges receivable	11,724.9	(15,481.3)
Beneficial interest in split-interest agreements	(113.4)	91.3
Other receivables and prepaid expenses	459.0	(765.5)
Refundable advance	2,000.0	(125.0)
Deferred rent	(218.4)	(204.6)
Designation and pledge processing payables	(1,842.9)	219.8
Accounts payable and accrued expenses	1,217.0	646.0
Obligations for retirement benefits	(648.1)	209.1
Asset retirement obligation	6.1	5.8
	<u>33,386.5</u>	<u>8,334.2</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(33.1)	(28.8)
Sales of investments	302.0	831.7
Purchases of investments	(212.8)	-
	<u>56.1</u>	<u>802.9</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Principal payment on debt	(400.0)	(800.0)
Principal payments under capital lease obligation	-	(43.2)
	<u>(400.0)</u>	<u>(843.2)</u>
Net cash used in financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>33,042.6</u>	<u>8,293.9</u>
Cash and cash equivalents, beginning of year	<u>13,549.7</u>	<u>5,255.8</u>
Cash and cash equivalents, end of year	<u>\$ 46,592.3</u>	<u>\$ 13,549.7</u>
Supplemental data		
Cash paid during the year for interest	<u>\$ 72.4</u>	<u>\$ 83.0</u>

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Chicago, Inc.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,
(Dollars in thousands)

	2021				2020			
	Programs	Management and General	Fundraising	Total	Programs	Management and General	Fundraising	Total
Grantmaking and other funding	\$ 39,646.0	\$ -	\$ -	\$ 39,646.0	\$ 58,464.9	\$ -	\$ -	\$ 58,464.9
Less amounts designated to other organizations	(16,047.6)	-	-	(16,047.6)	(18,667.9)	-	-	(18,667.9)
Net grantmaking and other funding	23,598.4	-	-	23,598.4	39,797.0	-	-	39,797.0
Salaries	3,464.5	2,005.6	1,645.4	7,115.5	2,710.5	1,683.5	2,008.2	6,402.2
Defined benefit plan (frozen)	-	0.2	-	0.2	-	5.8	-	5.8
Benefits and payroll taxes	627.0	424.3	332.4	1,383.7	475.1	352.7	386.6	1,214.4
Total salaries and related expenses	4,091.5	2,430.1	1,977.8	8,499.4	3,185.6	2,042.0	2,394.8	7,622.4
Professional fees	10,658.7	1,014.9	260.5	11,934.1	364.5	425.1	175.1	964.7
Office supplies and expenses	32.5	10.1	5.8	48.4	43.4	13.6	9.0	66.0
Telephone	12.5	21.2	-	33.7	8.3	46.7	3.9	58.9
Postage and related expenses	2.2	15.8	12.2	30.2	3.2	12.3	9.9	25.4
Occupancy	223.4	337.6	247.6	808.6	218.1	279.8	284.8	782.7
Equipment rental and maintenance	10.4	111.2	0.3	121.9	17.9	82.2	2.8	102.9
Printing, publications and advertising	858.9	59.5	73.3	991.7	1,448.9	70.0	135.9	1,654.8
Employee business expenses	8.2	3.6	1.2	13.0	33.5	10.9	35.5	79.9
Meetings and events	4.1	1.5	1.1	6.7	9.2	1.9	6.6	17.7
Dues - United Way Worldwide	178.8	271.1	198.2	648.1	137.2	183.0	179.2	499.4
Insurance and miscellaneous	132.7	26.7	15.0	174.4	114.7	20.6	20.6	155.9
Total expenses before provision for depreciation and amortization	39,812.3	4,303.3	2,793.0	46,908.6	45,381.5	3,188.1	3,258.1	51,827.7
Depreciation and amortization	50.1	75.7	55.6	181.4	51.3	65.6	67.0	183.9
Total functional expenses	\$ 39,862.4	\$ 4,379.0	\$ 2,848.6	\$ 47,090.0	\$ 45,432.8	\$ 3,253.7	\$ 3,325.1	\$ 52,011.6

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020
(Dollars in thousands)

NOTE A - NATURE OF ORGANIZATION AND RELATED-PARTY TRANSACTIONS

United Way of Metropolitan Chicago, Inc. ("UWMC") is an Illinois non-profit philanthropic corporation whose mission is to improve lives in the metropolitan Chicago area by mobilizing caring people to invest in the community where their resources are needed the most. In April 2018, UWMC and Robert R. McCormick Foundation ("McCormick") established a 501(c)(3) organization, the United Way - McCormick Partnership for Strong Neighborhoods, Inc. ("UWMP" or "Partnership"). UWMC controls UWMP through its voting interests. UWMC and UWMP, collectively, are referred to as the "Organization."

The Organization serves as a critical community convener, generating and coordinating resources across individual donors, corporations, service providers, and government and civic leaders to improve lives and strengthen neighborhoods on a meaningful scale.

The vision of the Organization is that greater Chicago neighborhoods are all places where people want to live, and where individuals and families can readily access the tools, resources and systems they need to succeed. The Organization funds best-in-class human service agencies that provide education, financial stability, health and basic needs support in high-need communities; invests in and co-builds solutions on the ground to address specific neighborhood challenges; convenes community leaders to make systemic change and advocates on behalf of families and human services. To raise support for its work, the Organization conducts workplace giving campaigns each year, beginning in late summer and lasting approximately 18 months through the end of the subsequent calendar year. The Organization also receives individual and major gifts outside of the workplace, and grants and other contributions directly from private foundations and other organizations. These funds are reflected as "grants and other contributions" on the consolidated statements of activities. In FY21 and FY20, the Organization raised \$9,424.0 and \$45,840.4, respectively, in grant income to support communities significantly impacted by the coronavirus outbreak. The level of contributions to the Organization can be affected by economic conditions.

Contributions are also received through the Organization and distributed to additional designated agencies at the specific request of its donors, thus acting as a fiscal agent on behalf of its donors. A decrease in undesignated contributions from corporate and individual donors may adversely affect the Organization's ability to execute its mission and achieve its vision for the metropolitan Chicago region.

Several companies managed by members of the Organization's Boards of Directors traditionally conduct campaigns in the ordinary course of business. In addition, the Organization receives contributions directly from members of the Organization's Boards of Directors. Such amounts, received from the directors, totaled \$717.0 and \$2,005.6 for the years ended June 30, 2021 and 2020, respectively.

Effective at the close of business on June 30, 2020, UWMC acquired the Barrington Area United Way without transferring consideration.

The fair values of Barrington Area United Way's assets and liabilities at the acquisition date are as follows:

Cash and cash equivalents	\$	55.8
Accounts payable and accrued expenses		(8.5)
	\$	<u>47.3</u>

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020
(Dollars in thousands)

Principles of Consolidation

The consolidated financial statements include the accounts and activities of UWMC and UWMP. Reclassifications from net assets without donor restriction to net assets with donor restriction of \$1,883.3 and \$1,666.7 are included in the 2021 and 2020 consolidated statement of activities, respectively, to reflect that UWMP's net assets without donor restriction are for a purpose narrower than that of UWMC. All significant transactions have been eliminated in the consolidated financial statements.

UWMP was organized and operates exclusively for charitable and educational purposes. Specifically, the Partnership was established to make grants with the objective of creating positive change in the Chicago Metropolitan Area by supporting networks of community organizations that are actively focused on creating solutions for each community's most pressing problems.

UWMC and McCormick are Members, with UWMC having four voting interests and McCormick having two voting interests. Members have the right to approve acceptance of gifts, grants, and donations, appoint or remove Directors, and approve changes to the Articles of Incorporation. The bylaws of UWMP specify that any gift, grant, donation, bequest or devise for general purposes or for any special purpose and any distribution upon dissolution and any grants must be approved by McCormick.

UWMC is responsible for the operations and day-to-day functions of UWMP, including but not limited to bookkeeping, recordkeeping, accounting, and the operations, communications, and involvement between UWMP and grantees in the communities served. UWMC and UWMP have entered into a Service Agreement. In fiscal years 2021 and 2020, UWMC received compensation for the services performed totaling \$244.0 and \$276.5, respectively. The Service Agreement terminates each December 31 and is extendable with 30 days' notice from UWMC.

Results of UWMC Campaign

For fiscal years 2021 and 2020, total contributions recorded in the accompanying consolidated statements of activities were:

	2021	2020
Prior campaign beginning in calendar year 2019	\$ -	\$ 41,689.3
Current campaign beginning in calendar year 2020	64,614.3	35.6
Future campaigns beginning in subsequent fiscal years	0.7	-
	<u>\$ 64,615.0</u>	<u>\$ 41,724.9</u>

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Credit Risk Concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and pledges receivable. The Organization's investment policy is intended to limit its exposure to credit risk. The Organization maintains cash in bank deposit accounts, which may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020
(Dollars in thousands)

Revenue Recognition

Donors generally pledge or give a majority of their contributions during the first six to nine months of each annual campaign. The Organization recognizes revenue at fair value in the period the pledge is received or, in the absence of a pledge, when cash is received from the donor. The Organization considers all support as without donor restriction unless specifically restricted by the donor as to purpose or for the passage of time.

UWMC receives conditional multi-year grants in support of neighborhood-specific solutions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The total amounts of conditional promises to give are \$6,000.0 and \$7,700.0 at June 30, 2021 and 2020, respectively.

UWMC performs support services for an adjacent United Way organization essentially under a cost-reimbursement contract. The cost reimbursement is recognized ratably as services are performed based on contractually agreed-upon fees. The cost reimbursement offsets the associated expenses of performing these services in the consolidated statements of activities.

Contributions Designated to Other Organizations

Donor organizations and individuals participating in such entities' campaigns may choose to designate all or part of their contributions to specific charitable organizations. These transactions are reported as part of the current year campaign and are deducted as "Amounts designated to other organizations" to arrive at net campaign revenue and deducted from grantmaking and other expenses to arrive at program expenses. Amounts designated where donation funds are received directly by UWMC are recorded as "Designations payable" until paid to the designated charitable organizations. Processing fees of up to 8% of amounts designated, subject to certain limitations, are recorded as designations processing fees revenue and collected through receipt of the designated amounts.

"Amounts designated to other organizations" also include designations that are paid directly to designated charitable organizations by the donor organization, another United Way or a third-party processor.

Gifts In-Kind and Contributed Services

Gifts in-kind include print and broadcast marketing, office equipment, supplies, food or entertainment tickets that the Organization receives directly. Contributed services represent services requiring specialized skills that the Organization would typically purchase, such as legal and consulting services. Gifts in-kind and contributed services are recognized at their estimated fair values at date of receipt with an equal and offsetting amount in expenses in the consolidated financial statements, resulting in no net impact on the change in net assets during the fiscal year.

The following table summarizes gifts in-kind and contributed services for the years ended June 30:

	2021	2020
Gifts in-kind		
Marketing and advertising	\$ 694.6	\$ 1,253.2
Legal fees	750.0	-
Total gifts in-kind	\$ 1,444.6	\$ 1,253.2

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020
(Dollars in thousands)

The Organization receives services from a large number of volunteers who give significant amounts of their time to fundraising campaigns, various committees and programs. However, no amounts for these types of contributed services have been recognized in the consolidated financial statements because such services do not require specialized skills and there is no objective basis available to measure the value of such services.

Grantmaking and Other Funding

The Board of Directors approves grants on a quarterly basis to agencies for each fiscal year extending from July 1 to June 30. Since campaigns are conducted for a calendar year, the Organization funds a portion of the current year and subsequent year grants utilizing funds available from the current year campaign. The Board of Directors approves the grants based on an impact area funding strategy, which is contingent upon actual and estimated future cash availability, agency financial stability, agency compliance with contractual terms and program execution. Accordingly, grants are recorded in the consolidated financial statements when the grant is deemed unconditional as of the financial statement date.

The Organization distributes additional grants to various foundations and organizations that support the Organization's mission. In fiscal years 2021 and 2020, UWMC issued grants of \$3,506.7 and \$3,500.0 to a separate fund of McCormick, which McCormick matched with \$1,753.3 and \$1,750.0, respectively. McCormick then granted \$5,260.0 and \$5,250.0, respectively, to UWMP to support UWMP's charitable and educational purposes. UWMC has committed to an additional \$1,753.3 grant to the separate fund of McCormick, to be paid in fiscal year 2022, which will be subsequently matched by McCormick and granted to the Partnership.

The following summarizes the Organization's community investment for fiscal years ended June 30:

	2021	2020
Grantmaking and other funding		
Impact Grants	\$ 8,487.0	\$ 12,232.0
Neighborhood Networks	4,602.7	4,884.8
COVID-19 Response Fund	7,980.0	21,740.0
Other	2,528.7	940.2
	<hr/>	<hr/>
Total grantmaking and other funding	23,598.4	39,797.0
Amounts designated to other organizations	<hr/> 16,047.6	<hr/> 18,667.9
Total	<hr/> <u>\$ 39,646.0</u>	<hr/> <u>\$ 58,464.9</u>

Functional Allocation of Expenses

The consolidated financial statements include certain expenses that are attributable to one or more programs or supporting functions of the Organization. Those expenses include salaries, benefits and printing, allocated based on employee hours and specific identification when possible.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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Income Taxes

UWMC and UWMP have received favorable determination letters from the Internal Revenue Service ("IRS") stating that they are exempt from federal income taxes under the provisions of 501(c)(3) of the Internal Revenue Code of 1986 ("IRC") as amended, except for income taxes pertaining to unrelated business income. Accounting guidance requires tax effects from uncertain tax positions to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position was to be challenged by a taxing authority.

Management has determined that there are no material uncertain positions that require recognition in the consolidated financial statements. Additionally, no provision for income taxes is reflected in these consolidated financial statements. There is no interest or penalties recognized in the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds and other highly liquid short-term investments with original maturities of three months or fewer and are carried at either cost-plus accrued interest or fair value. The Organization's cash reserve policy is to maintain three months' cash reserves in the form of cash and cash equivalents and short-term investments.

Pledges Receivable

Pledges receivable, recorded at net realizable value, consist principally of uncollected campaign pledges received from companies and their employees. The Organization determines an allowance for uncollectible pledges by considering several factors, including length of time a pledge is past due, previous loss history and the consideration of the general economy for the geographic region as a whole. Allowances are provided for pledge amounts estimated by management to be uncollectible. As of June 30, of each fiscal year, a final accounting is made of the prior year's campaign. Pledges receivable related to the prior campaign that have not been collected are generally considered uncollectible and are written off. Subsequent collections of amounts written off are recorded when received, in "Collections from, and adjustments to, prior years' campaigns" on the consolidated statements of activities.

Investments

Investments consist of institutional equity, fixed income, real estate, money market and commodity-linked mutual funds. Investments are measured at fair value based on the quoted market value of the securities. Realized gains and losses are based on specific identification of the security sold. Interest, dividends, gains and losses related to these funds are recorded as "Investment return, net" on the consolidated statements of activities.

Property and Equipment

Office equipment and software are carried at cost and depreciated using the straight-line method, between three and five years. Equipment is capitalized if it has a cost of five hundred dollars (\$500) or more and a useful life when acquired of more than one year.

Amortization of leasehold improvements is computed using the straight-line method over the lesser of an asset's estimated useful life or the remaining lease term.

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020
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Pledge Processing

Certain major corporations (clients) have contracts with UWMC to process their regional and national pledge processing activities, including processing of amounts that are not part of the local campaign.

Clients remit employee contributions and the corresponding distribution information to UWMC. UWMC consolidates and reconciles the information for a given client and distributes funds according to the clients' instructions. Funds received in this manner are recorded as pledge processing payables until such distributions are completed. In return for these services, UWMC receives contractually agreed-upon pledge processing fees.

Classification of Net Assets

Net assets and changes therein are classified and reported as follows:

Net assets without donor restriction - Net assets without donor restriction include all assets not subject to donor-imposed restrictions. Within net assets without donor restriction are:

Operating net assets: include all operating revenue without donor restriction and expenses that are an integral part of the Organization's programs and supporting activities.

Non-operating net assets: include all investment income, realized and unrealized gains and losses and related investment expenses, contributions to and releases from the Organization's endowment, and gains and losses on disposition of assets.

Board-designated net assets: include all net assets that have been set aside by the Board of Directors for future use.

Net assets with donor restriction - Net assets with donor restrictions represent contributions subject to donor-imposed restrictions. Some restrictions are temporary in nature, stipulating that resources be used for specific purposes or to a specific time period for use. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. Some restrictions are perpetual in nature and mandate the original principal be invested in perpetuity.

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized.

The net appreciation of interest, dividends, and realized and unrealized gains and losses recognized on donor-restricted endowment funds is classified as net assets with donor restriction to be spent as appropriated by the Boards of Directors. Unrealized losses that cause the fair value to fall below the level the donor requires the Organization to maintain are classified within net assets with donor restriction. Net earnings and appreciation that restore these losses are also reflected within net assets with donor restriction.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2021 and 2020
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determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In June 2020, the FASB issued ASU No. 2020-05, *Effective Dates for Certain Entities*, which deferred the effective date for one year. The guidance was effective for the Organization for fiscal year 2021 and implementation did not have a material impact on the consolidated financial statements.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. In June 2020, the FASB issued ASU No. 2020-05, *Effective Dates for Certain Entities*, which deferred the effective date for one year. ASU No. 2016-02 is effective for the Organization for fiscal year 2023. Early adoption is permitted. The Organization is evaluating whether this will have a material impact on the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increased the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU No 2020-07 requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and also requires additional disclosures, including a disclosure of a disaggregation of the amount of contributed nonfinancial assets by category. ASU 2020-07 is effective for the Organization for fiscal year 2022 and early adoption is permitted. The ASU is not expected to have a material impact on the consolidated financial statements.

NOTE C - PLEDGES RECEIVABLE, NET

The following table summarizes pledges receivable, net as of June 30:

	2021	2020
Campaign beginning in calendar year 2019	\$ -	\$ 26,099.9
Campaign beginning in calendar year 2020	13,682.0	-
Current portion of multi-year pledges	152.2	220.0
	<hr/>	<hr/>
Total	13,834.2	26,319.9
Less allowance for uncollectible pledges	<hr/> (915.0)	<hr/> (1,845.0)
	<hr/>	<hr/>
Pledges receivable, net	\$ 12,919.2	\$ 24,474.9

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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Long-term pledges, net, represent multi-year unconditional promises to give that are due in more than one year. The pledges are recorded at their net realizable present value using a discount rate equal to the most commensurate treasury notes. The following table summarizes the balances as of June 30:

	<u>2021</u>	<u>2020</u>
Gross multi-year pledges receivable	\$ 302.2	\$ 549.1
Less current portion	(152.2)	(220.0)
Less unamortized discount	<u>(0.1)</u>	<u>(10.0)</u>
Long-term pledges receivable, net	<u>\$ 149.9</u>	<u>\$ 319.1</u>

NOTE D - BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT

The UWMC Board of Directors' policy is to invest proceeds from bequests in the UWMC Endowment ("Endowment"), unless directed otherwise by the donor.

In fiscal years 2021 and 2020, UWMC received no additional contributions and received \$96.5 and \$98.2, respectively, in collections related to the split-interest agreements, all of which were invested in the Endowment. These additions, changes in valuation and collections resulted in the following changes to the short-term and long-term beneficial interests in the trust assets for the years ended June 30:

	<u>2021</u>	<u>2020</u>
<u>Short-term</u>		
Beginning balance	\$ 90.2	\$ 99.3
Changes in valuation	-	(1.1)
Collections	(96.5)	(98.2)
Transfer from long-term	<u>107.8</u>	<u>90.2</u>
Ending balance	<u>\$ 101.5</u>	<u>\$ 90.2</u>
	<u>2021</u>	<u>2020</u>
<u>Long-term</u>		
Beginning balance	\$ 811.4	\$ 893.6
Changes in valuation	209.9	8.0
Transfer to short-term	<u>(107.8)</u>	<u>(90.2)</u>
Ending balance	<u>\$ 913.5</u>	<u>\$ 811.4</u>

NOTE E - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Long-term investments include donor-restricted, endowment, non-endowment funds and deferred compensation funds for the benefit of UWMC. Refer to Note G for additional information regarding deferred compensation.

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**June 30, 2021 and 2020
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UWMC's long-term investments are composed of institutional equity mutual funds, fixed income mutual funds, commodity-linked mutual funds, real estate equity mutual funds and money market mutual funds. Commodity-linked mutual funds are mutual funds having futures contracts or options and can participate in price moves of underlying commodities. Real estate equity mutual funds are mutual funds that invest in the equity of real estate companies.

The Organization's endowment investment strategy is to preserve, protect and grow the endowment assets to generate enough earnings to be used to meet obligations arising from planned activities. These goals are to be accomplished by achieving a long-term rate of return on the investments that ensures growth of the assets and by diversifying a portfolio among various asset classes with the goal of reducing return volatility among various securities issuers. The allowable asset classes include domestic and international equity, fixed income securities and bonds, and alternative investments such as commodities and real estate.

Total investments at June 30 are summarized as follows:

	2021	2020
Endowment	\$ 8,480.0	\$ 6,984.0
Non-endowment funds	124.6	115.3
Deferred compensation	209.5	153.6
 Total investments	 \$ 8,814.1	 \$ 7,252.9

The fair value of investments, as well as some cash equivalents, is based on observable inputs, such as quoted prices in active markets or other than quoted prices in active markets that are observable either directly or indirectly. Fair value is measured as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tiered fair value hierarchy has been established that prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs, such as quoted prices in active markets;
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which requires the Organization to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Organization uses third-party providers to determine the fair values of its investments. The third-party providers receive market prices from a variety of industry standard data providers with reasonable levels of price transparency.

Investments with values based on quoted market prices in active markets are classified by the Organization as Level 1 and include publicly traded mutual funds. The mutual funds legally and contractually redeem their outstanding shares at net asset value ("NAV").

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The valuation of the beneficial interest in split-interest agreements falls under Level 3, as there are no significant observable inputs. The inputs used by UWMC in estimating the Level 3 beneficial interest in split-interest agreements include future asset growth. Due to lack of observable inputs, the assumptions used by UWMC may significantly impact the resulting fair value of the beneficial interest in split-interest agreements.

The following tables summarize assets measured at fair value as of June 30:

	2021		
	Level 1	Level 3	Total
Investments			
Institutional equity mutual funds	\$ 5,575.9	\$ -	\$ 5,575.9
Fixed income mutual funds	2,314.2	-	2,314.2
Commodity mutual funds	464.1	-	464.1
Real estate equity mutual funds	357.6	-	357.6
Money market mutual funds	102.3	-	102.3
	<u>\$ 8,814.1</u>	<u>\$ -</u>	<u>\$ 8,814.1</u>
Beneficial interest in split-interest agreement	\$ -	\$ 1,015.0	\$ 1,015.0
Cash equivalents			
Money market mutual funds	\$ 29,527.5	\$ -	\$ 29,527.5
	2020		
	Level 1	Level 3	Total
Investments			
Institutional equity mutual funds	\$ 3,975.2	\$ -	\$ 3,975.2
Fixed income mutual funds	2,598.8	-	2,598.8
Commodity mutual funds	220.8	-	220.8
Real estate equity mutual funds	330.2	-	330.2
Money market mutual funds	127.9	-	127.9
	<u>\$ 7,252.9</u>	<u>\$ -</u>	<u>\$ 7,252.9</u>
Beneficial interest in split-interest agreement	\$ -	\$ 901.6	\$ 901.6
Cash equivalents			
Money market mutual funds	\$ 2,846.8	\$ -	\$ 2,846.8

The following table summarizes changes in Level 3 assets for the years ended June 30:

	2021	2020
Balance, beginning of year	\$ 901.6	\$ 992.9
Collections	(96.5)	(98.2)
Change in value	209.9	6.9
	<u>\$ 1,015.0</u>	<u>\$ 901.6</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2021 and 2020
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NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 2,265.6	\$ 2,265.6
Office equipment and software	<u>1,714.2</u>	<u>1,681.1</u>
Total property and equipment	3,979.8	3,946.7
Accumulated depreciation/amortization	<u>(2,914.4)</u>	<u>(2,733.0)</u>
Property and equipment, net	<u>\$ 1,065.4</u>	<u>\$ 1,213.7</u>

NOTE G - POSTRETIREMENT BENEFITS

UWMC sponsors a defined contribution 401(k) retirement plan covering all its eligible employees. UWMC matches, subject to IRS limitations, 50% of the first 6% that an employee contributes, up to a maximum match amount equivalent to 3% of an employee's gross pay. The cost of these plans was \$180.5 and \$162.1 in fiscal years 2021 and 2020, respectively.

UWMC also provides a deferred compensation plan that allows certain officers to defer portions of their compensation. The deferred income obligation was \$209.5 and \$153.6 at June 30, 2021 and 2020, respectively, and is included in "Obligations for retirement benefits," and the related plan assets are included in "Investments" on the consolidated statements of financial position.

In addition, UWMC maintains a non-contributory, single-employer defined benefit pension plan, which was frozen effective December 31, 2003, and covers eligible employees up to that date. Payments are made to eligible retired employees based on earnings, age and years of service.

The plan's funding policy is to contribute amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as UWMC may determine to be appropriate.

The components of net periodic pension cost for the fiscal years ended June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest cost	\$ 115.4	\$ 129.3
Expected return on plan assets	(196.9)	(187.9)
Amortization of actuarial loss	<u>81.7</u>	<u>64.3</u>
	<u>\$ 0.2</u>	<u>\$ 5.7</u>

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**June 30, 2021 and 2020
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The components of the pension-related change other than net periodic pension cost for the fiscal years ended June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Actuarial (gain) loss arising during the year	\$ (622.4)	\$ 563.2
Amortization of actuarial loss	<u>(81.7)</u>	<u>(64.3)</u>
	<u>\$ (704.1)</u>	<u>\$ 498.9</u>

Amounts have not yet been recognized as a component of net periodic pension costs consist of a net actuarial loss of \$2,093.5 and \$2,797.6 at June 30, 2021 and 2020, respectively.

The estimated actuarial loss that will be amortized into net periodic pension cost through June 30, 2022 is \$58.1.

The following table summarizes the weighted-average assumptions used in determining pension costs for the fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>
Discount rate	2.60%	3.40%
Expected return on plan assets	7.00%	7.00%

The weighted-average discount rate used in determining the benefit obligation was 2.70% at June 30, 2021 and 2.60% at June 30, 2020.

The discount rate is determined as of the measurement date based on the discounting of future expected cash flows using the FTSE Pension Discount Curve, a high-quality corporate bond interest rate.

The expected long-term rate of return on plan assets assumption is based on a building block approach. The expected long-term rate of inflation and risk premiums for the various asset categories are based on the current investment environment. General historical market returns, and inflation rates are used in the development of the long-term expected inflation rates and risk premiums. The target allocation of assets is used to develop a composite rate of return assumption.

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**June 30, 2021 and 2020
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The change in benefit obligations, fair value of plan assets and the funded status of the plan for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Change in projected benefit obligation		
Beginning of year	\$ 4,483.2	\$ 3,839.2
Interest cost	115.4	129.3
Actuarial (gain) loss	(178.6)	545.0
Benefits paid	<u>(37.5)</u>	<u>(30.3)</u>
End of year	<u>\$ 4,382.5</u>	<u>\$ 4,483.2</u>
Change in fair value of plan assets		
Beginning of year	\$ 2,858.6	\$ 2,719.4
Actual return on plan assets	640.8	169.5
Benefits paid	<u>(37.5)</u>	<u>(30.3)</u>
End of year	<u>\$ 3,461.9</u>	<u>\$ 2,858.6</u>
Funded status, end of year		
Fair value of plan assets	\$ 3,461.9	\$ 2,858.6
Less projected benefit obligation	<u>(4,382.5)</u>	<u>(4,483.2)</u>
Funded status	<u>\$ (920.6)</u>	<u>\$ (1,624.6)</u>

The funded status obligation is included in obligations for retirement benefits.

UWMC incorporated the Pri-2012 Private Retirement Plans Mortality Table and MP-2020 projection scale as of June 30, 2021 and the Pri-2012 Private Retirement Plans Mortality Table and MP-2019 projection scale as of June 30, 2020.

In February 2018, due to lack of availability of affordable annuities to reduce the size of the plan, the Organization revised the investment strategy. Defined benefit plan assets were invested in a balanced fund composed of 60% equity and 40% fixed income. As of June 30, 2021 and 2020, the plan assets were invested in the balanced fund.

The fair value of the Organization's assets, invested in the balanced fund and valued at NAV, as of June 30, 2021 and 2020, totaled \$3,461.9 and \$2,858.6, respectively, and is classified as a Level 1 investment in the fair value hierarchy.

As of June 30, 2021 and 2020, the Organization had unfunded commitments to the plan of \$920.6 and \$1,624.6, respectively, as its pension liability is not fully funded. The Organization, as sponsor of the pension plan, may terminate the pension plan at any time.

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The following table presents the benefits expected to be paid under UWMC's defined benefit plan in each of the next five fiscal years, and in the aggregate for the five years thereafter, as of June 30, 2021:

2022	\$	91.1
2023		94.8
2024		104.3
2025		117.8
2026		131.2
2027-2031		1,008.1

NOTE H - BOARD-DESIGNATED AND DONOR-RESTRICTED NET ASSETS

Net assets that are not subject to donor-imposed restrictions, may be designated and set aside by the Organization's Board of Directors at their discretion. The Board may elect to release these net assets from designation at any time.

The following table summarizes board-designated net assets as of June 30:

	<u>2021</u>	<u>2020</u>
Board-designated endowment funds	\$ 1,786.4	\$ 1,428.1
Board-designated for reserves	<u>2,544.1</u>	<u>2,329.5</u>
Total board-designated net assets	\$ 4,330.5	\$ 3,757.6

Net assets with donor restriction include contributions or grants subject to donor-imposed restrictions as to purpose that may or will be met by actions of the Organization, or that expire by the passage of time.

The following table summarizes net assets with donor restriction as of June 30:

	<u>2021</u>	<u>2020</u>
Pledges receivable, time restricted for use in future periods	\$ 6,280.3	\$ 6,275.5
Endowment net investment return	3,056.4	1,919.0
Purpose-restricted contributions		
COVID-19 Response / Chicago Connected	12,769.7	23,649.3
United Way Neighborhood Networks	3,476.0	2,703.4
United Way - McCormick Partnership	1,883.3	1,666.7
Fiscally Sponsored Programs	1,444.5	462.8
211	992.8	-
Domestic violence prevention programs	400.0	250.0
Racial Equity Innovation Fund	350.0	-
Various other specific programs	<u>217.3</u>	<u>320.3</u>
Total purpose restricted	21,533.6	29,052.5
Endowment fund, to be held in perpetuity	<u>3,639.0</u>	<u>3,639.0</u>
Total net assets with donor restriction	\$ 34,509.3	\$ 40,886.0

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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The following table summarizes the net assets that were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
COVID-19 Response / Chicago Connected	\$ 12,307.2	\$ -
United Way - McCormick Partnership	1,666.7	1,833.3
United Way Neighborhood Networks	502.8	324.6
Domestic violence prevention programs	250.0	500.0
Siemer Institute Grant	125.0	125.0
Various other specific programs	<u>494.1</u>	<u>296.5</u>
Total purpose restrictions accomplished	15,345.8	3,079.4
Time restrictions expired	5,369.0	7,221.4
Release of appropriated endowment amounts	<u>302.0</u>	<u>276.0</u>
Total net assets released from restrictions	<u>\$ 21,016.8</u>	<u>\$ 10,576.8</u>

Net assets with donor restriction to be held in perpetuity include contributions to endowment funds that are subject to donor-imposed restrictions that cannot be released from restriction by expiration of time or fulfillment of purpose. Net assets with donor restriction to be held in perpetuity at June 30, 2021 and 2020 consist solely of donor endowment funds.

The Organization's endowment consists of Board-designated and donor-restricted funds maintained by UWMC. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization accounts for donor-restricted endowment net assets by preserving the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restriction to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not restricted in perpetuity is also classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Organization.

The Organization's Board of Directors may designate net assets without donor restriction to the endowment fund at its discretion.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds.
- The purposes of the Organization and the donor-restricted endowment funds.
- General economic conditions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

The following table summarizes the endowment net asset composition by type of fund as of June 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,695.4	\$ 6,695.4
Board-designated endowment funds	<u>1,786.4</u>	<u>-</u>	<u>1,786.4</u>
Endowment net assets	<u>\$ 1,786.4</u>	<u>\$ 6,695.4</u>	<u>\$ 8,481.8</u>

During the year ended June 30, 2021, the Organization had the following endowment-related activities:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment, beginning of year	\$ 1,428.1	\$ 5,558.0	\$ 6,986.1
Appropriations	-	(302.0)	(302.0)
Investment return, net	<u>358.3</u>	<u>1,439.4</u>	<u>1,797.7</u>
Endowment, end of year	<u>\$ 1,786.4</u>	<u>\$ 6,695.4</u>	<u>\$ 8,481.8</u>

The following table summarizes the endowment net asset composition by type of fund as of June 30, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,558.0	\$ 5,558.0
Board-designated endowment funds	<u>1,428.1</u>	<u>-</u>	<u>1,428.1</u>
Endowment net assets	<u>\$ 1,428.1</u>	<u>\$ 5,558.0</u>	<u>\$ 6,986.1</u>

During the year ended June 30, 2020, the Organization had the following endowment-related activities:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment, beginning of year	\$ 1,424.4	\$ 5,837.4	\$ 7,261.8
Appropriations	-	(276.0)	(276.0)
Investment return, net	<u>3.7</u>	<u>(3.4)</u>	<u>0.3</u>
Endowment, end of year	<u>\$ 1,428.1</u>	<u>\$ 5,558.0</u>	<u>\$ 6,986.1</u>

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2021 and 2020
(Dollars in thousands)**

NOTE I - LOAN PAYABLE

On June 28, 2016, the Organization entered into a loan agreement for \$5,600.0 with a commercial bank for the purpose of purchasing annuities for the retirees of the frozen defined benefit plan. Interest is fixed at a rate of 2.55% and is payable monthly. Principal payments are due annually from July 1, 2017 through June 28, 2024. The Organization has agreed to certain financial covenants. As of June 30, 2021, the Organization was in compliance with these covenants.

Since the fourth loan payment is due on July 1, 2021, \$800.0 of the principal amount is included in current liabilities. The remaining \$2,000.0 is included in loan payable in non-current liabilities.

Principal maturities are as follows:

Fiscal year 2022	\$	800.0
Fiscal year 2023		800.0
Fiscal year 2024		800.0
Fiscal year 2025		<u>400.0</u>
 Total	\$	<u>2,800.0</u>

NOTE J - FUTURE COMMITMENTS

UWMC entered into an operating lease agreement for office and storage space at 333 South Wabash Avenue, Chicago, Illinois, that expires in 2028. The monthly base rent over the 15-year lease ranges from \$63.4 to \$79.7; however, the agreement provides rent abatement for the first 18 months. Rent expense is recognized on a straight-line basis over the life of the lease. The agreement also provided for tenant improvement and space planning allowances of \$2,097.7. Lease incentives are recognized on a straight-line basis over the life of the lease as reductions to rent expense. Deferred rent was \$1,878.8 and \$2,097.2 at June 30, 2021 and 2020, respectively.

UWMC has recorded an asset and a corresponding liability for the present value of the estimated cost to return the leased office space to its original condition at the end of the lease. The asset is depreciated over the life of the corresponding lease while the liability accretes to the amount of the estimated retirement obligation. The present value of the estimated asset retirement obligation was \$246.1 and \$240.0 at June 30, 2021 and 2020, respectively.

The following table represents the rent expected to be paid under the lease agreement at 333 South Wabash Avenue in each of the next five fiscal years and thereafter:

		<u>Total</u>
2022	\$	876.4
2023		890.3
2024		904.3
2025		918.3
2026		932.2
Thereafter		<u>1,676.8</u>
 Total	\$	<u>6,198.3</u>

Rent expense was \$784.9 and \$728.3 in fiscal years 2021 and 2020, respectively.

United Way of Metropolitan Chicago, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020
(Dollars in thousands)

NOTE K - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of operating requirements.

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 46,592.3	\$ 13,549.7
Pledges receivable, net	12,919.2	24,474.9
Investments without donor restriction	1,910.8	1,543.3
Less board-designated net assets	<u>(4,330.5)</u>	<u>(3,757.6)</u>
Total financial assets available within one year	<u>\$ 57,091.8</u>	<u>\$ 35,810.3</u>

NOTE L - PAYCHECK PROTECTION PROGRAM

On April 18, 2020, UWMC received a Paycheck Protection Program ("PPP") loan of \$1,347.4 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted March 27, 2020. PPP loan funds must be used to maintain compensation costs and employee headcount and other qualifying expenses. UWMC accounts the amount received as a conditional contribution, and since all qualified expenses were incurred prior to June 30, 2020, the total amount is included in grant revenue for fiscal year 2020. Forgiveness for the PPP loan was granted on June 14, 2021.

NOTE M - SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2021, consolidated financial statements for subsequent events through December 15, 2021, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

United Way of Metropolitan Chicago, Inc.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2021
(Dollars in thousands)

	UWMC	UWMP	Elimination Entries	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 46,462.3	\$ 130.0	\$ -	\$ 46,592.3
Pledges receivable, net	12,919.2	1,753.3	(1,753.3)	12,919.2
Beneficial interest in split-interest agreements	101.5	-	-	101.5
Other receivables and prepaid expenses	652.3	-	-	652.3
Total current assets	60,135.3	1,883.3	(1,753.3)	60,265.3
Long-term pledges receivable, net	149.9	-	-	149.9
Beneficial interest in split-interest agreement, long term	913.5	-	-	913.5
Investments	8,814.1	-	-	8,814.1
Property and equipment, net	1,065.4	-	-	1,065.4
Total assets	<u>\$ 71,078.2</u>	<u>\$ 1,883.3</u>	<u>\$ (1,753.3)</u>	<u>\$ 71,208.2</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 3,745.2	\$ -	\$ -	\$ 3,745.2
Designation and pledge processing payables	2,700.3	-	(1,753.3)	947.0
Deferred rent	847.3	-	-	847.3
Refundable advance	2,000.0	-	-	2,000.0
Loan payable	800.0	-	-	800.0
Total current liabilities	10,092.8	-	(1,753.3)	8,339.5
Non-current liabilities				
Loan payable	2,000.0	-	-	2,000.0
Deferred rent	1,031.5	-	-	1,031.5
Asset retirement obligation	246.1	-	-	246.1
Obligations for retirement benefits	1,130.1	-	-	1,130.1
Total non-current liabilities	4,407.7	-	-	4,407.7
Total liabilities	14,500.5	-	(1,753.3)	12,747.2
Net assets	<u>56,577.7</u>	<u>1,883.3</u>	<u>-</u>	<u>58,461.0</u>
Total liabilities and net assets	<u>\$ 71,078.2</u>	<u>\$ 1,883.3</u>	<u>\$ (1,753.3)</u>	<u>\$ 71,208.2</u>

United Way of Metropolitan Chicago, Inc.

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2021
(Dollars in thousands)

	UWMC	UWMP	Elimination Entries	Total
Operating				
Public support and other revenue				
Current year campaign	\$ 64,614.3	\$ -	\$ -	\$ 64,614.3
Amounts designated to other organizations	(16,047.6)	-	-	(16,047.6)
Provision for uncollectible pledges	(915.0)	-	-	(915.0)
Net from current year campaign	47,651.7	-	-	47,651.7
Contributions received for future campaigns	0.7	-	-	0.7
Collections from, and adjustments to, prior years' campaigns	1,167.2	-	-	1,167.2
Net campaign revenue	48,819.6	-	-	48,819.6
Other public support and other revenue				
Grants and other contributions	14,199.1	5,216.7	(3,506.7)	15,909.1
Paycheck Protection Program	8.5	-	-	8.5
Gifts in-kind and contributed services	1,444.6	-	-	1,444.6
Pledges and designations processing fees and other revenue	360.3	-	-	360.3
Total other public support and other revenue	16,012.5	5,216.7	(3,506.7)	17,722.5
Total public support and other revenue	64,832.1	5,216.7	(3,506.7)	66,542.1
Grantmaking and other expenses				
Programs				
Grantmaking and other funding	38,396.7	4,756.0	(3,506.7)	39,646.0
Less amounts designated to other organizations	(16,047.6)	-	-	(16,047.6)
Other program expenses	16,141.9	122.1	-	16,264.0
Total programs	38,491.0	4,878.1	(3,506.7)	39,862.4
Management and general	4,257.0	122.0	-	4,379.0
Fundraising	2,848.6	-	-	2,848.6
Total grantmaking and other expenses	45,596.6	5,000.1	(3,506.7)	47,090.0
Changes in net assets from operations	19,235.5	216.6	-	19,452.1
Non-operating activities				
Investment return, net	1,963.5	-	-	1,963.5
Interest expense	(72.4)	-	-	(72.4)
Endowment contributions	14.1	-	-	14.1
Change in value of split-interest agreements	209.9	-	-	209.9
Total non-operating activities	2,115.1	-	-	2,115.1
Changes in net assets before pension-related changes	21,350.6	216.6	-	21,567.2
Pension-related changes other than net periodic pension cost	704.1	-	-	704.1
CHANGES IN NET ASSETS	22,054.7	216.6	-	22,271.3
Net assets, beginning of year	34,523.0	1,666.7	-	36,189.7
Net assets, end of year	<u>\$ 56,577.7</u>	<u>\$ 1,883.3</u>	<u>\$ -</u>	<u>\$ 58,461.0</u>

SINGLE AUDIT REPORTS

United Way of Metropolitan Chicago, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Amounts Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
Department of the Treasury				
Pass-Through Programs				
City of Chicago				
COVID-19 Coronavirus Relief Fund -Chicago Connected	21.019	134009	\$ -	\$ 3,405,000
Total Department of the Treasury			-	3,405,000
Corporation for National and Community Service				
AmeriCorps	94.006	N/A	-	109,575
Total Corporation for National and Community Service			-	109,575
Department of Health and Human Services				
Pass-Through Programs				
Illinois Department of Human Services				
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds	93.758	82180164F	-	57,244
Total Department of Health and Human Services			-	57,244
Total Expenditures of Federal Awards			\$ -	\$ 3,571,819

The accompanying notes are an integral part of this schedule.

United Way of Metropolitan Chicago, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the United Way of Metropolitan Chicago, Inc. (UWMC) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 - INDIRECT COST RATE

The UWMC has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
United Way of Metropolitan Chicago, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Way of Metropolitan Chicago, Inc. (the "Entity"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2021.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Entity's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Entity's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Entity's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Chicago, Illinois
December 15, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
United Way of Metropolitan Chicago, Inc.

Report on compliance for each major federal program

We have audited the compliance of United Way of Metropolitan Chicago, Inc. (the "Entity") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Entity's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the Entity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Entity's compliance.

Opinion on each major federal program

In our opinion, the Entity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on internal control over compliance

Management of the Entity is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Entity's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Entity's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Chicago, Illinois
December 15, 2021

United Way of Metropolitan Chicago, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.