



The United Way of Greater Lorain County, Inc.

Financial Statements
June 30, 2019 and 2018

Cohen & Co

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THE UNITED WAY OF GREATER LORAIN COUNTY, INC.

June 30, 2019 and 2018

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Independent Auditors' Report

Board of Directors
The United Way of Greater Lorain County, Inc.

We have audited the accompanying financial statements of The United Way of Greater Lorain County, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The United Way of Greater Lorain County, Inc. as of June 30, 2019, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of this ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The United Way of Greater Lorain County, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cleveland, Ohio
October 9, 2019

Cohen & Company Ltd.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 160,378	\$ 119,614	Current portion of long-term debt	\$ 21,494	\$ 11,956
Investments	3,439,727	3,691,782	Accounts payable - Trade and dues	54,271	74,455
Campaign pledges receivable - Net of allowance for uncollectible pledges of \$88,681 (2019) and \$93,991 (2018)	849,154	932,871	- Donor designations	608,375	588,864
Grants receivable	40,500	15,000	Grants payable	552,199	813,769
Interest receivable	7,049	8,039	Accrued expenses	39,911	36,075
Other receivables	960	6,450	Deferred revenue	<u>103,750</u>	<u>33,500</u>
Prepays and deposits	<u>7,273</u>	<u>7,020</u>		1,380,000	1,558,619
	<u>4,505,041</u>	<u>4,780,776</u>	LONG-TERM LIABILITIES		
PROPERTY AND EQUIPMENT			Long-term debt	144,892	365,869
Land	9,100	9,100	Accrued postemployment benefits	<u>17,540</u>	<u>25,847</u>
Building	550,941	550,941		<u>1,542,432</u>	<u>1,950,335</u>
Furniture and equipment	99,763	87,100	COMMITMENTS		
Computers and software	<u>77,118</u>	<u>73,415</u>	NET ASSETS WITHOUT DONOR RESTRICTIONS		
	736,922	720,556	Undesignated	1,791,995	1,428,047
Less: Accumulated depreciation	<u>141,287</u>	<u>104,273</u>	Board designated - Cash flow fund		85,000
	<u>595,635</u>	<u>616,283</u>	- Community impact	277,136	347,550
BENEFICIAL INTEREST IN FUNDS HELD AT COMMUNITY FOUNDATION	<u>21,655</u>	<u>21,945</u>	- Allocation and operation reserve	<u>538,230</u>	<u>598,247</u>
TRUST RECEIVABLE	<u>34,187</u>	<u>32,533</u>		2,607,361	2,458,844
	<u>\$ 5,156,518</u>	<u>\$ 5,451,537</u>	NET ASSETS WITH DONOR RESTRICTIONS	<u>1,006,725</u>	<u>1,042,358</u>
				<u>3,614,086</u>	<u>3,501,202</u>
				<u>\$ 5,156,518</u>	<u>\$ 5,451,537</u>

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
PUBLIC SUPPORT AND REVENUE				
Prior year campaign contributions	\$ 54,199		\$ 54,199	\$ 56,143
Net assets released from restrictions:				
Prior year campaign contributions	1,423,334	\$ (1,423,334)		
Less: Provision for uncollectible pledges	(87,819)	87,819		
Less: Donor designations	(358,916)	358,916		
Current year campaign contributions	810,089	1,327,046	2,137,135	2,182,599
Less: Provision for uncollectible pledges		(82,936)	(82,936)	(87,819)
Less: Donor designations		(338,792)	(338,792)	(358,916)
Designations from other United Ways	76,024		76,024	93,236
Less: Provision for uncollectible pledges	(4,751)		(4,751)	(6,172)
Grants	239,996	28,833	268,829	92,210
Bequests	3,617		3,617	3,660
Sponsorships	4,600		4,600	3,750
Gifts in-kind	12,746		12,746	11,432
Investment income - Net of investment fees	157,596	(289)	157,307	143,287
Change in fair value of trust receivable		1,654	1,654	(444)
Service fees	30,592		30,592	30,950
Special event	13,454		13,454	13,918
Miscellaneous	458		458	1,283
Other contributions	40,000	5,450	45,450	15,082
Total public support and revenue	<u>2,415,219</u>	<u>(35,633)</u>	<u>2,379,586</u>	<u>2,194,199</u>
EXPENSES				
Program service expenses:				
Grants and community services	1,439,862		1,439,862	1,800,019
Information and referral	115,270		115,270	116,991
Financial Stability Free Tax Coalition	53,731		53,731	69,304
Total program service expenses	<u>1,608,863</u>		<u>1,608,863</u>	<u>1,986,314</u>
Other United Way expenses:				
Fundraising	313,464		313,464	299,131
Agency administration	344,375		344,375	344,094
Total other United Way expenses	<u>657,839</u>		<u>657,839</u>	<u>643,225</u>
Total grant, services, dues, and other expenses	<u>2,266,702</u>		<u>2,266,702</u>	<u>2,629,539</u>
CHANGE IN NET ASSETS	148,517	(35,633)	112,884	(435,340)
NET ASSETS - BEGINNING OF YEAR	<u>2,458,844</u>	<u>1,042,358</u>	<u>3,501,202</u>	<u>3,936,542</u>
NET ASSETS - END OF YEAR	<u>\$ 2,607,361</u>	<u>\$ 1,006,725</u>	<u>\$ 3,614,086</u>	<u>\$ 3,501,202</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Program			Fundraising	Agency Administration	Total 2019	Total 2018
	Grants and Community Services	Information and Referral	Financial Stability Free Tax Coalition				
Grants to collaboratives	\$ 982,184					\$ 982,184	\$ 1,439,523
Salaries	130,326	\$ 8,050	\$ 30,247	\$ 148,936	\$ 192,623	510,182	505,730
Employee benefits	23,925	1,483	5,583	27,287	35,451	93,729	111,841
Payroll taxes	9,933	615	2,782	11,870	14,719	39,919	40,508
	<u>164,184</u>	<u>10,148</u>	<u>38,612</u>	<u>188,093</u>	<u>242,793</u>	<u>643,830</u>	<u>658,079</u>
Contract services	193,500	95,834	3,556			292,890	101,053
Volunteer center	30,334					30,334	52,918
Market research and advertising	8,257	1,425	2,095	17,671	3,465	32,913	30,401
Case management and training							26,762
Information systems	5,416	335	1,264	6,177	8,025	21,217	21,031
Maintenance and rental	4,240			4,835	6,282	15,357	15,930
Consulting fees				23,521		23,521	3,424
Professional fees	8,465	4,100	316	9,654	22,288	44,823	63,800
Travel and conferences	3,895		39	5,881	5,734	15,549	19,691
Utilities and telephone	4,139	3,248	656	4,721	6,134	18,898	20,511
Interest					11,888	11,888	15,610
Real estate taxes							13,060
Community workshops	3,076					3,076	3,635
Board development	79			88	4,671	4,838	4,180
Campaign representatives				7,065		7,065	13,003
Supplies	1,492		477	1,386	2,217	5,572	9,044
Campaign and other events	2,313			8,128		10,441	9,102
Development materials				5,796		5,796	6,974
Week of caring	1,565					1,565	1,642
National dues	6,304			7,190	9,341	22,835	23,804
Site coordinators			6,716			6,716	10,162
Insurance	1,662			1,896	2,463	6,021	6,040
Postage	1,113			2,069	1,236	4,418	3,009
Subscriptions and dues	546	180		688	1,947	3,361	9,855
	<u>276,396</u>	<u>105,122</u>	<u>15,119</u>	<u>106,766</u>	<u>85,691</u>	<u>589,094</u>	<u>484,641</u>
Other expenses:							
In-kind	6,373			6,373		12,746	11,432
Depreciation	10,725			12,232	15,891	38,848	35,864
	<u>17,098</u>			<u>18,605</u>	<u>15,891</u>	<u>51,594</u>	<u>47,296</u>
	<u>\$ 1,439,862</u>	<u>\$ 115,270</u>	<u>\$ 53,731</u>	<u>\$ 313,464</u>	<u>\$ 344,375</u>	<u>\$ 2,266,702</u>	<u>\$ 2,629,539</u>

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

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS USED IN OPERATING ACTIVITIES		
Change in net assets	\$ 112,884	\$ (435,340)
Noncash items included in operating activities		
Depreciation	38,848	35,864
Unrealized losses on investments	9,135	27,926
Realized gains on investments	(100,391)	(123,556)
Gain on sale of property and equipment	(33)	(814)
Decrease (increase) in fair value of trust receivable	(1,654)	444
Increase (decrease) in accrued postemployment benefits	(8,307)	686
Increase (decrease) in cash caused by changes in current items		
Campaign pledges receivable - Net	83,717	111,534
Grants receivable	(25,500)	(1,101)
Interest receivable	990	4,327
Other receivables	5,490	(1,881)
Prepays and deposits	(253)	23,867
Accounts payable - Trade and dues	(20,184)	(20,570)
Accounts payable - Donor designations	19,511	(58,279)
Grants payable	(261,570)	212,317
Accrued expenses	3,836	(1,708)
Deferred revenue	70,250	(89,650)
Net cash flow used in operations	<u>(73,231)</u>	<u>(315,934)</u>
CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES		
Purchase of investments	(867,639)	(1,345,598)
Proceeds from redemption/sale of investments	1,211,240	1,745,413
Purchase of property and equipment	(18,367)	(96,488)
Proceeds from sale of property and equipment	200	2,342
	<u>325,434</u>	<u>305,669</u>
CASH FLOWS USED IN FINANCING ACTIVITY		
Repayments on long-term debt	<u>(211,439)</u>	<u>(42,175)</u>
NET INCREASE (DECREASE) IN CASH	40,764	(52,440)
CASH - BEGINNING OF YEAR	<u>119,614</u>	<u>172,054</u>
CASH - END OF YEAR	<u>\$ 160,378</u>	<u>\$ 119,614</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment funded by borrowings on long-term debt		<u>\$ 190,794</u>
Conversion of accounts payable - Trade and dues to long-term debt		<u>\$ 143,345</u>
SUPPLEMENTAL FINANCIAL INFORMATION		
Interest paid	<u>\$ 11,888</u>	<u>\$ 15,610</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The United Way of Greater Lorain County, Inc. (the Organization), is a committed and vital nonprofit organization devoted to identifying, promoting, and supporting the delivery of effective social services to the total community.

Adoption of New Accounting Pronouncement

As of and for the year ended June 30 2019, the Organization adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required have been applied retrospectively for all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Cash

Cash is maintained at financial institutions and may, at times, exceed federally insured amounts. For cash flow purposes, money market funds and certificates of deposit are classified as investments.

Use of Accounting Estimates

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

Revenue Recognition

Pledges of contributions are recorded as revenue at the time pledges are made. All contributions are considered available for unrestricted use, unless received with donor stipulations that limit the use of the assets. When a donor restriction expires, for example, when a 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.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash, long-lived assets or other assets with explicit restrictions that specify how the donated assets must be used are reported as restricted support. Absent explicit donor stipulation about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Campaign Pledges Receivable and Credit Policies

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management estimates an allowance for the aggregate remaining campaign pledges receivable based on historical collectability. Additionally, management individually reviews all campaign pledges receivable balances that exceed one year from pledge date and estimates the portion, if any, of the balance that will not be collected. When receivables are determined to be uncollectible, they are written off against the allowance for uncollectible pledges.

Pledges of contributions are recorded as receivables and net assets with donor restrictions at the time pledges are made. The Organization records special event campaign pledges as net assets without donor restrictions. Net assets are released from restrictions at the time the funds are received and utilized or allocated. Pledge receivables recorded at June 30, 2019 and 2018, are expected to be received within one year and are recorded at their net realizable value.

Donor Designations

Donor designations deducted from current year campaign contributions in the statement of activities consist of all pledges designated to external entities/agencies/programs over which the Organization exercises/retains no discretion as to use due to:

- Donor instruction
- Contractual agreement between the organizations as to the distribution of pledges across service area boundaries
- Other circumstances that remove the Organization's discretion as to use.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments at June 30, 2019 and 2018, are carried at fair value and consist of marketable debt securities and mutual funds. Realized and unrealized gains and losses are recognized in the statement of activities. Investment income as reported is net of related expenses.

Components of investment income for the years ended June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 89,153	\$ 72,842
Realized gains	100,391	123,556
Unrealized losses	(9,135)	(27,926)
Less: Investment fees	<u>(23,102)</u>	<u>(25,185)</u>
	<u>\$ 157,307</u>	<u>\$ 143,287</u>

Property and Equipment

Purchased assets are recorded at cost at the date of acquisition or fair value at date of donation. Routine maintenance, repairs, and minor renewals and replacement of the assets are expensed. Expenditures that significantly increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed by the straight-line method. Assets are depreciated over their estimated useful lives as follows:

Building	30 years
Furniture and equipment	7 years
Computers and software	3 years

Fair Value Measurements

The various inputs that may be used to determine the fair value of the Organization's assets and liabilities are summarized in three broad levels:

- Level 1 - Quoted prices in active markets for identical securities
- Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 - Significant unobservable inputs (including the Organization's own assumptions used to determine value)

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets of the Organization at fair value at June 30, 2019 and 2018:

- Mutual funds and money market funds - Valued at the daily closing price as reported by the fund.
- U.S. government bonds - Valued using pricing models maximizing the use of observable inputs for similar securities.
- Certificates of deposit - Valued based on the quoted prices of similar assets. The certificates have maturities through November 2021.
- Beneficial interest in funds held at Community Foundation of Greater Lorain County (the Foundation) - Valued at fair market value of the portion of the Organization's interest in these funds, as determined by the value of the underlying assets as reported by the Foundation (see Note 4).
- Trust receivable - Valued at fair market value of the portion of the Organization's interest in these funds which approximates the present value of the future distributions expected to be received.

Assets measured at fair value are comprised of the following at June 30, 2019:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,209,503		
Money market funds	70,535		
U.S. government bonds		\$ 608,658	
Certificates of deposit		1,551,031	
Trust receivable		34,187	
Beneficial interest in funds held at the Foundation			\$ 21,655
	<u>\$ 1,280,038</u>	<u>\$ 2,193,876</u>	<u>\$ 21,655</u>

Assets measured at fair value are comprised of the following at June 30, 2018:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,351,444		
Money market funds	235,193		
U.S. government bonds		\$ 883,027	
Certificates of deposit		1,222,118	
Trust receivable		32,533	
Beneficial interest in funds held at the Foundation			\$ 21,945
	<u>\$ 1,586,637</u>	<u>\$ 2,137,678</u>	<u>\$ 21,945</u>

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (continued)

Activity for Level 3 investments is as follows:

Balance at July 1, 2017	\$ 21,834
Change in value of funds held in trust by others	<u>111</u>
Balance at June 30, 2018	21,945
Change in value of funds held in trust by others	<u>(290)</u>
Balance at June 30, 2019	<u>\$ 21,655</u>

See Notes 3, 4, and 5 for a description of the investments.

There were no transfers between levels in either year.

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

Uncertain Tax Positions

The Organization recognizes and discloses uncertain tax positions in accordance with GAAP. As of and during the years ended June 30, 2019 and 2018, the Organization did not have a liability for unrecognized tax benefits.

Gifts in Kind

Donated equipment and services are recorded at fair value when received. For the years ended June 30, 2019 and 2018, the Organization received \$12,746 and \$11,432, respectively, in donated media and other services.

Concentration of Risk

Pledges from one employer organization and its employees accounted for approximately 42% and 48% of public support and revenue for 2019 and 2018, respectively. The same organization and its employees accounted for approximately 20% and 11% of campaign pledges receivable at June 30, 2019 and 2018, respectively.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The statements of activities and functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits and related taxes, occupancy, and overhead, which are allocated on the basis of actual and estimates of time and effort.

Subsequent Events

Management has evaluated subsequent events through October 9, 2019, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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 daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization had investments without donor restrictions of \$3,439,727 and \$3,691,782 at June 30, 2019 and 2018, respectively, which can be drawn upon if necessary. Additionally, the Organization had board designated net assets amounting to \$815,366 and \$945,797 at June 30, 2019 and 2018, respectively. While the Organization does not intend to spend these board designated amounts for purposes other than those identified, the amounts could be made available for current operations if necessary.

The Organization's financial assets available to meet cash needs for general expenditures within one year were as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 160,378	\$ 119,614
Investments	3,439,727	3,691,782
Campaign pledges receivable - Net	849,154	932,871
Grants receivable	40,500	15,000
Interest receivable	7,049	8,039
Other receivables	<u>960</u>	<u>6,450</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,497,768</u>	<u>\$ 4,773,756</u>

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS

The fair value and cost of investments at June 30, 2019 and 2018, are as follows:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 70,535	\$ 70,535	\$ 235,193	\$ 234,627
Mutual funds	1,209,503	993,708	1,351,444	1,071,970
U.S. government bonds	608,658	598,950	883,027	899,516
Certificates of deposit	<u>1,551,031</u>	<u>1,550,825</u>	<u>1,222,118</u>	<u>1,250,825</u>
	<u>\$ 3,439,727</u>	<u>\$ 3,214,018</u>	<u>\$ 3,691,782</u>	<u>\$ 3,456,938</u>

4. BENEFICIAL INTEREST IN FUNDS HELD AT COMMUNITY FOUNDATION

The Organization is the beneficiary of an endowment fund held at the Foundation whose assets have a fair value of \$204,457 and \$205,884 at June 30, 2019 and 2018, respectively. These assets are subject to the Foundation's investment and payout policy. Because the Foundation holds variance power over a portion of the endowment fund, certain funds are not reported on the statement of financial position. Payouts to the Organization are made annually from the Foundation and amounted to \$8,967 and \$8,333 for the years ended June 30, 2019 and 2018, respectively.

The portion of the endowment fund discussed above that the Organization holds variance power over is \$21,655 and \$21,945 at June 30, 2019 and 2018, respectively. These funds are reported as beneficial interest in funds held at Community Foundation on the statement of financial position.

5. TRUST RECEIVABLE

The Organization is a 5.91% beneficiary of a remainder trust. The Organization will receive income from the trust through 2049. At that point, the Organization will be entitled to receive its share of the remaining principal. At June 30, 2019 and 2018, the Organization's portion of the fair market value of the trust is \$34,187 and \$32,533, respectively. The Organization received \$1,691 and \$7,162 in distributions from the trust for the years ended June 30, 2019 and 2018, respectively.

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM DEBT

At June 30, 2019, long-term debt consisted of a note, payable to a bank, funding the purchase and renovation of a building for new office space, with maximum borrowings of \$420,000. The note is payable in monthly installments, including interest at 4.42%, through May 2027. The note is collateralized by the building.

At June 30, 2019, future maturities of long-term debt are as follows:

<u>Year ending June 30,</u>		
2020	\$	21,494
2021		22,463
2022		23,476
2023		24,532
2024		25,638
Thereafter		<u>48,783</u>
	\$	<u>166,386</u>

Total interest incurred on the long-term debt amounted to \$11,888 and \$15,610 in 2019 and 2018, respectively.

7. ACCRUED POSTEMPLOYMENT BENEFITS

The Organization sponsored a life insurance plan that was terminated in 2012. Funds not paid out to retired employees were allocated to employees active at the time the plan was terminated. These funds were put into an interest-bearing account with income and fees allocated ratably based on the original employee amount. Each employee's portion will be paid out upon employee retirement or forfeited to the Organization should an employee leave before retirement age. The balance of this account amounted to \$17,540 and \$25,847 at June 30, 2019 and 2018, respectively, and is included in investments on the statement of financial position. At June 30, 2019 and 2018, accrued postemployment benefits totaled \$17,540 and \$25,847, respectively.

8. BOARD DESIGNATED NET ASSETS

The Board of Directors has approved a reserve fund policy that designates a portion of net assets without donor restrictions of the Organization to provide for three months of allocations and three months of operations that may be required as a result of a significant downturn in the economy. These amounted to \$538,230 and \$598,247 at June 30, 2019 and 2018, respectively.

The Board of Directors had approved a revolving cash flow loan fund that was used to provide short-term financing to nonprofit organizations. The balance of this fund available to be loaned was \$85,000 at June 30, 2018. During 2019, the purpose designation of the funds were met by the Organization.

The Board of Directors has also approved a designation of net assets without donor restrictions of the Organization to provide for future community impact and community collaborations with various companies and organizations in Lorain County. These amounted to \$277,136 and \$347,550 at June 30, 2019 and 2018, respectively.

NOTES TO THE FINANCIAL STATEMENTS

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Campaign pledges	\$ 915,600	\$ 966,530
Capital campaign contributions	6,450	21,350
Grants	28,833	
Trust receivable	<u>34,187</u>	<u>32,533</u>
	985,070	1,020,413
Subject to Organization spending policy and appropriation:		
Investments in perpetuity which, once appropriated, are expendable to support program activities	<u>21,655</u>	<u>21,945</u>
Total net assets with donor restrictions	<u>\$ 1,006,725</u>	<u>\$ 1,042,358</u>

Included in net assets with donor restrictions at June 30, 2019 and 2018, is an endowment held at the Foundation where the principal must be held intact and is subject to the Foundation's investment policy.

10. COMMITMENTS

Leases

The Organization leases equipment to run its operation, under non-cancelable agreements expiring at various times through 2023. The following is a schedule of future minimum lease payments required under non-cancellable operating leases:

<u>Year ending June 30,</u>	
2020	\$ 5,658
2021	5,658
2022	5,374
2023	<u>880</u>
Total minimum payments required	<u>\$ 17,570</u>

Rent expense for the years ended June 30, 2019 and 2018, amounted to \$5,532 and \$5,582, respectively.

Collaboratives

The Organization now organizes and supports community collaboratives, which are groups of cross-sector organizations working formally together to create systems change and target the root causes of complex social problems in the community. Funding available to be allocated in 2019 for use in 2019 and 2020 amounted to \$982,184, with a balance to be paid at June 30, 2019, of \$552,199, which is included in grants payable on the statement of financial position. Remaining funds have been reserved for future community collaboratives and will be allocated as the community collaboratives are approved by the Board of Directors. Funding in future years is contingent upon certain levels of donor funding to the Organization.

NOTES TO THE FINANCIAL STATEMENTS

11. RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan which covers substantially all employees. The Organization will make matching contributions to each eligible employee's contribution up to 3% of the employee's compensation. In addition, the Organization will match 50% of the employee's contributions that exceed 3%, but not more than 5% of the employee's compensation. For the years ended June 30, 2019 and 2018, employer contributions totaled \$17,730 and \$20,591, respectively.