



# The United Way of Greater Lorain County, Inc.

Financial Statements  
June 30, 2020 and 2019

Cohen & Co

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THE UNITED WAY OF GREATER LORAIN COUNTY, INC.

June 30, 2020 and 2019

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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, 2020, 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, 2020, 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.

***Report on Summarized Comparative Information***

We have previously audited The United Way of Greater Lorain County, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cohen & Company Ltd.*

Cleveland, Ohio  
October 7, 2020

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 297,768	\$ 160,378	Current portion of long-term debt	\$ 25,967	\$ 21,494
Investments	3,512,878	3,439,727	Accounts payable - Trade and dues	74,534	54,271
Campaign pledges receivable - Net of allowance for uncollectible pledges of \$82,428 (2020) and \$88,681 (2019)	744,620	849,154	- Donor designations	592,654	608,375
Grants receivable	81,583	40,500	Note payable	128,653	
Interest receivable	7,176	7,049	Grants payable	603,502	552,199
Other receivables	210	960	Accrued expenses	56,135	39,911
Prepays and deposits	8,725	7,273	Deferred revenue	1,995	103,750
	<u>4,652,960</u>	<u>4,505,041</u>		<u>1,483,440</u>	<u>1,380,000</u>
PROPERTY AND EQUIPMENT			LONG-TERM LIABILITIES		
Land	9,100	9,100	Long-term debt	41,242	144,892
Building and improvements	552,166	550,941	Accrued postemployment benefits	17,619	17,540
Furniture and equipment	87,026	99,763		<u>1,542,301</u>	<u>1,542,432</u>
Computers and software	82,173	77,118	COMMITMENTS		
	<u>730,465</u>	<u>736,922</u>	NET ASSETS WITHOUT DONOR RESTRICTIONS		
Less: Accumulated depreciation	171,550	141,287	Undesignated	1,756,431	1,791,995
	<u>558,915</u>	<u>595,635</u>	Board designated - Community impact	263,568	277,136
BENEFICIAL INTEREST IN FUNDS HELD AT COMMUNITY FOUNDATION	19,976	21,655	- Allocation and operation reserve	554,540	538,230
	<u>19,976</u>	<u>21,655</u>		<u>2,574,539</u>	<u>2,607,361</u>
TRUST RECEIVABLE	35,603	34,187	NET ASSETS WITH DONOR RESTRICTIONS	1,150,614	1,006,725
	<u>35,603</u>	<u>34,187</u>		<u>3,725,153</u>	<u>3,614,086</u>
	<u>\$ 5,267,454</u>	<u>\$ 5,156,518</u>		<u>\$ 5,267,454</u>	<u>\$ 5,156,518</u>

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

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<b>PUBLIC SUPPORT AND REVENUE</b>				
Prior year campaign contributions	\$ 58,515		\$ 58,515	\$ 54,199
Net assets released from restrictions:				
Prior year campaign contributions	1,336,877	\$ (1,336,877)		
Less: Provision for uncollectible pledges	(82,936)	82,936		
Less: Donor designations	(338,792)	338,792		
Purpose restricted grants released	28,833	(28,833)		
Current year campaign contributions	798,381	1,214,604	2,012,985	2,137,135
Less: Provision for uncollectible pledges		(75,913)	(75,913)	(82,936)
Less: Donor designations		(247,758)	(247,758)	(338,792)
Designations from other United Ways	87,448		87,448	76,024
Less: Provision for uncollectible pledges	(5,451)		(5,451)	(4,751)
Grants	333,422	190,967	524,389	268,829
Bequests	3,687		3,687	3,617
Sponsorships	6,050		6,050	4,600
Gifts in-kind	10,651		10,651	12,746
Investment income - Net of investment fees	143,375	(1,679)	141,696	157,307
Change in fair value of trust receivable		1,416	1,416	1,654
Service fees	33,806		33,806	30,592
Special event				13,454
Miscellaneous	5,100		5,100	458
Other contributions	621	6,234	6,855	45,450
Total public support and revenue	<u>2,419,587</u>	<u>143,889</u>	<u>2,563,476</u>	<u>2,379,586</u>
<b>EXPENSES</b>				
Program service expenses:				
Grants and community services	1,551,703		1,551,703	1,439,862
Information and referral	115,915		115,915	115,270
Financial Stability Free Tax Coalition	66,958		66,958	53,731
Transportation initiatives	68,142		68,142	
Total program service expenses	<u>1,802,718</u>		<u>1,802,718</u>	<u>1,608,863</u>
Other United Way expenses:				
Fundraising	290,119		290,119	313,464
Agency administration	359,572		359,572	344,375
Total other United Way expenses	<u>649,691</u>		<u>649,691</u>	<u>657,839</u>
Total grant, services, dues, and other expenses	<u>2,452,409</u>		<u>2,452,409</u>	<u>2,266,702</u>
CHANGE IN NET ASSETS	(32,822)	143,889	111,067	112,884
NET ASSETS - BEGINNING OF YEAR	<u>2,607,361</u>	<u>1,006,725</u>	<u>3,614,086</u>	<u>3,501,202</u>
NET ASSETS - END OF YEAR	<u>\$ 2,574,539</u>	<u>\$ 1,150,614</u>	<u>\$ 3,725,153</u>	<u>\$ 3,614,086</u>

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

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020, WITH COMPARATIVE TOTALS FOR 2019

	Program					Agency Administration	Total 2020	Total 2019
	Grants and Community Services	Information and Referral	Financial Stability Free Tax Coalition	Transportation Initiatives	Fundraising			
Grants to collaboratives	\$ 1,135,441						\$ 1,135,441	\$ 982,184
Salaries	120,083	\$ 6,331	\$ 43,966	\$ 43,308	\$ 150,698	\$ 202,919	567,305	510,182
Employee benefits	21,060	1,123	7,799	9,354	26,732	35,996	102,064	93,729
Payroll taxes	8,987	477	3,532	3,313	11,766	15,296	43,371	39,919
	<u>150,130</u>	<u>7,931</u>	<u>55,297</u>	<u>55,975</u>	<u>189,196</u>	<u>254,211</u>	<u>712,740</u>	<u>643,830</u>
AmeriCorps and interns	6,400				3,910		10,310	7,065
Board development	165				163	214	542	4,838
Campaign and other events	615				5,816	319	6,750	10,441
Community workshops	1,706						1,706	3,076
Consulting fees					3,885		3,885	23,521
Contract services	173,668	96,500	2,518	7,294		730	280,710	292,890
COVID response fund grant	13,000						13,000	
Development materials					6,579		6,579	5,796
Information systems	6,420	268	1,863	504	6,386	8,598	24,039	21,217
Insurance	1,664				2,089	2,813	6,566	6,021
Interest						5,543	5,543	11,888
Maintenance and rental	3,695				4,637	6,244	14,576	15,357
Market research and advertising	9,511	3,590	1,115	1,795	14,195	3,908	34,114	32,913
National dues	7,641				9,588	12,911	30,140	22,835
Postage	913				1,006	840	2,759	4,418
Professional fees	7,371	3,750	410		9,250	24,360	45,141	44,823
Site coordinators			3,204				3,204	6,716
Subscriptions and dues	659	180		781	653	886	3,159	3,361
Supplies	2,022		1,082		1,065	1,289	5,458	5,572
Travel and conferences	5,711		341	1,649	10,991	13,498	32,190	15,549
Utilities and telephone	4,564	3,696	1,128	144	5,283	6,543	21,358	18,898
Volunteer center								30,334
Volunteer engagement	2,945						2,945	1,565
	<u>248,670</u>	<u>107,984</u>	<u>11,661</u>	<u>12,167</u>	<u>85,496</u>	<u>88,696</u>	<u>554,674</u>	<u>589,094</u>
Other expenses:								
In-kind	7,600				3,051		10,651	12,746
Depreciation	9,862				12,376	16,665	38,903	38,848
	<u>17,462</u>				<u>15,427</u>	<u>16,665</u>	<u>49,554</u>	<u>51,594</u>
	<u>\$ 1,551,703</u>	<u>\$ 115,915</u>	<u>\$ 66,958</u>	<u>\$ 68,142</u>	<u>\$ 290,119</u>	<u>\$ 359,572</u>	<u>\$ 2,452,409</u>	<u>\$ 2,266,702</u>

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

## STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 111,067	\$ 112,884
Noncash items included in operating activities		
Depreciation	38,903	38,848
Unrealized (gain) loss on investments	(36,104)	9,135
Realized gains on investments	(50,341)	(100,391)
Loss (gain) on sale of property and equipment	4,098	(33)
Increase in fair value of trust receivable	(1,416)	(1,654)
Increase (decrease) in accrued postemployment benefits	79	(8,307)
Increase (decrease) in cash caused by changes in current items		
Campaign pledges receivable - Net	104,534	83,717
Grants receivable	(41,083)	(25,500)
Interest receivable	(127)	990
Other receivables	750	5,490
Prepays and deposits	(1,452)	(253)
Accounts payable - Trade and dues	20,263	(20,184)
Accounts payable - Donor designations	(15,721)	19,511
Grants payable	51,303	(261,570)
Accrued expenses	16,224	3,836
Deferred revenue	(101,755)	70,250
Net cash flow provided from (used in) operations	<u>99,222</u>	<u>(73,231)</u>
CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES		
Purchase of investments	(1,721,058)	(867,639)
Proceeds from redemption/sale of investments	1,736,031	1,211,240
Purchase of property and equipment	(6,281)	(18,367)
Proceeds from sale of property and equipment	<u>200</u>	<u>200</u>
	<u>8,692</u>	<u>325,434</u>
CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Repayments on long-term debt	(99,177)	(211,439)
Loan proceeds from note payable	<u>128,653</u>	<u>200</u>
	<u>29,476</u>	<u>(211,439)</u>
NET INCREASE IN CASH	137,390	40,764
CASH - BEGINNING OF YEAR	<u>160,378</u>	<u>119,614</u>
CASH - END OF YEAR	<u>\$ 297,768</u>	<u>\$ 160,378</u>
SUPPLEMENTAL FINANCIAL INFORMATION		
Interest paid	<u>\$ 5,543</u>	<u>\$ 11,888</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.

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 and Adoption of New Accounting StandardsContracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the provisions of ASC 606 using the modified retrospective approach. The adoption of ASC 606 did not have a material impact on the Organization's financial statements, although the financial statement presentation and disclosures have changed. See Note 13 for further discussion regarding the transition method. Concurrent with the adoption of ASC 606, the Organization elected to apply certain practical expedients available to nonprofit organizations with respect to disclosure requirements.

The Organization's revenue from contracts with customers consists primarily of service fees. Service fee income amounted to \$33,806 and \$30,592 at June 30, 2020 and 2019, respectively. Obligations for the service fees are satisfied and recognized at a point in time as the services are performed. As of June 30, 2020, there were no outstanding obligations for these fees.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Adoption of New Accounting Standards (continued)Contributions

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, which is effective for annual periods beginning after December 15, 2018, for resource recipients on the modified prospective basis. Under the modified prospective basis, the Organization applied ASU 2018-08 to contracts that were not completed as of July 1, 2019, and entered into after July 1, 2019. Prior period financial information was not restated. The adoption of ASU 2018-08 did not have a material impact on the Organization's financial statements, although the financial statement presentation and disclosures have changed.

Unconditional 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.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. A receivable is recorded to the extent grants earned exceed cash advances. Conversely, deferred revenue is recorded when grant or contract cash advances exceed support earned. There were no such advances received for the years ended June 30, 2020 and 2019. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$510,549 that have not been recognized at June 30, 2020. The grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Organization with the terms of the grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor. No funds were required to be returned during the current year.

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.

Endowment contributions and related investments are restricted by the donor and recorded in net assets with donor restrictions. Investment earnings are recorded in net assets with donor restrictions and are released from restrictions when those amounts are appropriated for expenditure by the Organization.

The adoption of ASC 606 and ASU 2018-08 resulted in no changes to how revenue was recognized prior to adoption.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019, 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.

Investments

Investments at June 30, 2020 and 2019, 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, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 77,409	\$ 89,153
Realized gains	50,341	100,391
Unrealized gains (losses)	36,104	(9,135)
Less: Investment fees	<u>(22,158)</u>	<u>(23,102)</u>
	<u>\$ 141,696</u>	<u>\$ 157,307</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and improvements	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)

The following is a description of the valuation methodologies used for assets of the Organization at fair value at June 30, 2020 and 2019:

- 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 May 2025.
- 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (continued)

Assets measured at fair value are comprised of the following at June 30, 2020:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,377,071		
Money market funds	200,399		
Certificates of deposit		\$ 1,935,408	
Trust receivable		35,603	
Beneficial interest in funds held at the Foundation			\$ 19,976
	<u>\$ 1,577,470</u>	<u>\$ 1,971,011</u>	<u>\$ 19,976</u>

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>

Activity for Level 3 investments is as follows:

Balance at July 1, 2018	\$ 21,945
Change in value of funds held in trust by others	(290)
Balance at June 30, 2019	21,655
Change in value of funds held in trust by others	(1,679)
Balance at June 30, 2020	<u>\$ 19,976</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, 2020 and 2019, the Organization did not have a liability for unrecognized tax benefits.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts in Kind

Donated equipment and services are recorded at fair value when received. For the years ended June 30, 2020 and 2019, the Organization received \$10,651 and \$12,746, respectively, in donated media and other services.

Concentration of Risk

Pledges from one employer organization and its employees accounted for approximately 39% and 42% of public support and revenue for 2020 and 2019, respectively. The same organization and its employees accounted for approximately 13% and 20% of campaign pledges receivable at June 30, 2020 and 2019, 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, 2019, from which the summarized information was derived.

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 7, 2020, 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 of \$3,512,878 and \$3,439,727 at June 30, 2020 and 2019, respectively, which can be drawn upon if necessary. Additionally, the Organization had board designated net assets amounting to \$818,108 and \$815,366 at June 30, 2020 and 2019, 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Organization's financial assets available to meet cash needs for general expenditures within one year were as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 297,768	\$ 160,378
Investments	3,512,878	3,439,727
Campaign pledges receivable - Net	744,620	849,154
Grants receivable	81,583	40,500
Interest receivable	7,176	7,049
Other receivables	<u>210</u>	<u>960</u>
Total financial assets, at year end	<u>4,644,235</u>	<u>4,497,768</u>
Less: Amounts unavailable for general expenditures within one year, due to:		
Accounts payable – Donor designations	592,654	608,375
Grants payable	603,502	552,199
Donor imposed restrictions	<u>1,150,614</u>	<u>1,006,725</u>
	<u>2,346,770</u>	<u>2,167,299</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,297,465</u>	<u>\$ 2,330,469</u>

The Organization holds investments to assist in the funding of future collaboratives (See Note 11).

## 3. INVESTMENTS

The fair value and cost of investments at June 30, 2020 and 2019, are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 200,399	\$ 200,399	\$ 70,535	\$ 70,535
Mutual funds	1,388,743	1,198,166	1,209,503	993,708
U.S. government bonds			608,658	598,950
Certificates of deposit	<u>1,923,736</u>	<u>1,852,500</u>	<u>1,551,031</u>	<u>1,550,825</u>
	<u>\$ 3,512,878</u>	<u>\$ 3,251,065</u>	<u>\$ 3,439,727</u>	<u>\$ 3,214,018</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 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 \$189,678 and \$204,457 at June 30, 2020 and 2019, 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 \$9,146 and \$8,967 for the years ended June 30, 2020 and 2019, respectively.

The portion of the endowment fund discussed above in which the Organization is the beneficiary of, that the Foundation holds variance power over is \$19,976 and \$21,655 at June 30, 2020 and 2019, 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, 2020 and 2019, the Organization's portion of the fair market value of the trust is \$35,603 and \$34,187, respectively. The Organization received \$3,402 and \$1,691 in distributions from the trust for the years ended June 30, 2020 and 2019, respectively.

## 6. NOTE PAYABLE

On May 15, 2020, the Organization qualified and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from Northwest Bank, for an aggregate principal amount of \$128,653 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. No principal or interest payments are due for the first six months following the disbursement date of May 15, 2020. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and principal and interest payments will be required through the maturity date in May 2022.



## NOTES TO THE FINANCIAL STATEMENTS

## 7. LONG-TERM DEBT

At June 30, 2020, 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, 2020, future maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2021	\$ 25,967
2022	27,138
2023	<u>14,104</u>
	<u>\$ 67,209</u>

Total interest incurred on the long-term debt amounted to \$5,543 and \$11,888 in 2020 and 2019, respectively.

## 8. 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 \$17,619 and \$17,540 at June 30, 2020 and 2019, respectively, and is included in investments on the statement of financial position. At June 30, 2020 and 2019, accrued postemployment benefits totaled \$17,619 and \$17,540, respectively.

## 9. 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 \$554,540 and \$538,230 at June 30, 2020 and 2019, respectively.

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 \$263,568 and \$277,136 at June 30, 2020 and 2019, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time:		
Campaign pledges	\$ 902,668	\$ 915,600
Capital campaign contributions	1,400	6,450
Grants	190,967	28,833
Trust receivable	<u>35,603</u>	<u>34,187</u>
	1,130,638	985,070
Subject to Organization spending policy and appropriation:		
Investments in perpetuity and related investment activity which, once appropriated, are expendable to support program activities	<u>19,976</u>	<u>21,655</u>
Total net assets with donor restrictions	<u>\$ 1,150,614</u>	<u>\$ 1,006,725</u>

Included in net assets with donor restrictions at June 30, 2020 and 2019, is an endowment held at the Foundation where the principal must be held intact and is subject to the Foundation's investment policy.

## 11. COMMITMENTS

Leases

The Organization leases office equipment to run its operations, 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>	
2021	\$ 5,658
2022	5,405
2023	<u>880</u>
Total minimum payments required	<u>\$ 11,943</u>

Rent expense for the years ended June 30, 2020 and 2019, amounted to \$5,561 and \$5,532, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## 11. COMMITMENTS (Continued)

Collaboratives

The Organization 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 2020 and 2021 amounted to \$1,135,441, with a balance to be paid at June 30, 2020, of \$603,502, 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.

## 12. 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, 2020 and 2019, employer contributions totaled \$20,357 and \$17,730, respectively.

## 13. REVENUES

Modified Retrospective Transition Method

As discussed in Note 1, the Organization adopted the requirements of ASC 606 as of July 1, 2019, utilizing a modified retrospective method of transition, which requires recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets at July 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under the prior revenue guidance.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of ASC 606 did not have a material impact on the Organization's financial position, changes in its net assets, or cash flows for the year ended June 30, 2020 or the opening balance of net assets at July 1, 2019. Based on the Organization's evaluation of its contracts with members, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.