



The United Way of Greater Lorain County, Inc.

Financial Statements
June 30, 2021 and 2020

Cohen & Co

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THE UNITED WAY OF GREATER LORAIN COUNTY, INC.

JUNE 30, 2021 AND 2020

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cohen & Company Ltd.

Cleveland, Ohio
September 27, 2021

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 218,560	\$ 297,768	Current portion of long-term debt	\$ -	\$ 25,967
Investments	3,735,100	3,512,878	Accounts payable - Trade and dues	67,578	74,534
Campaign pledges receivable - Net of allowance for uncollectible pledges of \$78,915 (2021) and \$82,428 (2020)	577,782	744,620	- Donor designations	438,948	592,654
Grants receivable	81,070	81,793	Note payable	125,500	128,653
Interest receivable	6,948	7,176	Grants payable	466,541	603,502
Prepays and deposits	7,905	8,725	Accrued expenses	58,016	56,135
	<u>4,627,365</u>	<u>4,652,960</u>	Deferred revenue	<u>73,000</u>	<u>1,995</u>
				1,229,583	1,483,440
PROPERTY AND EQUIPMENT			LONG-TERM LIABILITIES		
Land	9,100	9,100	Long-term debt	-	41,242
Building and improvements	552,166	552,166	Accrued postemployment benefits	20,031	17,619
Furniture and equipment	87,026	87,026		<u>1,249,614</u>	<u>1,542,301</u>
Computers and software	85,173	82,173	COMMITMENTS		
	<u>733,465</u>	<u>730,465</u>	NET ASSETS WITHOUT DONOR RESTRICTIONS		
Less: Accumulated depreciation	210,082	171,550	Undesignated	2,004,608	1,756,431
	<u>523,383</u>	<u>558,915</u>	Board designated - Community impact	339,721	263,568
BENEFICIAL INTEREST IN FUNDS HELD AT COMMUNITY FOUNDATION	24,485	19,976	- Allocation and operation reserve	561,643	554,540
	<u>24,485</u>	<u>19,976</u>		2,905,972	2,574,539
TRUST RECEIVABLE	45,763	35,603	NET ASSETS WITH DONOR RESTRICTIONS	1,065,410	1,150,614
	<u>45,763</u>	<u>35,603</u>		<u>3,971,382</u>	<u>3,725,153</u>
	<u>\$ 5,220,996</u>	<u>\$ 5,267,454</u>		<u>\$ 5,220,996</u>	<u>\$ 5,267,454</u>

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021, WITH COMPARATIVE TOTALS FOR 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
PUBLIC SUPPORT AND REVENUE				
Prior year campaign contributions	\$ 54,721	\$ -	\$ 54,721	\$ 58,515
Net assets released from restrictions:				
Prior year campaign contributions	1,268,478	(1,268,478)	-	-
Less: Provision for uncollectible pledges	(75,913)	75,913	-	-
Less: Donor designations	(247,758)	247,758	-	-
Current year campaign contributions	565,815	1,157,972	1,723,787	2,012,985
Less: Provision for uncollectible pledges	-	(72,373)	(72,373)	(75,913)
Less: Donor designations	-	(266,132)	(266,132)	(247,758)
Designations from other United Ways	90,694	-	90,694	87,448
Less: Provision for uncollectible pledges	(5,668)	-	(5,668)	(5,451)
Grants	357,755	16,666	374,421	524,389
Paycheck Protection Program loan forgiveness	128,653	-	128,653	-
Bequests	4,038	-	4,038	3,687
Sponsorships	5,000	-	5,000	6,050
Gifts in-kind	6,400	-	6,400	10,651
Investment income - Net of investment fees	415,450	4,509	419,959	141,696
Change in fair value of trust receivable	-	10,160	10,160	1,416
Service fees	27,533	-	27,533	33,806
Special event	18,130	-	18,130	-
Miscellaneous	4,024	-	4,024	5,100
Other contributions	1,389	8,801	10,190	6,855
Total public support and revenue	<u>2,618,741</u>	<u>(85,204)</u>	<u>2,533,537</u>	<u>2,563,476</u>
EXPENSES				
Program service expenses:				
Grants and community services	1,407,848	-	1,407,848	1,551,703
Information and referral	125,014	-	125,014	115,915
Financial Stability Free Tax Coalition	84,961	-	84,961	66,958
Transportation initiatives	99,392	-	99,392	68,142
Total program service expenses	<u>1,717,215</u>	<u>-</u>	<u>1,717,215</u>	<u>1,802,718</u>
Other United Way expenses:				
Fundraising	254,881	-	254,881	290,119
Agency administration	315,212	-	315,212	359,572
Total other United Way expenses	<u>570,093</u>	<u>-</u>	<u>570,093</u>	<u>649,691</u>
Total grant, services, dues, and other expenses	<u>2,287,308</u>	<u>-</u>	<u>2,287,308</u>	<u>2,452,409</u>
CHANGE IN NET ASSETS	331,433	(85,204)	246,229	111,067
NET ASSETS - BEGINNING OF YEAR	<u>2,574,539</u>	<u>1,150,614</u>	<u>3,725,153</u>	<u>3,614,086</u>
NET ASSETS - END OF YEAR	<u>\$ 2,905,972</u>	<u>\$ 1,065,410</u>	<u>\$ 3,971,382</u>	<u>\$ 3,725,153</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021, WITH COMPARATIVE TOTALS FOR 2020

	Program						Total 2021	Total 2020
	Grants and Community Services	Information and Referral	Financial Stability Free Tax Coalition	Transportation Initiatives	Fundraising	Agency Administration		
Grants to collaboratives	\$ 989,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 989,013	\$ 1,135,441
Salaries	125,639	4,897	57,303	56,241	138,872	186,910	569,862	567,305
Employee benefits	24,939	1,204	7,930	14,645	27,808	34,251	110,777	102,064
Payroll taxes	9,279	372	4,615	4,302	10,202	13,900	42,670	43,371
	<u>159,857</u>	<u>6,473</u>	<u>69,848</u>	<u>75,188</u>	<u>176,882</u>	<u>235,061</u>	<u>723,309</u>	<u>712,740</u>
AmeriCorps and interns	2,500	-	2,500	-	-	-	5,000	10,310
Board development	-	-	-	-	-	-	-	542
Campaign and other events	89	-	-	-	789	-	878	6,750
Community workshops	58	-	-	-	-	-	58	1,706
Consulting fees	-	-	-	-	-	-	-	3,885
Contract services	178,422	117,582	4,087	11,414	-	-	311,505	280,710
COVID response fund grant	29,954	-	-	-	-	-	29,954	13,000
Development materials	-	-	-	-	4,118	-	4,118	6,579
Information systems	6,696	-	1,199	1,615	14,159	10,366	34,035	24,039
Insurance	1,703	-	-	-	2,133	2,870	6,706	6,566
Interest	-	-	-	-	-	1,234	1,234	5,543
Maintenance and rental	3,310	-	-	-	3,958	5,126	12,394	14,576
Market research and advertising	2,456	130	2,106	9,273	13,850	-	27,815	34,114
National dues	4,421	-	-	-	5,535	7,450	17,406	30,140
Postage	780	-	-	-	1,318	1,315	3,413	2,759
Professional fees	7,233	-	43	-	8,633	20,305	36,214	45,141
Site coordinators	-	-	3,171	-	-	-	3,171	3,204
Subscriptions and dues	371	308	-	1,075	421	2,087	4,262	3,159
Supplies	1,463	-	367	20	1,015	1,303	4,168	5,458
Travel and conferences	1,520	-	134	499	1,790	5,238	9,181	32,190
Utilities and telephone	3,806	521	306	308	4,509	5,737	15,187	21,358
Volunteer engagement	2,355	-	-	-	-	-	2,355	2,945
	<u>247,137</u>	<u>118,541</u>	<u>13,913</u>	<u>24,204</u>	<u>62,228</u>	<u>63,031</u>	<u>529,054</u>	<u>554,674</u>
Other expenses:								
In-kind	1,800	-	1,200	-	3,200	200	6,400	10,651
Depreciation	10,041	-	-	-	12,571	16,920	39,532	38,903
	<u>11,841</u>	<u>-</u>	<u>1,200</u>	<u>-</u>	<u>15,771</u>	<u>17,120</u>	<u>45,932</u>	<u>49,554</u>
	<u>\$ 1,407,848</u>	<u>\$ 125,014</u>	<u>\$ 84,961</u>	<u>\$ 99,392</u>	<u>\$ 254,881</u>	<u>\$ 315,212</u>	<u>\$ 2,287,308</u>	<u>\$ 2,452,409</u>

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

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	\$ 246,229	\$ 111,067
Noncash items included in operating activities		
Depreciation	39,532	38,903
Unrealized gain on investments	(246,298)	(36,104)
Realized gains on investments	(127,408)	(50,341)
Loss on sale of property and equipment	-	4,098
Increase in fair value of trust receivable	(10,160)	(1,416)
Forgiveness of Paycheck Protection Program loan	(128,653)	-
Increase in accrued postemployment benefits	2,412	79
Increase (decrease) in cash caused by changes in current items		
Campaign pledges receivable - Net	166,838	104,534
Grants receivable	723	(40,333)
Interest receivable	228	(127)
Prepays and deposits	820	(1,452)
Accounts payable - Trade and dues	(6,956)	20,263
Accounts payable - Donor designations	(153,706)	(15,721)
Grants payable	(136,961)	51,303
Accrued expenses	1,881	16,224
Deferred revenue	71,005	(101,755)
Net cash flow (used in) provided from operations	<u>(280,474)</u>	<u>99,222</u>
CASH FLOWS PROVIDED FROM INVESTING ACTIVITIES		
Purchase of investments	(1,513,181)	(1,721,058)
Proceeds from redemption/sale of investments	1,660,156	1,736,031
Purchase of property and equipment	(4,000)	(6,281)
	<u>142,975</u>	<u>8,692</u>
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		
Repayments on long-term debt	(67,209)	(99,177)
Loan proceeds from note payable	125,500	128,653
	<u>58,291</u>	<u>29,476</u>
NET (DECREASE) INCREASE IN CASH	(79,208)	137,390
CASH - BEGINNING OF YEAR	<u>297,768</u>	<u>160,378</u>
CASH - END OF YEAR	<u>\$ 218,560</u>	<u>\$ 297,768</u>
SUPPLEMENTAL FINANCIAL INFORMATION		
Interest paid	<u>\$ 1,234</u>	<u>\$ 5,543</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.

COVID-19 Impact

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which it operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be material.

Forgivable Loans

Absent specific guidance in GAAP, the Organization accounts for forgivable loans as debt in accordance with Accounting Standards Codification (ASC) 470, *Debt*, and accrues interest in accordance with the interest method under ASC 835-30, *Interest – Imputation of Interest*. Accordingly, proceeds from such loans are recorded as a liability until either the loan is, in part or wholly forgiven and the debt has been legally released or the loan is paid off. In addition, the Organization has elected to classify the portion of the loan that is to be forgiven as current debt and the remainder, if any, as long-term.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue RecognitionContracts with Customers

The Organization's revenue from contracts with customers consists primarily of service fees. Service fee income amounted to \$27,533 and \$33,806 for the years ended June 30, 2021 and 2020, respectively. Obligations for the service fees are satisfied and recognized at a point in time as the services are performed. As of June 30, 2021, there were no outstanding obligations for these fees.

Contribution Revenue

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, 2021 and 2020. 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 \$318,673 and \$510,549 that have not been recognized for the years ended June 30, 2021 and 2020, respectively. 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 or prior 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.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)Contribution Revenue (continued)

Pledges made for special events are recognized at the time of the event. Pledges received prior to the fiscal year to which they apply are deferred until the period earned and recorded in deferred revenue.

Contribution Expense

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 958)*, which is effective for annual periods beginning after December 15, 2019, for resource providers. The ASU clarifies whether a resource provider is participating in an exchange transaction and whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

The Organization adopted ASU 2018-08, for resource providers on a modified prospective basis. Under the modified prospective basis, the Organization applied ASU 2018-08 to contracts that were not completed as of July 1, 2020, and entered into after July 1, 2020. Prior-period financial information was not restated.

The Organization records unconditional grants as expenses in the year they are approved. Grants payable over multiple years are discounted and reported at net present value. Conditional grants are recognized as grant expense in the period in which the recipient substantially meets the condition.

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, 2021 and 2020, are expected to be received within one year and are recorded at their net realizable value.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020, 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, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 70,783	\$ 77,409
Realized gains	127,408	50,341
Unrealized gains	246,298	36,104
Less: Investment fees	<u>(24,530)</u>	<u>(22,158)</u>
	<u>\$ 419,959</u>	<u>\$ 141,696</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 and improvements	30 years
Furniture and equipment	7 years
Computers and software	3 years

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020:

- Mutual funds and money market funds - Valued at the daily closing price as reported by the fund.
- 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.

Assets measured at fair value are comprised of the following at June 30, 2021:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 1,510,650		
Money market funds	177,106		
Certificates of deposit		\$ 2,047,344	
Trust receivable		45,763	
Beneficial interest in funds held at the Foundation			\$ 24,485
	<u>\$ 1,687,756</u>	<u>\$ 2,093,107</u>	<u>\$ 24,485</u>

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>

Activity for Level 3 investments is as follows:

Balance at July 1, 2019	\$ 21,655
Change in value of funds held in trust by others	<u>(1,679)</u>
Balance at June 30, 2020	19,976
Change in value of funds held in trust by others	<u>4,509</u>
Balance at June 30, 2021	<u>\$ 24,485</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, 2021 and 2020, 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, 2021 and 2020, the Organization received \$6,400 and \$10,651, respectively, in donated media and other services.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk

Pledges from one employer organization and its employees accounted for approximately 35% and 39% of public support and revenue for 2021 and 2020, respectively. The same organization and its employees accounted for approximately 20% and 13% of campaign pledges receivable at June 30, 2021 and 2020, 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, 2020, 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 September 27, 2021, 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 \$3,735,100 and \$3,512,878 at June 30, 2021 and 2020, respectively, which can be drawn upon if necessary. Additionally, the Organization had board designated net assets amounting to \$901,364 and \$818,108 at June 30, 2021 and 2020, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash	\$ 218,560	\$ 297,768
Investments	3,735,100	3,512,878
Campaign pledges receivable - Net	577,782	744,620
Grants receivable	80,753	81,583
Interest receivable	6,948	7,176
Other receivables	<u>317</u>	<u>210</u>
Total financial assets, at year end	<u>4,619,460</u>	<u>4,644,235</u>
Less: Amounts unavailable for general expenditures within one year, due to:		
Accounts payable – Donor designations	438,948	592,654
Grants payable	466,541	603,502
Donor imposed restrictions	<u>1,065,410</u>	<u>1,150,614</u>
	<u>1,970,899</u>	<u>2,346,770</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,648,561</u>	<u>\$ 2,297,465</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, 2021 and 2020, are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 177,106	\$ 177,106	\$ 200,399	\$ 200,399
Mutual funds	1,510,650	1,047,383	1,388,743	1,198,166
Certificates of deposit	<u>2,047,344</u>	<u>2,002,500</u>	<u>1,923,736</u>	<u>1,852,500</u>
	<u>\$ 3,735,100</u>	<u>\$ 3,226,989</u>	<u>\$ 3,512,878</u>	<u>\$ 3,251,065</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 \$233,711 and \$189,678 at June 30, 2021 and 2020, 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 \$9,056 and \$9,146 for the years ended June 30, 2021 and 2020, 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 \$24,485 and \$19,976 at June 30, 2021 and 2020, 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, 2021 and 2020, the Organization's portion of the fair market value of the trust is \$45,763 and \$35,603, respectively. The Organization received \$5,791 and \$3,402 in distributions from the trust for the years ended June 30, 2021 and 2020, 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 (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), from Northwest Bank, for an aggregate principal amount of \$128,653 (the "PPP Loan"). In May 2021, forgiveness was granted by the SBA and \$128,653 was recognized as income on the accompanying statement of activities.

On March 15, 2021, the Organization qualified and received a second loan pursuant to the Paycheck Protection Program, a program implemented by the SBA under the CARES Act, from Northwest Bank, for an aggregate principal amount of \$125,500 (the "PPP Loan 2"). The PPP Loan 2 bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the SBA. No principal or interest payments are due for the first ten months following the disbursement date of March 15, 2021. The principal amount of the PPP Loan 2 is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan 2 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 2 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 March 2026. Subsequent to year end, forgiveness was granted by the SBA for the full amount.

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 was paid in full in February 2021. Total interest incurred on the long-term debt amounted to \$1,234 and \$5,543 in 2021 and 2020, 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 \$20,731 and \$17,619 at June 30, 2021 and 2020, respectively, and is included in investments on the statement of financial position. At June 30, 2021 and 2020, accrued postemployment benefits totaled \$20,731 and \$17,619, 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 \$561,643 and \$554,540 at June 30, 2021 and 2020, 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 \$339,721 and \$263,568 at June 30, 2021 and 2020, respectively.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Campaign pledges	\$ 834,502	\$ 902,668
Capital campaign contributions	600	1,400
Grants	160,060	190,967
Trust receivable	<u>45,763</u>	<u>35,603</u>
	1,040,925	1,130,638

NOTES TO THE FINANCIAL STATEMENTS

10. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2021</u>	<u>2020</u>
Subject to Organization spending policy and appropriation: Investments in perpetuity and related investment activity which, once appropriated, are expendable to support program activities	<u>24,485</u>	<u>19,976</u>
Total net assets with donor restrictions	<u>\$ 1,065,410</u>	<u>\$ 1,150,614</u>

Included in net assets with donor restrictions at June 30, 2021 and 2020, 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

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 2021 for use in 2021 and 2022 amounted to \$989,013, with a balance to be paid at June 30, 2021, of \$466,541, 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.

Laws and Regulations

Laws and regulations over federal funds received by the Organization as a result of the CARES Act and the Consolidated Appropriations Act, 2021 (CAA Act) are complex and subject to interpretation. Potential noncompliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory action. The Organization believes it is in compliance with all applicable laws and regulations and believes there are no material contingencies related to laws and regulations governing the Organization's use of federal funds.

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, 2021 and 2020, employer contributions totaled \$21,546 and \$20,357, respectively.