

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

Financial Report

April 30, 2020 and 2019

CONTENTS

Independent Auditor's Report	Page 2
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Financial Statements:

Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	7
Statements of Functional Expenses	8
Notes to Financial Statements	10

INDEPENDENT AUDITOR'S REPORT



**HARDING, SHYMANSKI
& COMPANY, P.S.C.**

Certified Public Accountants
and Consultants

21 S.E. Third Street, Suite 500
P.O. Box 3677
Evansville, IN 47735-3677

(812) 464-9161
Fax (812) 465-7811

545 S. Third Street, Suite 102
Louisville, KY 40202-1935

(502) 584-4142
Fax (502) 581-1653

www.hsccpa.com

An Independently
Owned Member,
RSM US Alliance

Finance Committee
Metro United Way, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Metro United Way, Inc., a Not-for-Profit Corporation, which comprise the statement of financial position as of April 30, 2020, the related statements of activities, cash flows, and functional expenses 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)



Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Metro United Way, Inc., a Not-for-Profit Corporation, as of April 30, 2020, and the changes in net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Restatement of Prior Year

We have reviewed the adjustments described in Note 2 that were applied to restate the April 30, 2019 financial statements. Based on our review, we are not aware of any material modifications that should be made to the adjustments described in Note 2 that were applied to restate the April 30, 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Metro United Way, Inc.'s, a Not-for-Profit Corporation, April 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived other than the restatement noted in the paragraph above.

Louisville, Kentucky
August 28, 2020

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF FINANCIAL POSITION
April 30, 2020 and 2019 (as Restated)

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 4,312,064	\$ 2,360,081
Certificates of Deposit	772,721	759,237
Investments	10,212,009	10,486,835
Pledges Receivable, Less Allowance for Uncollectible Pledges 2020 \$1,503,949; 2019 \$1,461,505	13,338,221	14,936,963
Other Receivables and Prepaid Expenses	185,077	207,962
Property and Equipment, Net	2,268,857	2,434,410
Assets Held for Custodian Funds	99,227	72,534
Investments Held by Others	1,397,824	1,489,474
Total assets	\$ 32,586,000	\$ 32,747,496
LIABILITIES AND NET ASSETS		
Allocations Payable	\$ 531,766	\$ 2,582,421
Accounts Payable and Accrued Expenses	681,413	811,676
Pension Liability	4,407,602	2,799,428
Amounts Due Custodian Funds	99,227	72,534
Long-Term Debt	1,103,800	0
Total liabilities	6,823,808	6,266,059
Net Assets		
Without donor restrictions		
Invested in land, building, and equipment	2,268,857	2,434,410
Board designated for Southern Indiana	355,050	384,468
Board designated for future allocations	3,404,457	4,548,615
Board designated for donor advised fund	4,615,899	4,049,050
Board designated for endowment fund	944,126	810,516
	11,588,389	12,227,059
With donor restrictions		
Purpose restricted	6,370,189	6,005,385
Time restricted for future periods	2,773,541	3,100,293
Beneficial interest in trusts held by others	219,450	239,662
Endowment	4,810,623	4,909,038
	14,173,803	14,254,378
Total net assets	25,762,192	26,481,437
Total liabilities and net assets	\$ 32,586,000	\$ 32,747,496

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF ACTIVITIES
Years Ended April 30, 2020 and 2019 (as Restated)

	April 30, 2020			April 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Total 2019/2018 campaign results	\$ 18,516,465	\$ 5,460,560	\$ 23,977,025	\$ 26,654,543
Donor designations	(4,561,344)	0	(4,561,344)	(5,362,922)
Total 2019/2018 campaign contributions	<u>\$ 13,955,121</u>	<u>\$ 5,460,560</u>	<u>\$ 19,415,681</u>	<u>\$ 21,291,621</u>
Revenues, gains, and other support:				
Current campaign:				
Contributions received in the current year	\$ 12,501,043	\$ 3,813,999	\$ 16,315,042	\$ 18,517,715
Contributions received in prior years released from restrictions	<u>1,454,078</u>	<u>(1,454,078)</u>	<u>0</u>	<u>0</u>
Total contributions from current campaign	13,955,121	2,359,921	16,315,042	18,517,715
Provision for uncollectible pledges - OPEN	(636,605)	0	(636,605)	(586,982)
Future campaigns:				
Contributions received for future allocation periods	0	2,218,782	2,218,782	2,305,349
Provision for uncollectible pledges	0	(45,720)	(45,720)	(76,586)
Prior campaigns:				
Additional contributions, net	<u>1,185,832</u>	<u>(14,512)</u>	<u>1,171,320</u>	<u>1,659,666</u>
Total campaigns	14,504,348	4,518,471	19,022,819	21,819,162
Grants and other income	265,481	45,090	310,571	125,039
Investment income, net	173,075	26,216	199,291	256,939
Rental income	17,280	0	17,280	13,613
Realized and unrealized gains (losses) on investments, net	(294,881)	(110,621)	(405,502)	456,356
Appreciation (depreciation) of investments held by others	(7,625)	(44,722)	(52,347)	38,867
Administrative fees for fundraising on behalf of others	26,855	0	26,855	23,731
Other fees and miscellaneous sales	129,859	4,999	134,858	106,924
Other net assets released from restrictions	<u>4,520,008</u>	<u>(4,520,008)</u>	<u>0</u>	<u>0</u>
Total revenues, gains, and other support	<u>19,334,400</u>	<u>(80,575)</u>	<u>19,253,825</u>	<u>22,840,631</u>

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF ACTIVITIES (CONTINUED)
Years Ended April 30, 2020 and 2019 (as Restated)

	<u>April 30, 2020</u>			<u>April 30, 2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Allocations and other functional expenses:				
Gross allocations to agencies and partners	\$ 10,973,149	\$ 0	\$ 10,973,149	\$ 15,468,171
Less donor designations	<u>(4,561,344)</u>	<u>0</u>	<u>(4,561,344)</u>	<u>(5,362,922)</u>
Net allocations expense to agencies and partners	6,411,805	0	6,411,805	10,105,249
Program/community service expenses	6,506,965	0	6,506,965	6,759,312
Supporting services				
Fundraising	3,673,063	0	3,673,063	3,317,679
Management and general	<u>1,975,172</u>	<u>0</u>	<u>1,975,172</u>	<u>2,071,429</u>
Total allocations and other functional expenses	<u>18,567,005</u>	<u>0</u>	<u>18,567,005</u>	<u>22,253,669</u>
Changes in net assets before pension related changes	767,395	(80,575)	686,820	586,962
Pension related changes other than the service cost component of net periodic pension costs	<u>(1,406,065)</u>	<u>0</u>	<u>(1,406,065)</u>	<u>(240,876)</u>
Change in net assets	(638,670)	(80,575)	(719,245)	346,086
Net assets at beginning or year, as previously reported	12,227,059	14,254,378	26,481,437	27,486,453
Prior period adjustment (see Note 2)	0	0	0	(1,351,102)
Net assets at beginning of year (as restated)	<u>12,227,059</u>	<u>14,254,378</u>	<u>26,481,437</u>	<u>26,135,351</u>
Net assets at end of year	<u><u>\$ 11,588,389</u></u>	<u><u>\$ 14,173,803</u></u>	<u><u>\$ 25,762,192</u></u>	<u><u>\$ 26,481,437</u></u>

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF CASH FLOWS
Years Ended April 30, 2020 and 2019 (as Restated)

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (719,245)	\$ 346,086
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	271,510	248,662
Pension and postretirement benefit expense	1,684,746	534,982
Pension and postretirement benefit contributions	(76,572)	(155,383)
Provision for uncollectible pledges	682,325	663,568
Depreciation (appreciation) of investments held by others	52,347	(38,867)
Loss on sale of fixed assets	723	0
Investment income for long-term investments, net	(228,519)	(166,386)
Realized and unrealized (gains) losses on investments, net	405,502	(456,356)
Changes in		
Pledges receivable	916,417	388,577
Other receivables and prepaid expenses	22,885	20,245
Allocations payable	(2,050,655)	(700,417)
Accounts payable and accrued expenses	(130,263)	347,922
Net cash provided by operating activities	831,201	1,032,633
Cash Flows from Investing Activities		
Purchases of fixed assets	(106,680)	(223,462)
Purchases of investments	(191,236)	(2,588,999)
Proceeds from sale of investments, certificates of deposit, and assets held by others	314,898	30,782
Net cash provided by (used in) investing activities	16,982	(2,781,679)
Cash Flows from Financing Activities		
Proceeds from long-term debt	1,103,800	0
Net increase (decrease) in cash and cash equivalents	1,951,983	(1,749,046)
Cash and cash equivalents at beginning of year	2,360,081	4,109,127
Cash and cash equivalents at end of year	\$ 4,312,064	\$ 2,360,081

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended April 30, 2020 and 2019 (as Restated)

	2020				2019 Total
	Program Services	Supporting Services		2020 Total	
	Total Program/Community Services	Fundraising Services	Management and General Services		
Gross allocations	\$ 10,973,149	\$ 0	\$ 0	\$ 10,973,149	\$ 15,468,171
Less donor designations	(4,561,344)	0	0	(4,561,344)	(5,362,922)
Net allocations	<u>6,411,805</u>	<u>0</u>	<u>0</u>	<u>6,411,805</u>	10,105,249
Salaries	2,147,582	1,943,999	970,435	5,062,016	4,734,247
Fringe benefits	327,986	304,463	333,625	966,074	903,011
Payroll taxes	162,881	145,462	69,949	378,292	351,553
Professional fees and contract services	2,385,552	402,881	305,464	3,093,897	3,944,857
Supplies	134,544	8,176	3,600	146,320	106,650
Telephone	46,279	39,821	19,193	105,293	95,199
Postage and shipping	8,164	12,744	4,317	25,225	33,364
Occupancy	140,566	152,662	48,599	341,827	343,364
Equipment repairs and rentals	148,751	75,580	26,228	250,559	133,371
Printing and duplicating	186,248	59,293	7,317	252,858	178,767
Travel	135,467	36,167	11,192	182,826	171,118
Conferences, conventions, and meetings	389,276	175,520	47,338	612,134	454,494
Membership dues	11,101	7,789	5,139	24,029	29,209
Dues to state United Ways	32,352	35,588	12,941	80,881	76,370
Insurance	15,149	14,118	10,130	39,397	35,160
Banking and processing fees	10,212	11,597	5,622	27,431	34,693
Miscellaneous	1,621	1,646	4,789	8,056	12,307
Depreciation	108,604	119,464	43,442	271,510	248,662
	<u>6,392,335</u>	<u>3,546,970</u>	<u>1,929,320</u>	<u>11,868,625</u>	11,886,396
United Way Worldwide dues	<u>114,630</u>	<u>126,093</u>	<u>45,852</u>	<u>286,575</u>	262,024
Total functional expenses	<u>\$ 12,918,770</u>	<u>\$ 3,673,063</u>	<u>\$ 1,975,172</u>	<u>\$ 18,567,005</u>	<u>\$ 22,253,669</u>

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
Years Ended April 30, 2020 and 2019 (as Restated)

	Program/Community Services 2020								2019	
	Educational Success	Equity, Diversity, and Inclusion	United Community	Community Engagement	Economic Mobility	Community Building and Investments	Designations and County Services	Direct Organizational Support	Total Program/ Community Services	Total Program/ Community Services
Gross allocations	\$ 2,023,184	\$ 0	\$ 2,384,520.00	\$ 67,000	\$ 1,811,107	\$ 0	\$ 4,617,716	\$ 69,622	\$ 10,973,149	\$ 15,468,171
Less donor designations	0	0	0	0	0	0	(4,561,344)	0	(4,561,344)	(5,362,922)
Net allocations	<u>2,023,184</u>	<u>0</u>	<u>2,384,520</u>	<u>67,000</u>	<u>1,811,107</u>	<u>0</u>	<u>56,372</u>	<u>69,622</u>	<u>6,411,805</u>	<u>10,105,249</u>
Salaries	572,930	202,920	199,930	222,038	96,716	209,120	206,193	437,735	2,147,582	1,994,749
Fringe benefits	77,721	16,557	14,196	29,440	13,223	28,171	25,586	123,092	327,986	280,732
Payroll taxes	48,679	13,900	15,011	16,439	6,253	15,852	15,102	31,645	162,881	154,714
Professional fees and contract services	1,063,240	248,640	662,677	0	216,000	0	283	194,712	2,385,552	3,176,482
Supplies	123,588	4,987	0	86	39	971	436	4,437	134,544	95,142
Telephone	732	0	9,688	0	0	236	848	34,775	46,279	47,326
Postage and shipping	4,879	22	5	16	960	238	396	1,648	8,164	9,910
Occupancy	0	79	0	0	0	0	18,989	121,498	140,566	148,965
Equipment repairs and rentals	61,818	75	0	580	30,613	227	462	54,976	148,751	61,624
Printing and duplicating	129,361	24,972	4,170	5,465	8,517	3,173	939	9,651	186,248	86,395
Travel	84,888	16,980	2,483	5,174	7,802	1,213	10,128	6,799	135,467	106,785
Conferences, conventions, and meetings	114,357	73,144	2,032	121,083	38,746	4,915	2,201	32,798	389,276	290,439
Membership dues	6,439	133	270	911	0	0	309	3,039	11,101	11,733
Dues to state United Ways	0	0	0	0	0	0	0	32,352	32,352	33,603
Insurance	0	0	0	3,165	0	0	582	11,402	15,149	15,661
Banking and processing fees	0	0	0	0	0	0	0	10,212	10,212	14,343
Miscellaneous	6,219	0	0	0	0	0	1,230	(5,828)	1,621	6,009
Depreciation	0	0	0	0	0	0	0	108,604	108,604	109,411
	<u>2,294,851</u>	<u>602,409</u>	<u>910,462</u>	<u>404,397</u>	<u>418,869</u>	<u>264,116</u>	<u>283,684</u>	<u>1,213,547</u>	<u>6,392,335</u>	<u>6,644,023</u>
United Way Worldwide dues	0	0	0	0	0	0	0	114,630	114,630	115,289
Total functional expenses	<u>\$ 4,318,035</u>	<u>\$ 602,409</u>	<u>\$ 3,294,982</u>	<u>\$ 471,397</u>	<u>\$ 2,229,976</u>	<u>\$ 264,116</u>	<u>\$ 340,056</u>	<u>\$ 1,397,799</u>	<u>\$ 12,918,770</u>	<u>\$ 16,864,561</u>

See notes to financial statements.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies

Legal Name and Governance

Metro United Way, Inc. (Metro United Way or Organization) is a not-for-profit organization governed by a Board of Directors and is not subject to federal or state income taxes. The Organization serves a seven-county area in Kentucky and Southern Indiana and is based in Louisville, Kentucky.

Nature of Activities

Metro United Way has served individuals and families in our community for more than 100 years, and today continues to tackle the most difficult challenges we face as a community. Together with a strong network of partners, the Organization brings together the people and resources needed to fight for the education, economic mobility, and health of every person in the seven-county region they serve. These are the building blocks for a good quality of life so that every individual, child, and family can achieve their full potential and succeed in life.

Annual campaign resources currently support approximately 100 community human service agencies that collectively manage over 150 programs in Jefferson, Bullitt, Shelby, and Oldham counties in Kentucky, and Harrison, Floyd, and Clark counties in Southern Indiana to help improve lives. They are achieving results in:

- More kids being ready for kindergarten so they can be successful from the start;
- Ensuring that all youth in our community have access to high-quality out-of-school time programs that support them in graduating from high school and prepared for college and life;
- Helping more individuals and families obtain assistance so that their basic needs for food, shelter, health, safety, and more are met.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for profit organizations and financial statement standards issued by United Way Worldwide. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Summarized Financial Information for Prior Year

The financial statements and notes include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Metro United Way's financial statements for the year ended April 30, 2019, from which the summarized information was derived. As further discussed in Note 2, the April 30, 2019 financial statements were restated.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity three months or less to be cash equivalents.

Certificates of Deposit

The Organization's investments in certificates of deposit are classified separately on the statements of financial position and are carried at the principal plus accrued interest.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Pledges Receivable

Pledges, less an estimated provision for uncollectible amounts, are recorded as receivables in the year made. The Organization provides for losses on pledges receivable using the allowance method. The allowance for uncollectible pledges is based upon the Organization’s collection policy, past experience, the length of time pledges have been outstanding, and current economic factors.

At the end of the collection period of each campaign, any differences between the original provision for uncollectible pledges and the actual uncollectible amount is recognized by the Organization and recorded with “Prior Campaigns-Additional Contributions” on the statements of activities.

Investments and Investments Held by Others

Investments and investments held by others are recorded at fair value based on quoted market value. Unrealized and realized gains and losses are recorded in the statements of activities as well as appreciation and depreciation of investments held by others. Investment earnings are reported net of related expenses, such as custodial and commission fees. Short-term investments consist of cash and cash equivalents held by investment firms.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents, certificates of deposit, pledges and other receivables, and assets held for custodian funds. At times, such cash, cash equivalents, and certificates of deposit in banks may be in excess of the Federal Deposit Insurance Corporation insurance limit. In order to limit its credit exposure, the Organization utilizes a fully collateralized overnight sweep account at the institution that houses its main checking account.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Fair Value Measurements

Under the Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended April 30, 2020 and 2019, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The following are descriptions of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of investment securities, including corporate bonds, common stock, mutual funds, and money market funds, is the market value based on quoted market prices, if available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Beneficial Interest in Perpetual Trusts

The fair value of the beneficial interest in perpetual trusts is recorded at the stated value of the Organization's interest as determined by the trustee. Based on the valuation method and nonredeemable nature of the assets, the measures of the fair value of the beneficial interest are categorized as Level 3, as further discussed in Note 3.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. The Organization capitalizes expenditures in excess of \$500 with useful lives of one year or more. Provisions for depreciation of property and equipment have been computed on the straight-line method over the estimated useful life.

Long-Lived Assets

Long-lived assets are reviewed for impairment in accordance with guidance issued by FASB. The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Impairment losses are measured by comparing the estimated fair value of the assets to their carrying amount. There were no impairment losses for the years ended April 30, 2020 and 2019.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Allocations Payable

At the conclusion of each campaign year, the Organization identifies undesignated funds for allocation to approximately 150 programs across the seven-county service area. Allocations are determined by the Community Impact Cabinet and approved by the Board. Allocations expense related to allocations designated by donors to specific agencies are recorded at fiscal year-end as the agencies, at minimum, will receive these designations. Subsequent to fiscal year-end, the Board will approve any additional allocations to be provided to agencies, at which point the remaining allocations expense will be recorded. Allocations are typically communicated to the agencies by June, and payments begin in July.

Due to COVID-19, the Organization paid some of the allocations payable to agencies in April 2020, which is three months in advance. Allocations payable as of April 30, 2020 represent the remaining amounts due to agencies that were awarded in the current fiscal year and are scheduled to be paid by July 31, 2020.

Board Designated for Future Allocations

“Board designated for future allocations” on the statement of financial position as of April 30, 2020, represent allocations awarded to agencies subsequent to the fiscal year-end. The associated allocation payable liability and allocation expense will be incurred and recorded at the time of the award.

Donor Advised Fund

The Organization has a donor advised fund that enables a donor to identify funding opportunities aligned with his values and charitable interests. The donor advised fund allows the donor to recommend grant recipients, subject to the Organization’s due diligence and approval. Donor advised funds are not restricted and are recorded as Board designated net assets on the statements of financial position. The Organization has a donor advised fund of \$4,615,899 and \$4,049,050 as of the years ended April 30, 2020 and 2019, respectively.

Contributions

The Organization reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Pledges received for which the time restriction has been met in the current period are recorded in net assets without donor restrictions.

Contributions received where the donor has restricted the use of the principal and allows only the income to be utilized to support activities of the Organization are recorded as net assets with donor restrictions.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Contributions (Continued)

Contributions received for investment in land, building, and equipment, unless restricted by the donor, are designated for that purpose by the Board and recorded as net assets without donor restrictions. Contributions specifically restricted by the donor are reported in net assets with donor restrictions.

Contributions received, which have been designated by the donor to be given to another organization, are included in total campaign results, but are not included in revenues on the accompanying statements of activities. These contributions pass through Metro United Way as agency transactions to the designated recipient.

Donated Services, Goods, and Property

Various volunteers have donated substantial amounts of time toward the annual campaign and the various community activities; however, no values of in-kind amounts have been included in the financial statements as there is no objective basis upon which to measure the value of these services.

Donated goods and property are recorded in the financial statements at their fair value when received.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee salaries and benefits, insurance, depreciation, telephone, occupancy, equipment repairs and rentals, and printing and duplicating, which are allocated on the basis of estimates of staff time and effort.

Income Taxes

Metro United Way is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Therefore, no provision for income taxes has been included in the financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended April 30, 2020 and 2019 was \$110,777 and \$150,846, respectively.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Subsequent Events Evaluation

The Organization has evaluated subsequent events through August 28, 2020, the date on which the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain items in the April 30, 2019 financial statements have been reclassified to conform to the April 30, 2020 classifications.

Recently Adopted Accounting Standards

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit costs are required to be presented in the statements of activities separately from the service component and outside a subtotal of income from operations, if one is presented. The amendment further allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. In the current year, Metro United Way adopted ASU 2017-07, which did not have a material effect on Metro United Way's financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments and applies to all entities that hold financial assets or owe financial liabilities. As part of this guidance, entities will have to measure equity investments and marketable securities (except those accounted for under the equity method, those that result in consolidation of the investee and certain other investments) at fair value and recognize any changes in fair value in net income.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Recently Adopted Accounting Standards (Continued)

Recognition and Measurement of Financial Assets and Financial Liabilities (Continued)

A practicability exception will be available for equity investments that do not have readily determinable fair values, however; the exception requires the Company to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP. In the current year, Metro United Way adopted ASU 2016-01, using the modified retrospective method, which did not have a material effect on Metro United Way's financial statements.

Recent Accounting Pronouncements

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. An entity may adopt the guidance, as well as certain practical expedients, either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The ASU is expected to impact the Organization's financial statements as the Organization has certain operating lease arrangements for which it is the lessee.

Revenue Recognition from Contracts with Customers

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative-effect transition method. It also requires additional disclosures.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

Revenue Recognition from Contracts with Customers (Continued)

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which grants a one-year effective date delay for certain companies and organizations applying the revenue recognition and leases guidance. *Revenue from Contracts with Customers (Topic 606)* will be effective for the April 30, 2021 reporting period. *Leases (Topic 842)* will be effective for the April 30, 2023 reporting period. The Organization is currently evaluating the impacts the adoption of these standards will have on the financial statements.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and 2) determining whether a contribution is conditional. This standard was effective for contributions received for the April 30, 2020 reporting period and did not have a significant impact on the Organization's financial statements. This standard will be effective for contributions made for the April 30, 2021 reporting period.

The Organization is currently assessing the impact of these new accounting pronouncements on its financial statements.

Note 2 – Prior Period Adjustment

During the year ended April 30, 2020, it was discovered that the Organization understated the allocations payable and donor designations due to a timing difference in how allocations expense is recognized. The prior period adjustment impact on the April 30, 2019 financial statements decreased allocations expense and net assets without donor restrictions at the beginning of the fiscal year by approximately \$1,351,000. The prior period adjustment impact on the April 30, 2019 financial statements at the end of the fiscal year increased allocations payable and allocations expense by approximately \$1,478,000 resulting in an additional decrease to net assets without donor restrictions of approximately \$127,000.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 4,312,064	\$ 2,360,081
Certificates of Deposit	100,000	59,646
Investments and Investments Held by Others	11,609,833	11,976,309
Pledges Receivable, Net	13,338,221	14,936,963
Other Receivables	<u>13,389</u>	<u>4,156</u>
Subtotal of financial assets	<u>29,373,507</u>	<u>29,337,155</u>
Less Amounts Unavailable for General Expenditures Within One Year, Due To:		
Restricted by donors with purpose restrictions	(6,370,189)	(6,005,385)
Endowment earnings restricted until appropriated by Board	(1,409,014)	(1,526,633)
Restricted by donors in perpetuity	(3,621,059)	(3,622,067)
Long-term pledges receivable without donor restrictions, net	<u>(1,356,225)</u>	<u>(1,760,114)</u>
Total amounts unavailable for general expenditures within one year	<u>(12,756,487)</u>	<u>(12,914,199)</u>
Less Amounts Unavailable to Management Without Board Approval:		
Board designated endowment fund	(944,126)	(810,516)
Board designated for future allocations	(3,404,457)	(4,548,615)
Board designated for donor advised fund	(4,615,899)	(4,049,050)
Board designated for Southern Indiana	<u>(355,050)</u>	<u>(384,468)</u>
Total amounts unavailable to management without Board approval:	<u>(9,319,532)</u>	<u>(9,792,649)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 7,297,488</u>	<u>\$ 6,630,307</u>

As part of the liquidity management plan, the Organization invests excess cash in short-term investments, certificates of deposit, and money market funds. As further discussed in Note 8, the Organization also has an operating line of credit with maximum borrowings available of \$1 million. As further discussed in Note 9, the Organization was granted a Paycheck Protection Program (PPP) loan in the aggregate amount of \$1,103,800. Under the terms of the loan, certain amounts of the loan may be forgiven if used for qualifying purchases. As further discussed in Note 11, earnings on endowments of \$1,408,975 are considered restricted at April 30, 2020; however, the funds are available for general expenditure if appropriated by the Board of Directors.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 4 – Investments and Investments Held by Others

At April 30, 2020 and 2019, the Organization’s investments are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>April 30, 2020</u>				
Money market funds	\$ 1,098,615	\$ 1,098,615	\$ 0	\$ 0
Common stock and mutual funds	6,270,407	6,270,407	0	0
Corporate bonds	<u>2,842,987</u>	<u>2,842,987</u>	<u>0</u>	<u>0</u>
Total investments at fair value	<u>\$ 10,212,009</u>	<u>\$ 10,212,009</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>April 30, 2019</u>				
Money market funds	\$ 1,163,569	\$ 1,163,569	\$ 0	\$ 0
Common stock and mutual funds	6,483,790	6,483,790	0	0
Corporate bonds	<u>2,839,476</u>	<u>2,839,476</u>	<u>0</u>	<u>0</u>
Total investments at fair value	<u>\$ 10,486,835</u>	<u>\$ 10,486,835</u>	<u>\$ 0</u>	<u>\$ 0</u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 4 – Investments and Investments Held by Others (Continued)

At April 30, 2020 and 2019, the Organization’s investments held by others are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>April 30, 2020</u>				
Money market funds	\$ 55,896	\$ 55,896	\$ 0	\$ 0
Common stock and mutual funds	902,599	902,599	0	0
Corporate bonds	<u>219,879</u>	<u>219,879</u>	<u>0</u>	<u>0</u>
Fair value of investment securities held by others	1,178,374	1,178,374	0	0
Beneficial interest in trusts held by others	<u>219,450</u>	<u>0</u>	<u>0</u>	<u>219,450</u>
Total investments held by others at fair value	<u>\$ 1,397,824</u>	<u>\$ 1,178,374</u>	<u>\$ 0</u>	<u>\$ 219,450</u>
<u>April 30, 2019</u>				
Money market funds	\$ 45,165	\$ 45,165	\$ 0	\$ 0
Common stock and mutual funds	987,432	987,432	0	0
Corporate bonds	<u>217,215</u>	<u>217,215</u>	<u>0</u>	<u>0</u>
Fair value of investment securities held by others	1,249,812	1,249,812	0	0
Beneficial interest in trusts held by others	<u>239,662</u>	<u>0</u>	<u>0</u>	<u>239,662</u>
Total investments held by others at fair value	<u>\$ 1,489,474</u>	<u>\$ 1,249,812</u>	<u>\$ 0</u>	<u>\$ 239,662</u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 4 – Investments and Investments Held by Others (Continued)

The Organization has beneficial interest in perpetual trusts that are categorized as Level 3. Changes in the fair value of the Organization’s beneficial interest in trusts held by others are as follows:

Beginning balance at April 30, 2018	\$ 237,239
Total realized and unrealized net gains included in change in net assets	5,348
Interest and dividends	8,963
Fees and expenses	(2,897)
Distributions to the Organization	<u>(8,991)</u>
Balance at April 30, 2019	239,662
Total realized and unrealized net losses included in change in net assets	(20,641)
Interest and dividends	8,852
Fees and expenses	(3,214)
Distributions to the Organization	<u>(5,209)</u>
Balance at April 30, 2020	<u><u>\$ 219,450</u></u>

Net investment income (loss) for the years ended April 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Dividend and interest income	\$ 251,690	\$ 304,294
Realized gain	86,858	370,349
Unrealized gain (loss)	(544,707)	124,874
Investment expenses	<u>(52,399)</u>	<u>(47,355)</u>
Total investment return (loss), net	<u><u>\$ (258,558)</u></u>	<u><u>\$ 752,162</u></u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 5 – Pledges Receivable

At April 30, 2020 and 2019, the Organization’s pledges receivable are as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 13,356,170	\$ 13,534,657
One to five years	<u>1,489,000</u>	<u>3,256,811</u>
Total pledges receivable	14,845,170	16,791,468
Less discount	(3,000)	(393,000)
Less allowance for uncollectible pledges	<u>(1,503,949)</u>	<u>(1,461,505)</u>
	<u>\$ 13,338,221</u>	<u>\$ 14,936,963</u>

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in campaign revenue. The interest rate used in computing the discount of the estimated future cash flows was three percent for pledges received during the current fiscal year. The discount will be recognized as income in future fiscal years as the discount is amortized over the duration of the pledges. An allowance for uncollectible pledges receivable is provided based on management’s judgement, including such factors as prior collection history and type of pledge.

The timing of the close-out of campaigns will vary from year to year based on the status of collections.

Metro United Way receives pledges from corporations and individuals primarily located in Jefferson and adjoining counties in Kentucky and Southern Indiana. Although Metro United Way has many diverse pledges from donors, a substantial portion of its donors' abilities to perform is somewhat dependent on the economic conditions of the counties in which they operate.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 6 – Property and Equipment

Property and equipment at April 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 403,218	\$ 403,218
Building and improvements	4,923,200	4,919,077
Equipment, furniture, and fixtures	1,733,415	1,633,102
Automobiles	<u>32,691</u>	<u>67,608</u>
	7,092,524	7,023,005
Accumulated depreciation	<u>(4,823,667)</u>	<u>(4,588,595)</u>
	<u>\$ 2,268,857</u>	<u>\$ 2,434,410</u>

Depreciation expense for the years ended April 30, 2020 and 2019 was \$271,510 and \$248,662, respectively.

Note 7 – Line of Credit

The Organization has an operating line of credit with maximum borrowings of \$1,000,000. Metro United Way has pledged not to, without prior written consent of the bank, voluntarily or involuntarily, sell, transfer, or convey any of its assets (except in the ordinary course of business) or pledge or grant a security interest in any assets, except for those permitted liens on specific equipment which have been granted to the bank. Interest is at 1.65 percent in excess of LIBOR rate. The line of credit matures in December 2020. There were no borrowings on the line of credit at April 30, 2020 and 2019.

Note 8 – Long-Term Debt

On April 16, 2020, the Organization was granted a loan in the aggregate amount of \$1,103,800, pursuant to the PPP under Division A, Title I, of the CARES Act, which was enacted March 27, 2020.

The loan matures on April 16, 2022 and bears interest at a rate of one percent per annum, payable monthly commencing on November 16, 2020. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization intends to use the entire loan amount for qualifying expenses.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 8 – Long-Term Debt (Continued)

Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. As of the report date, the Organization expects the loan to be forgiven.

Note 9 – Net Assets with Donor Restrictions and Net Assets Released From Restrictions and Commitments

Net assets with donor restrictions at April 30, 2020 and 2019 represent contributions restricted by donors for specific programs of Metro United Way, subsequent year allocations to Metro United Way agencies, restricted grants, and certain land, building, and equipment which are restricted for a specific program.

A summary of the components of net assets with donor restrictions is as follows:

	<u>2020</u>	<u>2019</u>
Purpose-based restrictions:		
Kindergarten Readiness	\$ 351,647	\$ 266,318
Early Childhood Excellence Academy	471,247	618,157
Other Early Care and Education Initiatives	165,436	160,355
Economic Stability Initiatives	2,495,463	3,703,525
United Community	707,421	349,575
Black Male Achievement Gifts	216,438	552,734
Other High School Graduation Initiative	73,396	152,695
COVID-19 Relief	1,641,856	0
Other Restricted Gifts	<u>247,285</u>	<u>202,026</u>
Total purpose-based restrictions	6,370,189	6,005,385
Time restricted for future periods:		
Future Campaigns without purpose restrictions	2,773,541	3,100,293
Endowment earnings not yet appropriated by Board	1,408,975	1,526,633
Perpetual in nature:		
Beneficial interest in trusts held by others	219,450	239,662
Endowment	<u>3,401,648</u>	<u>3,382,405</u>
	<u>\$ 14,173,803</u>	<u>\$ 14,254,378</u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

***Note 9 – Net Assets with Donor Restrictions and Net Assets Released From Restrictions and Commitments
(Continued)***

Net assets of \$1,454,078 for the year ended April 30, 2020 have been released from donor restrictions due to the expiration of time restrictions on campaign pledges. Purpose-based restrictions of \$4,520,008 have also been released from net assets with donor restrictions for the year ended April 30, 2020.

Note 10 – Endowment Funds

Endowment Funds

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Metro United Way has both Board designated endowment funds and donor-restricted endowment funds.

Interpretation of Relevant Law

The Organization has interpreted the Kentucky UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Organization
- g. The investment policies of the Organization

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 10 – Endowment Funds (Continued)

Investment Objectives and Spending Policy

Metro United Way's endowments are managed according to the Board's investment and spending policies. These policies attempt to provide a consistent return on assets, preserve capital, and the purchasing power of the assets while also providing a predictable funding stream to support programs and the annual campaign. The Organization must hold donor-restricted funds in perpetuity. Under these policies, endowment assets are invested in a manner to maintain the real value of the principal over the long-term, provide a return that is greater than that for the simple preservation of capital, and shall avoid undue risk. The investment managers are reviewed based on absolute returns; returns relative to market indices; and the universe of investment managers.

To satisfy its rate-of-return objectives, Metro United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its return objectives within prudent risk constraints.

The net income from the endowments is used to support the annual campaign or is used for other Board-approved purposes, in accordance with the donor's intentions. This spending policy is consistent with Metro United Way's objective to preserve capital and the purchasing power of the assets while also providing a predictable funding stream to support programs and the annual campaign. The Board has set a plan to reinvest board designated endowment dollars and related earnings until the Organization reaches a total endowment level of \$10 million (includes both Board designated endowment and donor-restricted endowment funds). Once the Organization reaches the \$10 million level, the plan is to have an annual spending amount between three and four percent of the total endowment fund.

In addition to the donor-restricted endowment funds, the Organization has beneficial interest in perpetual trusts. The investment policy and the spending policy of the trust are determined by the trustee rather than by the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of April 30, 2020 and 2019.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 10 – Endowment Funds (Continued)

Changes in endowment net assets for the year ended April 30, 2020 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of the year	\$ 810,516	\$ 4,909,038	\$ 5,719,554
Investment return			
Investment income	65,252	122,924	188,176
Net change in value (realized and unrealized)	0	(160,461)	(160,461)
Total investment return	65,252	(37,537)	27,715
Appropriation of endowment assets for expenditure	(77,378)	(77,378)	(154,756)
Contributions	145,736	16,500	162,236
Endowment net assets, end of year	<u>\$ 944,126</u>	<u>\$ 4,810,623</u>	<u>\$ 5,754,749</u>

Changes in endowment net assets for the year ended April 30, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of the year	\$ 245,008	\$ 4,710,473	\$ 4,955,481
Investment return			
Investment income	130,332	148,542	278,874
Net change in value (realized and unrealized)	0	92,654	92,654
Total investment return	130,332	241,196	371,528
Appropriation of endowment assets for expenditure	(83,977)	(80,977)	(164,954)
Contributions	519,153	38,346	557,499
Endowment net assets, end of year	<u>\$ 810,516</u>	<u>\$ 4,909,038</u>	<u>\$ 5,719,554</u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 11 – Litigation

The Organization is involved in a claim, which arose in the ordinary course of business. For the year ended April 30, 2020, management believes that a loss arising from the claim is not probable, therefore a liability has not been recorded. Based on currently available information, management believes that the ultimate outcome of this matter, individually and in the aggregate, will not have a material adverse effect on the Organization's business, financial condition, or results of operation.

Note 12 – Employee Benefit Plans

Metro United Way sponsors a defined benefit pension plan and a defined contribution 403(b) plan. To be eligible for future benefit accruals in the defined benefit pension plan, the combined age and years of service were required to be a total 45 years or more on January 1, 2018.

403(b) Plan

Employees who are eligible to continue to earn benefit accruals on and after January 1, 2018 in the Pension Plan receive a matching contribution equal to 100 percent of the salary reduction amount the employee contributed during the plan year that does not exceed three percent of the employee's compensation during the plan year.

Employees who are not eligible to continue to earn benefit accruals on and after January 1, 2018 in the Pension Plan receive a matching contribution based on the employee's years of service and their deferral amount during the year. Employer matching contributions range between 100 percent to 300 percent of the salary reduction amount the employee contributed during the plan year that does not exceed five percent of the employee's compensation received during the plan years.

Prior to January 1, 2018, the Organization matched up to three percent of the eligible employee contribution at a rate of 100 percent. Vesting for the employer contribution is 20 percent per year with full vesting in five years.

The Organization's contributions for the years ended April 30, 2020 and 2019 were \$119,108 and \$109,326, respectively.

Pension Plan

Pension benefits are based on years of service and compensation during the last five years of employment.

FASB Accounting Standards Codification (ASC) 715 "Compensation-Retirement Benefits" requires an employer without publicly traded equity securities to recognize the funded status of a defined benefit post-retirement plan and to provide the required disclosures under FASB ASC 715.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 12 – Employee Benefit Plans (Continued)

The changes in projected benefit obligation as of the years ended April 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Projected benefit obligation at the beginning of the year	\$ 14,788,331	\$ 13,739,431
Service cost	276,776	294,106
Interest cost	565,186	561,464
Change due to assumption changes	907,466	288,002
Actuarial loss	107,912	273,807
Expense charges	(29,031)	(29,156)
Benefits disbursed	<u>(371,144)</u>	<u>(339,323)</u>
Projected benefit obligation at the end of the year	<u>\$ 16,245,496</u>	<u>\$ 14,788,331</u>

The significant changes in assumption that impacted the change in the projected benefit obligation as of April 30, 2020 are as follows:

- The Discount Rate changed from 3.8 percent to 3.2 percent;
- The assumed Post-Retirement Interest Rate changed from 3.8 percent to 3.2 percent;
- The assumed salary increase changed from 3.5 percent to three percent per year;
- The assumed Social Security Wage Base Increase changed from three percent to 2.5 percent per year;
- The assumed Maximum Benefit and Compensation Increase changed from three percent to 2.5 percent per year;
- The Assumed Retirement Age changed from 63 to 65;
- The Actual Investment Return was 1.5 percent compared to the 6.25 percent assumption.

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 12 – Employee Benefit Plans (Continued)

The following table sets forth the defined benefit plan's funded status and amounts recognized in the Organization's balance sheet at April 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Projected benefit obligation	\$ 16,245,496	\$ 14,788,331
Fair value of plan assets	<u>11,837,894</u>	<u>11,988,903</u>
Funded status	<u>\$ (4,407,602)</u>	<u>\$ (2,799,428)</u>
Accumulated benefit obligation	<u>\$ 15,585,333</u>	<u>\$ 14,204,603</u>
Accrued cost recognized in the statement of financial position	<u>\$ 4,407,602</u>	<u>\$ 2,799,428</u>

There are no plan assets expected to be returned to Metro United Way during the next fiscal year.

Net periodic pension cost including the following components for the years ended April 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 276,776	\$ 294,106
Interest cost	565,186	561,464
Actual return on plan assets	(174,499)	(882,397)
Amortization of unrecognized prior service cost	(30,396)	(30,396)
Amortization of unrecognized net loss	32,413	1,573
Asset gain (loss) deferred	<u>(556,881)</u>	<u>135,270</u>
Net periodic pension cost	<u>\$ 112,599</u>	<u>\$ 79,620</u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 12 – Employee Benefit Plans (Continued)

The following table sets forth items not yet recognized as a component of net periodic pension cost as follows:

	<u>2020</u>	<u>2019</u>
Net loss	<u>\$ (3,101,124)</u>	<u>\$ (1,561,278)</u>

Net assets without donor restrictions have been accordingly reduced by net actuarial changes other than net periodic pension costs that are reported separately on the statements of activities. These amounts were a loss of \$1,570,242 and \$455,362 for the years ended April 30, 2020 and 2019, respectively. The increase in net loss during April 30, 2020 is related to the change in assumptions in accordance with the recognition provisions of ASC Topic 715.

Estimated amounts that will be amortized from additional pension liability and reclassified as net periodic benefit cost over the next fiscal year are as follows:

	<u>2020</u>	<u>2019</u>
Net prior service cost	\$ 30,396	\$ 30,396
Net loss	<u>(325,237)</u>	<u>(17,962)</u>
	<u>\$ (294,841)</u>	<u>\$ 12,434</u>

Other information related to the plan for the years ended April 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Benefit cost	\$ 112,599	\$ 79,620
Employer contribution	76,572	155,383
Benefits paid	371,144	339,232
Expense charges	29,031	29,156

Weighted-average assumptions used:

Discount rate	3.20%	3.80%
Expected return on plan assets	6.25%	6.75%
Rate of compensation increase	3.00%	3.50%

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 12 – Employee Benefit Plans (Continued)

The expected long-term rate of return on plan assets assumption of 6.25 percent was selected in accordance with Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection of Economic Assumptions for Measuring Pension Obligations. Based on Metro United Way's investment allocation for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation and investment expense) and for inflation based on long-term historical return on the applicable asset classes. An average inflation rate within the range equal to 2.5 percent was selected and added to the real rate of return range to arrive at a best estimate range of 5.97 percent to 8.81 percent. A rate of 6.25 percent, which is within the best estimate range. Metro United Way's investment objective is to invest plan assets in a manner that will assure sufficient resources to pay current and projected plan obligations over the life of the plan.

The following table sets forth by level, within the fair value hierarchy, Metro United Way's investment assets at fair value as of April 30, 2020 and 2019, which are considered Level 1 investments.

	<u>2020</u>	<u>2019</u>
Short-term investments	\$ 127,076	\$ 4,413
Common stock and mutual funds	7,192,050	7,380,858
Bond funds	<u>4,518,768</u>	<u>4,603,632</u>
	<u>\$ 11,837,894</u>	<u>\$ 11,988,903</u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
 April 30, 2020 and 2019 (as Restated)

Note 12 – Employee Benefit Plans (Continued)

The weighted average asset allocation of the investment portfolio for Metro United Way at April 30, 2020 and 2019, and target allocations, is as follows:

	Allowable Allocation Range	Plan Assets	
		2020	2019
Equity	30%-70%	60.7%	61.6%
Bonds		38.2%	38.4%
Cash and general		1.1%	0.0%
Total fixed income	30%-70%	39.3%	38.4%
	100.0%	100.0%	100.0%

The target asset allocation was determined based on the risk tolerance characteristics of the plan and, at times, may be adjusted to achieve the Organization’s overall investment objective.

Estimated pension benefit payments, which reflect future service, for the years ending April 30, 2021 through 2030 are as follows:

<u>Years Ending April 30,</u>	
2021	\$ 537,000
2022	580,000
2023	604,000
2024	634,000
2025	697,000
2026-2030	<u>3,803,000</u>
	<u>\$ 6,855,000</u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 12 – Employee Benefit Plans (Continued)

Metro United Way contributed approximately 1.51 percent of plan compensation for eligible employees for the year ended April 30, 2020. For the fiscal year ended April 30, 2020, the Organization expects to continue to base its contribution percentage on the recommendation of the actuary after the actuarial valuation is completed. Based on this, the Organization estimates contributions of approximately \$50,000 for the next fiscal year.

Note 13 – Leasing Arrangements as Lessee

The Organization leases office facilities under noncancelable operating leases, which expire at various dates through 2021. Generally, the Organization is required to pay executory costs such as property taxes, maintenance, and insurance. At April 30, 2020, aggregate annual future minimum rental payments required under the noncancelable operating leases are \$17,100.

Note 14 – Leasing Arrangements as Lessor

The Organization leases office facilities under noncancelable operating leases, which expire at various dates through 2022. The lessee pays executory costs such as property taxes, maintenance, and insurance. At April 30, 2020, aggregate future minimum rental payments to be received under the noncancelable operating leases are as follows:

<u>Years Ending April 30,</u>	
2021	\$ 14,732
2022	<u>9,260</u>
	<u><u>\$ 23,992</u></u>

METRO UNITED WAY, INC.
A Not-for-Profit Corporation

NOTES TO FINANCIAL STATEMENTS
April 30, 2020 and 2019 (as Restated)

Note 15 – Unemployment Services Trust

Metro United Way is a participating member of the Unemployment Services Trust, a revocable grantor trust composed of individual 501(c)(3) organizations. The Trust acts as a servicing agent for funds contributed by its participating members for payment of unemployment claims. As a participating member of the Trust, Metro United Way is able to take advantage of the benefits of directly reimbursing unemployment claims generally at a lower cost than paying state unemployment taxes.

Contributions to the Trust are recommended by the Trust's actuary, based on analyses of historical claims experience and current economic conditions in order to approximate future unemployment obligations of the Organization. Contributions totaled \$9,290 and \$10,099 for the fiscal years ended April 30, 2020 and 2019, respectively. Claims are paid by the Trust on behalf of Metro United Way to the Commonwealth of Kentucky for unemployment claims paid to former Metro United Way employees. The obligation for the estimated future claim liabilities of each participating member is ultimately the responsibility of that member. Since contributions are based on actuarial estimates, the amounts held in the Trust at a given time may be less than the potential future unemployment obligations of the Organization. The Organization estimates that the amounts held in the Trust as of April 30, 2020 and 2019 approximate the potential future unemployment obligations incurred as of April 30, 2020 and 2019.

Note 16 – Tax Status

The Internal Revenue Service has ruled that the Organization is exempt from the payment of federal income tax (except on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954. There were no taxes due for the years ended April 30, 2020 and 2019, as there was no unrelated business income for these years.

Management evaluated the Organization's uncertain tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

Note 17 – COVID-19

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The impacts of COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, the Organization may experience disruptions in its operations that could have an adverse impact on the Organization's financial results.