


United Way
of Greater
Toledo



Years Ended
June 30, 2019
and 2018

Financial
Statements

UNITED WAY OF GREATER TOLEDO

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INDEPENDENT AUDITORS' REPORT

December 18, 2019

Board of Directors
United Way of Greater Toledo
Toledo, Ohio

We have audited the accompanying financial statements of **United Way of Greater Toledo** (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor 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 Organization'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 Organization'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 Toledo** as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



UNITED WAY OF GREATER TOLEDO

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 114,204	\$ 416,757
Pledges receivable, less allowance for uncollectible pledges of \$372,592 in 2019 (\$443,258 in 2018)	3,410,681	3,773,568
Grant, contract and other receivables	83,806	79,568
Prepaid expenses and other assets	97,077	100,956
Investments	16,776,104	16,807,597
Beneficial interest in perpetual trust	1,868,319	1,833,504
Net property and equipment	5,525,041	5,662,534
Total assets	\$ 27,875,232	\$ 28,674,484
LIABILITIES AND NET ASSETS		
Liabilities		
Lines of credit	\$ 1,419,733	\$ 1,772,137
Accounts payable and other	386,645	349,284
Deferred revenue	50,000	50,000
Community investments payable	3,778,745	3,808,647
Designations payable	978,851	1,422,305
Total liabilities	6,613,974	7,402,373
Net assets		
Without donor restrictions	17,875,609	17,979,919
With donor restrictions	3,385,649	3,292,192
Total net assets	21,261,258	21,272,111
Total liabilities and net assets	\$ 27,875,232	\$ 28,674,484

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

UNITED WAY OF GREATER TOLEDO

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue and gains			
Gross campaign revenue	\$ 8,629,779	\$ 363,957	\$ 8,993,736
Grants and contracts	559,234	-	559,234
Gross revenue under management	9,189,013	363,957	9,552,970
Pledges received for future campaigns	-	192,334	192,334
Less donor designations	(1,788,042)	-	(1,788,042)
Less provision for uncollectible pledges	(308,081)	-	(308,081)
Net revenue under management	7,092,890	556,291	7,649,181
Net investment return	1,057,805	-	1,057,805
Change in value of beneficial interest in perpetual trust	-	34,815	34,815
Net assets released from restrictions	497,649	(497,649)	-
Total public support and revenue and gains	8,648,344	93,457	8,741,801
Community investments and expenses			
Program services			
Gross investments in community	5,760,377	-	5,760,377
Less donor designations	(1,788,042)	-	(1,788,042)
Net investments in community programs	3,972,335	-	3,972,335
Community support services	2,860,337	-	2,860,337
Total program services	6,832,672	-	6,832,672
Supporting services			
Resource development	1,209,552	-	1,209,552
Administration	710,430	-	710,430
Total supporting services	1,919,982	-	1,919,982
Total expenses	8,752,654	-	8,752,654
Changes in net assets	(104,310)	93,457	(10,853)
Net assets, beginning of year	17,979,919	3,292,192	21,272,111
Net assets, end of year	\$ 17,875,609	\$ 3,385,649	\$ 21,261,258

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

UNITED WAY OF GREATER TOLEDO

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue and gains			
Gross campaign revenue	\$ 8,963,535	\$ 403,907	\$ 9,367,442
Grants and contracts	607,447	-	607,447
Contributions	454,710	-	454,710
Gross revenue under management	10,025,692	403,907	10,429,599
Pledges received for future campaigns	-	201,123	201,123
Less donor designations	(1,938,405)	-	(1,938,405)
Less provision for uncollectible pledges	(533,948)	-	(533,948)
Net revenue under management	7,553,339	605,030	8,158,369
Net investment return	1,237,951	-	1,237,951
Change in value of beneficial interest in perpetual trust	-	96,092	96,092
Miscellaneous	45,966	-	45,966
Net assets released from restrictions	978,246	(978,246)	-
Total public support and revenue and gains	9,815,502	(277,124)	9,538,378
Community investments and expenses			
Program services			
Gross investments in community	5,941,525	-	5,941,525
Less donor designations	(1,938,405)	-	(1,938,405)
Net investments in community programs	4,003,120	-	4,003,120
Community support services	2,691,479	-	2,691,479
Total program services	6,694,599	-	6,694,599
Supporting services			
Resource development	1,175,638	-	1,175,638
Administration	664,207	-	664,207
Total supporting services	1,839,845	-	1,839,845
Total expenses	8,534,444	-	8,534,444
Changes in net assets	1,281,058	(277,124)	1,003,934
Net assets, beginning of year	16,698,861	3,569,316	20,268,177
Net assets, end of year	\$ 17,979,919	\$ 3,292,192	\$ 21,272,111

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

UNITED WAY OF GREATER TOLEDO

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

With Comparative Totals for the Year Ended June 30, 2018

	Year Ended June 30, 2019								2019 Total	2018 Comparative Totals
	Program Services				Support Services					
	Community Impact, Leadership and Support	United Way 2-1-1 & Coordinated Assessment	Schools as Community Hubs	Other	Total Program Services	Resource Development	Administration	Total Supporting Services		
Community investments										
Gross investments in community	\$5,163,377	\$ -	\$440,000	\$ 157,000	\$ 5,760,377	\$ -	\$ -	\$ -	\$ 5,760,377	\$ 5,941,525
Less donor designations	(1,788,042)	-	-	-	(1,788,042)	-	-	-	(1,788,042)	(1,938,405)
Net investments in community programs	3,375,335	-	440,000	157,000	3,972,335	-	-	-	3,972,335	4,003,120
Salaries and employee benefits										
Salaries	902,043	82,463	18,290	13,256	1,016,052	740,037	390,336	1,130,373	2,146,425	2,097,455
Salaries related to grants and contracts	-	-	-	-	-	-	-	-	-	13,768
Employee benefits	195,634	18,393	1,650	3,479	219,156	99,197	74,123	173,320	392,476	398,998
Payroll taxes and other	70,146	7,554	1,629	986	80,315	57,817	38,056	95,873	176,188	181,508
Total salaries and employee benefits	1,167,823	108,410	21,569	17,721	1,315,523	897,051	502,515	1,399,566	2,715,089	2,691,729
Other expenses										
Contract services	183,147	506,589	18,346	20,325	728,407	52,662	38,531	91,193	819,600	700,011
Professional services	12,779	6,411	548	548	20,286	3,390	32,352	35,742	56,028	49,156
Office and general	264,121	1,940	2,914	1,647	270,622	64,789	16,366	81,155	351,777	303,038
Occupancy	71,339	2,733	956	695	75,723	39,638	23,324	62,962	138,685	150,240
Property & casualty insurance	14,381	1,045	130	222	15,778	10,252	5,722	15,974	31,752	31,682
Mileage and meals	6,975	202	336	12	7,525	8,696	1,268	9,964	17,489	20,279
Professional development	5,877	-	1,799	325	8,001	7,910	4,776	12,686	20,687	17,087
Annual event and other meetings	20,017	616	853	5	21,491	20,560	2,521	23,081	44,572	49,615
Professional memberships and subscriptions	4,277	383	94	51	4,805	7,404	2,021	9,425	14,230	13,292
Advertising	-	-	-	-	-	-	-	-	-	4,702
Credit card and bank charges	4,367	5,373	537	549	10,826	1,433	30,928	32,361	43,187	43,463
Equipment, repairs, and maintenance	24,793	2,567	-	-	27,360	4,691	2,599	7,290	34,650	43,678
United Way Worldwide dues	51,475	17,325	5,039	-	73,839	15,190	10,572	25,762	99,601	105,628
Interest	41,346	4,912	35	35	46,328	9,531	6,633	16,164	62,492	50,014
Depreciation	154,687	-	-	-	154,687	33,734	21,016	54,750	209,437	201,084
Specific assistance	-	5,033	-	49,202	54,235	-	-	-	54,235	27,051
Miscellaneous	18,987	4,410	1,053	451	24,901	32,621	9,286	41,907	66,808	29,575
Total other expenses	878,568	559,539	32,640	74,067	1,544,814	312,501	207,915	520,416	2,065,230	1,839,595
Total salaries and employee benefits and other expenses	2,046,391	667,949	54,209	91,788	2,860,337	1,209,552	710,430	1,919,982	4,780,319	4,531,324
Total expenses	\$ 5,421,726	\$ 667,949	\$ 494,209	\$ 248,788	\$ 6,832,672	\$ 1,209,552	\$ 710,430	\$ 1,919,982	\$ 8,752,654	\$ 8,534,444

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

UNITED WAY OF GREATER TOLEDO

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Year Ended June 30, 2018									
	Program Services					Support Services			2018 Total	
	Community Impact, Leadership and Support	United Way 2-1-1 & Coordinated Assessment	United Way Free Tax Preparation	Schools as Community Hubs	Other	Total Program Services	Resource Development	Administration		Total Supporting Services
Community investments										
Gross investments in community	\$ 5,473,935	\$ -	\$ -	\$ 339,324	\$ 128,266	\$ 5,941,525	\$ -	\$ -	\$ -	\$ 5,941,525
Less donor designations	(1,938,405)	-	-	-	-	(1,938,405)	-	-	-	(1,938,405)
Net investments in community programs	3,535,530	-	-	339,324	128,266	4,003,120	-	-	-	4,003,120
Salaries and employee benefits										
Salaries	883,264	54,171	60,248	10,355	18,357	1,026,395	699,397	371,663	1,071,060	2,097,455
Salaries related to grants and contracts	5,968	7,800	-	-	-	13,768	-	-	-	13,768
Employee benefits	206,269	13,789	5,680	5,310	2,075	233,123	94,685	71,190	165,875	398,998
Payroll taxes and other	78,935	6,183	3,440	971	1,351	90,880	59,610	31,018	90,628	181,508
Total salaries and employee benefits	1,174,436	81,943	69,368	16,636	21,783	1,364,166	853,692	473,871	1,327,563	2,691,729
Other expenses										
Contract services	147,744	463,081	11,617	313	5,690	628,445	50,840	20,726	71,566	700,011
Professional services	8,740	2,686	1,152	384	-	12,962	1,097	35,097	36,194	49,156
Office and general	158,766	1,422	1,016	224	19,878	181,306	104,012	17,720	121,732	303,038
Occupancy	81,516	2,071	1,916	471	636	86,610	45,901	17,729	63,630	150,240
Property & casualty insurance	13,065	518	343	74	295	14,295	11,340	6,047	17,387	31,682
Mileage and meals	8,860	255	141	63	-	9,319	10,320	640	10,960	20,279
Professional development	8,859	(327)	165	(224)	449	8,922	5,360	2,805	8,165	17,087
Annual event and other meetings	12,005	950	479	237	13,394	27,065	20,543	2,007	22,550	49,615
Professional memberships and subscriptions	7,942	195	294	46	-	8,477	3,205	1,610	4,815	13,292
Advertising	2,648	-	-	-	23	2,671	2,031	-	2,031	4,702
Credit card and bank charges	3,379	2,628	1,126	375	-	7,508	1,629	34,326	35,955	43,463
Equipment, repairs, and maintenance	30,930	-	3,354	-	-	34,284	5,987	3,407	9,394	43,678
United Way Worldwide dues	59,603	19,512	3,061	795	-	82,971	14,471	8,186	22,657	105,628
Interest	32,998	3,596	582	2,110	-	39,286	6,852	3,876	10,728	50,014
Depreciation	140,963	-	5,454	1,416	-	147,833	34,465	18,786	53,251	201,084
Specific assistance	-	27,051	-	-	-	27,051	-	-	-	27,051
Miscellaneous	6,147	1,309	562	190	100	8,308	3,893	17,374	21,267	29,575
Total other expenses	724,165	524,947	31,262	6,474	40,465	1,327,313	321,946	190,336	512,282	1,839,595
Total salaries and employee benefits and other expenses	1,898,601	606,890	100,630	23,110	62,248	2,691,479	1,175,638	664,207	1,839,845	4,531,324
Total expenses	\$ 5,434,131	\$ 606,890	\$ 100,630	\$ 362,434	\$ 190,514	\$ 6,694,599	\$ 1,175,638	\$ 664,207	\$ 1,839,845	\$ 8,534,444

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

UNITED WAY OF GREATER TOLEDO

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ (10,853)	\$ 1,003,934
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Net investment return	(1,057,805)	(1,237,951)
Change in value of beneficial interest in perpetual trust	(34,815)	(96,092)
Provision for uncollectible pledges	308,081	533,948
Depreciation	209,437	201,084
Changes in operating assets and liabilities which provided (used) cash		
Pledges receivable	54,806	(701,976)
Grant, contract and other receivables	(4,238)	82,195
Prepaid expenses and other assets	3,879	6,750
Accounts payable and other	37,361	(188,496)
Community investments payable and designations payable	(473,356)	217,094
Deferred revenue	-	(66,250)
Net cash used in operating activities	(967,503)	(245,760)
Cash flows from investing activities		
Purchases of property and equipment	(71,944)	(2,880)
Purchases of investments	-	(454,710)
Proceeds from sales of investments	1,089,298	746,653
Net cash provided by investing activities	1,017,354	289,063
Cash used in financing activities		
Net repayments on lines of credit	(352,404)	(188,553)
Net decrease in cash and cash equivalents	(302,553)	(145,250)
Cash and cash equivalents, beginning of the year	416,757	562,007
Cash and cash equivalents, end of the year	\$ 114,204	\$ 416,757
Supplemental disclosures of cash flows information		
Interest paid	\$ 62,492	\$ 50,014

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

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way of Greater Toledo (the "Organization") is a nonprofit charitable entity, incorporated in May 1918, governed by a volunteer Board of Directors (the "Board"). The Organization licenses its name and trademark from United Way Worldwide, and operates autonomously.

The Organization's mission is to change lives by mobilizing the caring power of the community. The Organization unites people and resources to improve lives in Lucas, Wood, and Ottawa counties with a focus on education, income, and health - the building blocks for a good quality of life.

In July 2014, the Board affirmed a five-year strategic plan focused on revenue, relationships, and operational excellence to guide the work of the Organization and drive results of the Live United 2020 Goals.

To maximize community impact, United Way staff and volunteers work to discover community conditions in need of improvement, design and build long-term solutions in partnership with others, and measure and share results. To achieve Live United 2020 Goals, United Way staff and volunteers work in conjunction to identify, prioritize and strategically invest in more than 80 key community programs. Programs are monitored throughout the year to ensure desired outcomes are met.

In support of this work, the Organization raises funds in Lucas, Wood and Ottawa counties throughout the year. Funds are primarily raised through employer/workplace giving campaigns in the private and public sectors, and from individuals who are solicited and contribute directly. Grants from public and private sources, planned gifts, and special event revenue are also solicited. Donors are encouraged to designate their gift to United Way in support of the Live United 2020 Goals. Donors may also designate their gift to any qualifying non-profit organization recognized by the Internal Revenue Service as eligible to receive tax-exempt donations.

The Organization also engages volunteers to serve the community with a focus on education, income, and health priorities that align with Live United 2020 Goals.

Net Asset Classification

Net assets, revenues, and support are classified based on the existence or absence of donor-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 are not subject to donor (or certain grantor) restrictions or donor-imposed restrictions that have expired. The Board of Directors has designated a portion of net assets without donor restrictions, which amounted to \$15,351,620 and \$15,375,568 at June 30, 2019 and 2018, respectively, as a quasi-endowment (an amount to be treated by management as if it were part of the donor-restricted endowment) for the purpose of securing the Organization's long-term financial viability.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

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 but permit the Organization to use or expend all of the capital appreciation and income earned. 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, and are reported as net assets released from restrictions in the statements of activities.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these financial statements.

Use of 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 revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the allowance for uncollectible pledges.

Cash and Cash Equivalents

The Organization considers all highly liquid short-term investments with a maturity of three months or less when purchased to be cash equivalents, except that such investments purchased for a long-term purpose are classified as investments. The Organization maintains cash deposits with financial institutions in amounts, which at times, may exceed the federally insured limits. Management does not believe the Organization is exposed to any significant interest rate or other financial risk as a result of these deposits.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

A description of each category in the fair value hierarchy is as follows:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurements, refer to Note 3 to the financial statements.

Pledges Receivable Campaign Revenue Recognition

Unconditional promises to give are recorded at net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Annual campaigns are conducted each year to support community investments in participating local programs. All contributions are considered without donor restrictions unless specifically restricted by the donor. Campaign collections and pledge receivables related to future campaigns are reported as with donor restrictions. The Organization has recorded an allowance for uncollectible pledges equal to management's estimate of pledges which ultimately will not be collected. This estimate is based on historical collection experience and current economic conditions. It is reasonably possible that the Organization's estimate of the allowance for uncollectible pledges will change. Uncollectible amounts that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible pledges and a reduction in pledges receivable. All pledges receivable are expected to be collected within one year.

Designations payable represent amounts received with specific donor designations to external organizations. These funds are reported in gross campaign revenues for the Organization, but are eliminated from net revenue under management. As required by GAAP, such amounts are reported as a liability until forwarded to the designated agency or other qualifying organization.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. During 2018, the Organization received a bequest without donor restrictions for \$454,710 that has been included as contributions on the statements of activities.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

Grant and Contract Revenue Recognition

Grants and contracts are recorded as revenue when all events and/or conditions thereof have been met as determined by the funding organization. Deferred revenue is recorded if monies are received but not expended. A grant receivable is recorded if all events and/or conditions thereof have been met but the related grant proceeds were not yet received at the end of the year.

Investments and Beneficial Interest in Perpetual Trust

Investments securities purchased are initially recorded at cost. Thereafter, the carrying values of such investments are adjusted to fair values which are determined using published exchange market quotations where applicable or estimated fair values provided by external investment managers or other sources. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, distributions from beneficial interest in perpetual trust, less external investment expenses.

The Organization is the income beneficiary of a perpetual trust held and administered by an outside fiscal agent. Under the terms of the trust, the Organization has the irrevocable right to receive the income earned on the trust's assets in perpetuity, but will never receive the assets held in trust. The present value of the estimated future cash receipts from the trust is recognized as an asset and contributed support with donor restrictions at the date the trust is established. Distributions from the trust are recorded as net investment return, and the carrying value of the assets is adjusted annually for changes in the estimates of future receipts.

Property and Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at estimated fair value at the date of donation. Major improvements and renewals which exceed \$1,000 are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39 years.

Donated Services

A significant portion of the Organization's functions are conducted by unpaid board members and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition.

Community Investments Payable

The Organization pays community investments related to each campaign based on a 12-month disbursement period, running from July 1 to June 30.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

Advertising

The costs of advertising are expensed as incurred. The Organization incurred no advertising costs during 2019 and \$4,702 in 2018.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses are generally allocated between program services and supporting services based on specific identification, space utilized, or salaries, whichever is more appropriate. Although the methods of allocation used are considered reasonable, other methods could be used and produce different amounts.

Income Taxes

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." The Organization has been classified as not a private foundation.

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions.

The Organization has evaluated its income tax filing positions for fiscal years 2016 through 2019, the years which remain subject to examination as of June 30, 2019. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization's financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2019 or 2018, and is not aware of any claims for such amounts by federal or state income tax authorities.

Change in Accounting Principle

As of July 1, 2017, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU 1) reduces the number of net asset classes presented from three to two; (2) modifies the presentation of underwater endowment funds and related disclosures; (3) requires enhanced disclosures concerning board designated net assets; (4) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (5) requires the presentation of investment return net of external and direct internal investment expenses.

Reclassification

Certain amounts as reported in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

In preparing these financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2019, the most recent statement of financial position presented herein, through December 18, 2019, the date these financial statements were available to be issued. No such significant transactions or events were identified.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	2019
Pledges receivable, net, due within one year	\$ 3,275,063
Investments	8,349
Board-designated endowment spending-rate distributions and appropriations	617,181
Distribution from beneficial interest in perpetual trust	<u>74,000</u>
Financial assets available for general use within one year	<u>\$ 3,974,593</u>

The endowment funds consist of donor-designated endowments and funds designated by the board as endowments. Accumulated investment gains from donor-restricted endowments are available for general use upon appropriation by the Organization's Board. Although the Organization does not intend to spend the accumulated investment gains from these donor-restricted endowments (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary. The portion of donor-restricted endowment funds that is to be maintained in perpetuity is not available for general expenditure.

The board-designated endowment of \$15,351,620 is subject to an annual spending rate. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Organization's liquidity plan, net revenue under management is available for general expenditures, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Additionally, to help manage seasonal liquidity needs, the Organization has a line of credit with maximum borrowings of \$3,000,000 (of which there are no amounts outstanding as of June 30, 2019), which it could draw upon. Note that the lines of credit are secured by certain investment accounts (see Note 6).

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Investments and the beneficial interest in perpetual trust are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. For financial assets recorded at fair value, the description includes an indication of the level of the fair value hierarchy in which the assets are classified.

Investments

Money market funds, mutual funds, U.S. stocks and U.S. government agency bonds are recorded at fair value on a recurring basis. The carrying amounts of money market funds approximate fair values and are included as Level 1 assets. Fair value measurement for mutual funds and U.S. stocks is based upon quoted prices. Level 1 securities include mutual funds and U.S. stocks traded on an active exchange, such as the New York Stock Exchange, that are traded by dealers or brokers in active over-the-counter markets. Level 2 investments include U.S. government agency bonds that are estimated using a model-driven system to calculate prices. More specifically, the model estimates the spread at which bonds of similar quality and maturity should be trading with respect to treasury securities of the same maturity. Based on their spread (yield difference versus treasury securities) the value is then calculated using the standard yield-to-maturity formula.

Beneficial Interest in Perpetual Trust

The Organization classifies the beneficial interest in perpetual trust as Level 3 in the fair value hierarchy. The underlying trust assets cannot be liquidated or redeemed by the Organization. As such, no quoted prices or active markets are available for this asset. As a practical expedient, the carrying value of this asset is deemed equal to the Organization's proportionate share of the fair value of the total investments held in the trust as provided by external advisors.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

Assets Recorded at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of the assets measured at fair value on a recurring basis as of June 30:

2019	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market	\$ 162,537	\$ -	\$ -	\$ 162,537
Mutual funds				
Equity				
Large-cap	2,787,746	-	-	2,787,746
Mid-cap	1,979,577	-	-	1,979,577
Developed international	1,650,583	-	-	1,650,583
Emerging market	1,416,717	-	-	1,416,717
U.S. real estate	984,289	-	-	984,289
Energy/commodity	338,990	-	-	338,990
Precious metal	355,976	-	-	355,976
Fixed income				
Intermediate-term bond	913,369	-	-	913,369
Short-term bond	513,200	-	-	513,200
International bond	1,769,037	-	-	1,769,037
U.S. stocks	2,972,168	-	-	2,972,168
U.S. government agency bonds	-	931,915	-	931,915
Total investments carried at fair value	<u>\$ 15,844,189</u>	<u>\$ 931,915</u>	<u>\$ -</u>	<u>\$16,776,104</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,868,319</u>	<u>\$ 1,868,319</u>

2018	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market	\$ 324,969	\$ -	\$ -	\$ 324,969
Mutual funds				
Equity				
Large-cap	2,900,668	-	-	2,900,668
Mid-cap	2,008,282	-	-	2,008,282
Developed international	1,675,915	-	-	1,675,915
Emerging market	1,398,048	-	-	1,398,048
U.S. real estate	932,572	-	-	932,572
Energy/commodity	385,364	-	-	385,364
Precious metal	383,152	-	-	383,152
Fixed income				
Intermediate-term bond	683,358	-	-	683,358
Short-term bond	491,877	-	-	491,877
International bond	1,664,325	-	-	1,664,325
U.S. stocks	2,665,723	-	-	2,665,723
U.S. government agency bonds	-	1,293,344	-	1,293,344
Total investments carried at fair value	<u>\$ 15,514,253</u>	<u>\$ 1,293,344</u>	<u>\$ -</u>	<u>\$16,807,597</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,833,504</u>	<u>\$ 1,833,504</u>

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NOTES TO FINANCIAL STATEMENTS

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets measured at fair value on a recurring basis as of June 30:

	Beneficial Interest in Perpetual Trust	
	2019	2018
Balance, at beginning of year	\$ 1,833,504	\$ 1,737,412
Change in value of trust assets	<u>34,815</u>	<u>96,092</u>
Balance, at end of year	<u>\$ 1,868,319</u>	<u>\$ 1,833,504</u>

Certain investments are pledged as collateral for the Organization's lines of credit (see Note 6).

4. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization is one of the beneficiaries of a trust held by a local foundation. Under the trust agreement, the Organization is entitled to receive 25% of the income generated from this trust. As the trust is irrevocable, the Organization has recorded 25% of the fair value of the trust's assets as a beneficial interest in perpetual trust and a net asset with donor restrictions. The Organization received approximately \$75,000 of income from the trust during 2019 and approximately \$73,000 during 2018. This revenue has been included as net investment return in these financial statements.

5. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at June 30:

	2019	2018
Property and equipment		
Land and improvements	\$ 405,534	\$ 405,534
Buildings	7,182,647	7,182,647
Furniture and equipment	<u>870,915</u>	<u>887,412</u>
Total	8,459,096	8,475,593
Less accumulated depreciation	<u>2,934,055</u>	<u>2,813,059</u>
Net property and equipment	<u>\$ 5,525,041</u>	<u>\$ 5,662,534</u>

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

6. LINES OF CREDIT

The Organization has a \$3,000,000 demand revolving line of credit with a bank for working capital purposes and a \$3,000,000 non-revolving demand line of credit with a bank related to the financing of its operating facility. Interest at 30-day LIBOR plus 0.8% (3.1875% at June 30, 2019 and 2.8675% at June 30, 2018) on both lines of credit is payable monthly. There were no amounts outstanding under the first line of credit agreement at June 30, 2019 or June 30, 2018. The amount outstanding under the second line of credit agreement was \$1,419,733 at June 30, 2019 and \$1,772,137 at June 30, 2018. The borrowings are due on demand and subject to review annually.

The lines of credit are secured by a portfolio of certain investment accounts of the Organization (\$16,622,048 at June 30, 2019). The agreements require the Organization to maintain a loan (outstanding principal and interest owed) to collateral value not to exceed 65% of the investment market value.

7. LEASES

The Organization leases certain equipment and office space from unrelated parties under operating lease agreements. Rent expense incurred was approximately \$56,000 and \$58,000 for the years ended June 30, 2019 and 2018, respectively.

The following is a schedule of annual future minimum lease payments required under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2019:

Year	Amount
2020	\$ 52,086
2021	42,022
2022	<u>9,410</u>
	<u>\$ 103,518</u>

8. RETIREMENT PLANS

The Organization and 37 nonprofit agencies in the Greater Toledo area, of which 25 are active, participate in The Defined Benefit Pension Plan of United Way of Greater Toledo and Affiliated Agencies (the "Plan"), a defined benefit retirement plan which is accounted for as a multiemployer plan. The Plan covers eligible employees twenty-one years of age or older who had completed one year of continuous employment prior to December 31, 2003.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

In September 2003, the Board approved an amendment to the Plan which provided that benefit accrual service ceased to accrue for any participant as of December 31, 2003, and that final average earnings will not include any compensation earned by any participant after that date. The frozen Plan and corresponding trust will remain in existence as long as necessary to pay accumulated Plan benefits.

Since the Plan is an Eligible Charity Plan ("ECP"), the Plan is not subject to the minimum funding standards contained in the Pension Protection Act of 2006 until the first plan year for which the Plan ceases to be an ECP. The Board has established a funding policy which requires contributions to meet or exceed the minimum funding requirement.

At January 1, 2019, the value of the Plan's assets do not exceed the current liability of \$38,107,921. The current liability represents the present value of accumulated plan benefits computed using certain interest rate assumptions that are prescribed by Pension Protection Act ("PPA"). The funding is determined by the actuary and is allocated based on employee liability among United Way and the participating agencies. In the event of nonpayment by a participating agency, the remaining participating agencies of the Plan may be liable to meet the minimum contribution required by the PPA.

The actuarial present value of accumulated Plan benefits was \$36,862,430 as of the January 1, 2019 valuation date, the most recent information available. The fair value of the Plan's investments was \$35,363,078 as of December 31, 2018. Plan assets are invested based on a long-term investment strategy and held approximately 33% in fixed income securities and 67% in equity accounts as of December 31, 2018.

As of December 31, 2018, 73 of the approximately 1,100 total participants were from the Organization. Contributions were required to be made to the Plan for 2019 and 2018. The Organization's share of the required contributions was approximately \$104,000 in 2019 and \$105,000 in 2018, which represents more than 5% of the total Plan contributions for each of those years.

On April 1, 2015, the Organization executed a new retirement savings plan exclusive to its eligible employees twenty-one years of age or older who have completed one year of service. The Organization makes biweekly contributions equal to 2% of an eligible employee's salary. In addition, employee voluntary contributions are matched dollar for dollar by the Organization up to 3%. Total expense related to the plan amounted to approximately \$115,000 in fiscal 2019 and \$113,000 in fiscal 2018.

9. RELATED PARTY TRANSACTIONS

The Organization is a member of United Way Worldwide. Membership dues paid to this organization amounted to \$99,601 in 2019 and \$105,628 in 2018. The Organization also paid fees to United Way Worldwide in the amount of \$1,663 in 2019 and \$3,681 in 2018 for training and development, and \$709 in 2019 for marketing and promotional items.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

The Organization utilizes certain information technology services provided by a shared service provider to United Way organizations. Fees paid to this service provider amounted to \$133,867 in 2019 and \$139,295 in 2018.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2019	2018
Subject to expenditure for specified purpose:		
Imagination Library	\$ 182,724	\$ 195,215
Other specific community programs	<u>256,689</u>	<u>176,767</u>
	439,413	371,982
Subject to the passage of time:		
Pledges received for future campaigns	192,334	201,123
Endowments: perpetual in nature, earnings from which are subject to endowment spending policy and appropriation: operations of the Organization		
Fund for the Future	80,981	80,981
William Winkle	704,602	704,602
John and Hope Eastman Fund	<u>100,000</u>	<u>100,000</u>
	885,583	885,583
Perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interest in perpetual trust	<u>1,868,319</u>	<u>1,833,504</u>
Total net assets with donor restrictions	<u>\$ 3,385,649</u>	<u>\$ 3,292,192</u>

11. ENDOWMENT FUNDS

The Organization's endowment funds consist of multiple individual funds established for a variety of purposes. They include both donor-restricted funds and funds designated by the Board of Directors to serve as endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

Interpretation of Relevant Law

The Board of Directors considers donor restrictions on endowments to be the relevant law underlying the net asset classification of donor-restricted endowment funds. Accordingly, the Organization classifies the original value of the gift donated as net assets with donor restrictions. The remaining portion of the endowment fund is classified as net assets without donor restrictions.

The following is a summary of the Organization's endowment and changes therein during each of the two years ended June 30, 2019 and 2018:

Endowment Net Asset Composition by Type of Fund as of June 30, 2019:

2019	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 15,351,620	\$ -	\$ 15,351,620
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	885,583	885,583
Accumulated investment gains	<u>424,767</u>	<u>-</u>	<u>424,767</u>
Total funds	<u>\$ 15,776,387</u>	<u>\$ 885,583</u>	<u>\$16,661,970</u>

Changes in Endowment Assets for the Year Ended June 30, 2019:

2019	Without Donor Restriction	With Donor Restriction	Total
Changes in endowment net assets for the year ended June 30, 2019			
Net investment return	\$ 1,062,502	\$ -	\$ 1,062,502
Appropriation of board-designated endowment assets pursuant to spending-rate policy	<u>(1,089,298)</u>	<u>-</u>	<u>(1,089,298)</u>
Changes in endowment net assets	(26,796)	-	(26,796)
Endowment net assets			
Beginning of year	<u>15,803,183</u>	<u>885,583</u>	<u>16,688,766</u>
End of year	<u>\$ 15,776,387</u>	<u>\$ 885,583</u>	<u>\$16,661,970</u>

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

Endowment Net Asset Composition by Type of Fund as of June 30, 2018:

2018	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 15,375,568	\$ -	\$ 15,375,568
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	885,583	885,583
Accumulated investment gains	<u>427,615</u>	<u>-</u>	<u>427,615</u>
Total funds	<u>\$ 15,803,183</u>	<u>\$ 885,583</u>	<u>\$16,688,766</u>

Changes in Endowment Assets for the Year Ended June 30, 2018:

2018	Without Donor Restriction	With Donor Restriction	Total
Changes in endowment net assets for the year ended June 30, 2018			
Net investment return	\$ 1,243,025	\$ -	\$ 1,243,025
Appropriation of board-designated endowment assets pursuant to spending-rate policy	(746,653)	-	(746,653)
Donor contributions	<u>454,710</u>	<u>-</u>	<u>454,710</u>
Changes in endowment net assets	951,082	-	951,082
Endowment net assets			
Beginning of year	<u>14,852,101</u>	<u>885,583</u>	<u>15,737,684</u>
End of year	<u>\$ 15,083,183</u>	<u>\$ 885,583</u>	<u>\$16,688,766</u>

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board, to preserve capital while at the same time making the maximum prudent portion of the earnings and appreciation of the corpus of the endowment funds available to support current activities. The Board has charged the Audit/Finance Committee with overseeing the investment of the endowment funds and balancing the goals of capital preservation and income to support current activities.

UNITED WAY OF GREATER TOLEDO

■ NOTES TO FINANCIAL STATEMENTS

Spending Policy

The annual spending policy of the Organization is to provide 3% - 6% of the average endowed market value for the trailing twelve quarters ending December 31 of the prior year, less debt and funds otherwise restricted (endowed) by a donor.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization's policy is to cease the spending from underwater funds until they recovered. The Organization has no underwater endowment funds at June 30, 2019 and 2018.

