

United Way of Greater Cleveland and The Cleveland Community Fund

**Combined Financial Statements
for the Years Ended
June 30, 2019 and 2018**

**United Way of Greater Cleveland and
The Cleveland Community Fund**

Combined Financial Statements

For the years ended June 30, 2019 and 2018

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Independent Auditor's Report

Board of Directors
United Way of Greater Cleveland and
The Cleveland Community Fund

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of United Way of Greater Cleveland and The Cleveland Community Fund (not-for-profit corporations, collectively, the "Organization"), which comprise the combined statements of financial position as of June 30, 2019 and 2018, and the related combined statements of activities and changes in net assets, of allocations, contributions, and functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

Board of Directors
United Way of Greater Cleveland and
The Cleveland Community Fund

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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2019 and 2018, and the combined 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the combined financial statements, United Way of Greater Cleveland and The Cleveland Community Fund adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities* during the year ended June 30, 2019. This ASU changes the reporting requirements for nonprofit organizations and their required disclosures and has been applied retrospectively. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cimini + Panichi, PC

Cleveland, Ohio
October 22, 2019

United Way of Greater Cleveland and The Cleveland Community Fund

Combined Statements of Financial Position

June 30, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,352,774	\$ 2,591,701
Custodial funds	1,313,105	1,524,298
Campaign receivables	14,165,990	15,357,975
Less: allowance for uncollectible campaign receivables	<u>(911,829)</u>	<u>(1,070,771)</u>
Net campaign receivables	13,254,161	14,287,204
Accounts receivable:		
Agencies	852,210	802,388
Other	473,373	666,494
Major gifts receivable, net	2,784,849	1,429,188
Marketable securities	16,951,425	22,780,185
Prepaid expenses and other assets	217,903	128,856
Land, building, and equipment, net	<u>5,392,722</u>	<u>5,619,073</u>
	<u>\$ 43,592,522</u>	<u>\$ 49,829,387</u>

Liabilities and Net Assets

Liabilities:		
Custodial funds	\$ 1,313,105	\$ 1,524,298
Due to donor-designated agencies	5,865,670	5,721,333
Accounts payable:		
Agencies	11,222,528	13,670,158
Other	873,048	620,976
Other liabilities	921,592	1,146,801
Deferred grants and program income	462,991	654,201
Long-term debt (see Note 10)	-	-
Less: debt issuance costs	<u>(185,564)</u>	<u>-</u>
Net long-term debt	(185,564)	-
Pension liability	<u>4,847,292</u>	<u>4,433,614</u>
Total liabilities	25,320,662	27,771,381
Net assets:		
Without donor restrictions	13,855,197	18,888,384
With donor restrictions	<u>4,416,663</u>	<u>3,169,622</u>
Total net assets	<u>18,271,860</u>	<u>22,058,006</u>
	<u>\$ 43,592,522</u>	<u>\$ 49,829,387</u>

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

United Way of Greater Cleveland and The Cleveland Community Fund

Combined Statement of Activities and Changes in Net Assets

For the year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues, and gains:			
Contributions:			
Contributions received	\$ 26,593,831	\$ 3,177,149	\$ 29,770,980
Less: donor designations	(8,354,226)	-	(8,354,226)
Allowance for uncollectible pledges	(912,555)	-	(912,555)
Contributions released from restriction	<u>1,930,108</u>	<u>(1,930,108)</u>	<u>-</u>
Total contributions	19,257,158	1,247,041	20,504,199
Revenues and gains:			
Program fees and grants	8,266,480	-	8,266,480
Investment return, net	746,902	-	746,902
Rental income and miscellaneous	<u>164,342</u>	<u>-</u>	<u>164,342</u>
Total support, revenues, and gains	<u>28,434,882</u>	<u>1,247,041</u>	<u>29,681,923</u>
Allocations and functional expenses:			
Funds allocated to agencies	14,589,844	-	14,589,844
Functional expenses:			
Programs	6,752,068	-	6,752,068
Community impact and agency relations	1,603,705	-	1,603,705
Fundraising	4,925,054	-	4,925,054
Management and general	<u>4,160,611</u>	<u>-</u>	<u>4,160,611</u>
Total functional expenses	<u>17,441,438</u>	<u>-</u>	<u>17,441,438</u>
Total allocations and functional expenses	<u>32,031,282</u>	<u>-</u>	<u>32,031,282</u>
Change in net assets before other items	(3,596,400)	1,247,041	(2,349,359)
Loss on disposal of equipment	(71,683)	-	(71,683)
Loss from lease termination (see Note 9)	(250,000)	-	(250,000)
Other components of net periodic pension cost	(211,662)	-	(211,662)
Pension-related changes other than net periodic pension cost	<u>(903,442)</u>	<u>-</u>	<u>(903,442)</u>
Change in net assets	(5,033,187)	1,247,041	(3,786,146)
Net assets – beginning of year	<u>18,888,384</u>	<u>3,169,622</u>	<u>22,058,006</u>
Net assets – end of year	\$ <u>13,855,197</u>	\$ <u>4,416,663</u>	\$ <u>18,271,860</u>

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

United Way of Greater Cleveland and The Cleveland Community Fund

Combined Statement of Activities and Changes in Net Assets

For the year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues, and gains:			
Contributions:			
Contributions received	\$ 28,396,618	\$ 1,420,819	\$ 29,817,437
Less: donor designations	(8,281,651)	-	(8,281,651)
Allowance for uncollectible pledges	(378,284)	-	(378,284)
Contributions released from restriction	<u>1,844,036</u>	<u>(1,844,036)</u>	<u>-</u>
Total contributions	21,580,719	(423,217)	21,157,502
Revenues and gains:			
Program fees and grants	6,133,387	-	6,133,387
Investment return, net	2,050,790	-	2,050,790
Rental income and miscellaneous	<u>289,921</u>	<u>-</u>	<u>289,921</u>
Total support, revenues, and gains	<u>30,054,817</u>	<u>(423,217)</u>	<u>29,631,600</u>
Allocations and functional expenses:			
Funds allocated to agencies	17,598,109	-	17,598,109
Functional expenses:			
Programs	5,312,221	-	5,312,221
Community impact and agency relations	2,230,077	-	2,230,077
Fundraising	3,988,237	-	3,988,237
Management and general	<u>4,728,100</u>	<u>-</u>	<u>4,728,100</u>
Total functional expenses	<u>16,258,635</u>	<u>-</u>	<u>16,258,635</u>
Total allocations and functional expenses	<u>33,856,744</u>	<u>-</u>	<u>33,856,744</u>
Change in net assets before other items	(3,801,927)	(423,217)	(4,225,144)
Other components of net periodic pension cost	(329,486)	-	(329,486)
Pension-related changes other than net periodic pension cost	<u>1,176,736</u>	<u>-</u>	<u>1,176,736</u>
Change in net assets	(2,954,677)	(423,217)	(3,377,894)
Net assets – beginning of year	<u>21,843,061</u>	<u>3,592,839</u>	<u>25,435,900</u>
Net assets – end of year	\$ <u>18,888,384</u>	\$ <u>3,169,622</u>	\$ <u>22,058,006</u>

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

United Way of Greater Cleveland and The Cleveland Community Fund

Combined Statement of Allocations, Contributions, and Functional Expenses

For the year ended June 30, 2019

	<u>Allocations</u>	<u>Programs</u>	<u>Community Impact and Agency Relations</u>	<u>Fund- raising</u>	<u>Management and General</u>	<u>Total</u>
Allocations and contributions	\$ 14,589,844	\$ -	\$ -	\$ -	\$ -	\$ 14,589,844
Salaries	-	2,848,210	803,309	1,968,321	2,316,805	7,936,645
Employee fringe benefits	-	611,616	174,657	373,026	373,692	1,532,991
Payroll taxes	-	<u>210,506</u>	<u>57,702</u>	<u>183,716</u>	<u>153,876</u>	<u>605,800</u>
Total personnel expenses	-	3,670,332	1,035,668	2,525,063	2,844,373	10,075,436
Fees and contract services	-	1,285,770	199,874	744,850	610,287	2,840,781
Supplies	-	18,240	12,378	15,249	60,839	106,706
Telecommunications	-	239,733	23,920	54,211	3,134	320,998
Postage and shipping	-	12,677	984	32,141	3,887	49,689
Occupancy	-	541,447	88,063	250,479	84,453	964,442
Technology	-	423,600	71,391	179,246	159,602	833,839
Printed, promotional, and visual	-	17,964	15,768	786,359	8,630	828,721
Travel and reimbursable expenses	-	17,276	17,011	13,979	9,964	58,230
Conferences, conventions and meetings	-	83,714	65,093	114,934	56,644	320,385
Dues and subscriptions	-	3,672	1,598	5,212	36,084	46,566
Insurance	-	57,652	10,377	27,672	25,601	121,302
Bank charges	-	-	-	-	86,795	86,795
Parking	-	1,625	-	4,840	2,125	8,590
Miscellaneous	-	<u>24,146</u>	<u>713</u>	<u>2,092</u>	<u>41,234</u>	<u>68,185</u>
Total expenses before depreciation and amortization	14,589,844	6,397,848	1,542,838	4,756,327	4,033,652	31,320,509
Depreciation and amortization	<u>-</u>	<u>354,220</u>	<u>60,867</u>	<u>168,727</u>	<u>126,959</u>	<u>710,773</u>
Total	\$ <u>14,589,844</u>	\$ <u>6,752,068</u>	\$ <u>1,603,705</u>	\$ <u>4,925,054</u>	\$ <u>4,160,611</u>	\$ <u>32,031,282</u>

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

United Way of Greater Cleveland and The Cleveland Community Fund

Combined Statement of Allocations, Contributions, and Functional Expenses

For the year ended June 30, 2018

	<u>Allocations</u>	<u>Programs</u>	<u>Community Impact and Agency Relations</u>	<u>Fund- raising</u>	<u>Management and General</u>	<u>Total</u>
Allocations and contributions	\$ 17,598,109	\$ -	\$ -	\$ -	\$ -	\$ 17,598,109
Salaries	-	2,289,432	1,199,305	1,799,168	2,413,036	7,700,941
Employee fringe benefits	-	653,203	254,507	432,349	480,006	1,820,065
Payroll taxes	-	<u>173,851</u>	<u>88,279</u>	<u>165,667</u>	<u>167,244</u>	<u>595,041</u>
Total personnel expenses	-	3,116,486	1,542,091	2,397,184	3,060,286	10,116,047
Fees and contract services	-	815,495	356,654	531,346	903,942	2,607,437
Supplies	-	29,232	31,930	42,280	73,172	176,614
Telecommunications	-	189,034	17,658	29,107	25,167	260,966
Postage and shipping	-	2,116	2,964	37,365	13,194	55,639
Occupancy	-	272,869	57,802	120,218	177,484	628,373
Technology	-	338,807	70,054	93,441	65,204	567,506
Printed, promotional, and visual	-	53,900	37,262	402,274	41,046	534,482
Travel and reimbursable expenses	-	29,835	16,234	17,939	10,105	74,113
Conferences, conventions and meetings	-	61,646	28,559	99,872	71,177	261,254
Dues and subscriptions	-	9,678	2,496	31,003	28,588	71,765
Insurance	-	47,189	7,771	22,607	22,108	99,675
Miscellaneous	-	<u>6,536</u>	<u>633</u>	<u>4,908</u>	<u>117,894</u>	<u>129,971</u>
Total expenses before depreciation and amortization	17,598,109	4,972,823	2,172,108	3,829,544	4,609,367	33,181,951
Depreciation and amortization	<u>-</u>	<u>339,398</u>	<u>57,969</u>	<u>158,693</u>	<u>118,733</u>	<u>674,793</u>
Total	\$ <u>17,598,109</u>	\$ <u>5,312,221</u>	\$ <u>2,230,077</u>	\$ <u>3,988,237</u>	\$ <u>4,728,100</u>	\$ <u>33,856,744</u>

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

United Way of Greater Cleveland and The Cleveland Community Fund

Combined Statements of Cash Flows

For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,786,146)	\$ (3,377,894)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Pension-related changes other than net periodic pension cost	903,442	(1,176,736)
Depreciation and amortization	710,773	674,793
Loss on disposal of equipment	71,683	-
Provision for uncollectible campaign receivables	912,555	378,284
Change in discount on pledges receivable	80,595	(1,053)
Contributions restricted for long-term purposes	(705,000)	-
Net realized and unrealized gains on investment transactions	(409,750)	(1,675,521)
(Increase) decrease in operating assets:		
Campaign receivables	120,488	1,589,989
Major gifts receivable	(1,436,256)	255,250
Agencies and other receivables	143,299	(132,222)
Prepaid expenses and other assets	(89,047)	61,917
Increase (decrease) in operating liabilities:		
Due to designated agencies	144,337	(815,510)
Accounts payable – agencies	(2,447,630)	(467,943)
Accounts payable – other	252,072	(67,094)
Other liabilities	(906,183)	655,216
Net cash used by operating activities	<u>(6,440,768)</u>	<u>(4,098,524)</u>
Cash flows from investing activities:		
Purchases of land, building, and equipment	(562,875)	(349,536)
Proceeds from sales of equipment	6,770	-
Purchases of marketable securities	(7,000,835)	(11,870,629)
Proceeds from sale of marketable securities	<u>13,239,345</u>	<u>17,176,888</u>
Net cash provided by investing activities	<u>5,682,405</u>	<u>4,956,723</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	705,000	-
Payment of debt issuance costs	<u>(185,564)</u>	<u>-</u>
Net cash provided by financing activities	<u>519,436</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(238,927)	858,199
Cash and cash equivalents, beginning of year	<u>2,591,701</u>	<u>1,733,502</u>
Cash and cash equivalents, end of year	\$ <u>2,352,774</u>	\$ <u>2,591,701</u>

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

United Way of Greater Cleveland and The Cleveland Community Fund

Combined Statements of Cash Flows (continued)

For the years ended June 30, 2019 and 2018

Supplemental disclosures of cash flow information:

Taxes paid for unrelated business income during the year ended June 30, 2019 totaled \$30,000.

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

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies

Nature of Activities

United Way of Greater Cleveland (“UWGC”) is a not-for-profit corporation located in Cleveland, Ohio. UWGC serves as a critical community convener, generating and coordinating resources across individual donors, corporations, service providers and government and civic leaders to improve lives and strengthen the community on a meaningful scale.

UWGC brings people and organizations together to tackle both the symptoms and root causes of poverty. It solicits donations from a variety of donors through a range of methods. All these donations, whether they be from workplace campaigns, corporations, foundations, community leaders or individuals, combine to make it possible to implement impactful change for our community and those living in poverty. Every year, companies across Greater Cleveland unite their employees to give to UWGC by participating in United Way’s annual workplace campaign. Business owners, community leaders, corporations and foundations demonstrate their dedication to bettering the community in which they are headquartered through generous donations. UWGC collaborates with them to align their community impact goals with those funded by UWGC.

UWGC makes an impact in the community by investing in bold, innovative, impactful solutions that provide comprehensive support to those neighbors currently living in poverty, while also revolutionizing strategies to prevent the cycle of poverty from continuing. Deciding where donations will have the highest impact is based on community needs and entrusted to a team of community volunteers. These volunteers are organized into Impact Teams who make recommendations based on available resources in the area and a program’s ability to deliver quality services in an effective manner. Ultimately, the selected programs are the ones that the Impact Teams believe can provide the greatest level of support to the members of our community living in poverty.

Another approach to combatting poverty is through UWGC’s new Community Hub for Basic Needs. The Community Hub consists of UWGC-funded organizations that address the immediate, here-and-now needs of our community, such as hunger, addiction, homelessness or violence, among others. The Community Hub brings these organizations together with community partners and volunteers to share best practices, build relationships and align resources to better identify and subsequently meet the immediate, basic needs of people in our community living in or on the edge of poverty.

The second new approach to combatting poverty is through UWGC’s Impact Institute. Impact Institute is a think tank with an action plan to identify and grow solutions to root causes of poverty. Funded through major gifts, Impact Institute aims to figure out where additional work is needed in the community, and then support programs and projects that will fill the gaps. As opposed to just addressing the symptoms of poverty, these large-scale initiatives offer solutions to systemic problems, with the hopes of eliminating them in the future. Impact Institute wants to create, and more importantly, implement, new ways to better approach the root causes of poverty.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Nature of Activities (continued)

UWGC also provides direct services to the community through United Way 211 information, referral and navigator services; the Accountable Health Communities grant funded by the Centers for Medicare and Medicaid Services; administration of certain Cleveland schools wrap around service program; coordination of the allocation of county funds for emergency food; other employment and re-entry programs; and centralized services such as donation processing and payroll, accounting and group insurance buying programs for other non-profit organizations. From time to time UWGC will act as a fiscal sponsor for other organizations and programs.

The combined financial statements include the accounts of UWGC (including its wholly-owned subsidiary, United Way Properties, LLC), United Way of Geauga County, United Way of Medina County (see Note 2) and The Cleveland Community Fund (collectively, the “Organization”), an organization affiliated through common management. Interorganization transactions and accounts have been eliminated upon combination.

During the year ended June 30, 2019, United Way Properties, LLC (the “LLC”) was created to assist UWGC in owning, leasing, operating, and managing real and personal property necessary or appropriate for the charitable activities of UWGC.

Basis of Presentation

The Organization follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying combined financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions/stipulations and are therefore available for use at the discretion of the Board of Directors and/or management for general operating purposes. These include net assets designated by the Board of Directors to be set aside for specific purposes over which the Board retains control and may, at its discretion, subsequently be used for other purposes.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net Assets With Donor Restrictions – Net assets with donor restrictions are subject to donor-imposed restrictions/stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities and changes in net assets as contributions released from restrictions. If donor-imposed restrictions are met in the same period as they are imposed, the net assets are reported as net assets without donor restrictions. Some net assets with donor restrictions include a stipulation that assets be maintained by the Organization in perpetuity while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

Adopted Accounting Pronouncement

The FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. This ASU changes the current reporting requirements for nonprofit organizations and their required disclosures. The changes include: (a) requiring the presentation of only two classes of net assets, entitled “net assets without donor restriction” and “net assets with donor restrictions,” (b) modifying the presentation and disclosures of underwater endowment funds, (c) requiring the use of the placed in service approach to recognize the releases from restriction for gifts utilized to acquire or construct long-lived assets, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements and to summarize the allocation methodologies utilized to allocate the costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (f) modifying other financial statement reporting requirements and disclosures to enhance the usefulness of nonprofit financial statements. This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization’s combined financial statements have been updated to reflect the implementation of this standard. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets are now combined and reported as net assets with donor restrictions. There was no effect on total net assets as a result of the adoption of this standard.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the combined statements of activities and changes in net assets and of allocations and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Costs that benefit multiple functional areas have been allocated across programs and other supporting services based on their proportion of employees as a percentage of total employees.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Use of Estimates

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

The allowance for uncollectible campaign receivables has been reviewed by management, which reviews factors such as prior collection history, current economic factors, and knowledge of donors who have pledged in evaluating the adequacy of the allowance. It is at least reasonably possible that the estimate for the allowance for uncollectible campaign receivables will change in the near-term.

The valuation of the pension liability has been calculated by an outside actuary. Factors and assumptions used by this actuary to calculate the liability are based upon estimates provided by management and, it is at least reasonably possible that the assumptions and estimates used may change in the near-term.

Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less (excluding those held in brokerage accounts designated for long-term investment) to be cash equivalents.

Custodial Funds

Custodial funds are amounts held by United Way of Greater Cleveland that legally belong to unrelated and related entities. Accordingly, these amounts are recorded as both an asset and liability of the Organization.

Receivables and Credit Policies

Accounts receivable are primarily related to amounts due from not-for-profit agencies for payroll and accounting services provided by the Organization and amounts due from government grants. Accounts receivable are stated at the amount billed to the agency or the amount owed from the governmental entity.

Management individually reviews all accounts receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At June 30, 2019 and 2018, management estimated that no allowance for doubtful accounts was required.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable

Contributions received are recorded as support without donor restrictions or with donor restrictions depending upon the existence and/or nature of any donor restrictions. Unconditional promises to give are recorded at their fair market value in the period in which the Organization was notified of the promise. Conditional promises to give are not included in support until such time as the conditions are substantially met. Allowances are provided for uncollectible pledges based upon prior experience, current economic factors, and knowledge of donors and their characteristics. Promises to give are not collateralized. Promises to give that are to be received over a period of time greater than one year are discounted to their fair value assuming their respective payment terms and an appropriate discount rate as of the date the pledge is received. The discount is amortized into contribution revenue over the term of the respective pledge agreement. All campaign receivables are due within one fiscal year.

Marketable Securities

Investments in marketable securities and all investments in debt securities are reported at their estimated fair values in the combined statements of financial position. Realized and unrealized gains and losses, interest, dividends, and investment fees arising during the period are included in investment return, net in the accompanying combined statements of activities and changes in net assets.

Land, Building, and Equipment

Building and equipment are depreciated utilizing the straight-line method over their estimated useful lives ranging from 3 to 40 years. The Organization capitalizes purchases of land, building, and equipment that exceed \$1,000. Land, building, and equipment are stated at cost.

Donated Materials and Services

Donated items and equipment are not reflected as contributions in the accompanying combined financial statements because they are not material. No amounts have been reported in the combined financial statements for donated services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services and to its fundraising campaigns.

Due to Donor Designated Agencies

Contributions received that have been designated by donors for specific recipient agencies are reported as amounts due to designated agencies in the combined statements of financial position and as a reduction of contributions in the combined statements of activities and changes in net assets in the period in which the related contribution is recognized.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Accounts Payable – Agencies

Funds are allocated to agencies from the fundraising campaigns that are without donor restrictions by approval of the Board of Directors. Such allocations to agencies are reported as accounts payable – agencies in the accompanying combined statements of financial position.

Included in the amounts reported as allocations to agencies in the accompanying combined statements of activities and changes in net assets are payments of dues to certain voluntary trade organizations. This amount totaled \$179,165 for the year ended June 30, 2019, for United Way Worldwide. These amounts totaled \$426,886 and \$102,876 for the year ended June 30, 2018, for United Way Worldwide and Ohio United Way, respectively.

Deferred Grants and Program Income

Deferred revenue consists of amounts received by United Way of Greater Cleveland for which a condition associated with a grant has not yet been substantially met or for which funds have been received in advance of services being provided.

Program Fees and Grants

Program fees and grants are amounts earned by United Way of Greater Cleveland for direct services such as 211 information, referral and navigation contracts, payroll and accounting services provided to not-for-profit agencies, processing fees assessed on donor-designations and amounts received from government and restricted grants.

Reclassifications

Certain accounts in the prior year combined financial statements have been reclassified for comparative purposes to conform with the presentation in the current year combined financial statements.

Income Taxes

The United Way of Greater Cleveland, United Way of Geauga County, United Way of Medina County and The Cleveland Community Fund are tax-exempt, under Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC). In addition, none of these entities has been classified as an organization that is a “private foundation” within the meaning of Section 509(a) of the IRC.

Uncertain income tax positions are evaluated at least annually by management. The Organization classifies interest and penalties related to income tax matters as income tax expense in the accompanying combined financial statements. As of June 30, 2019 and 2018, the Organization has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and temporary investments, investment securities, and pledges receivable.

The Organization has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by a committee. Though the market value of investments is subject to fluctuations on a year to year basis, the committee believes that the investment policy is prudent for the long-term welfare of the Organization.

Concentrations of credit risk with respect to campaign receivables are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries throughout Northeast Ohio.

At various times during the years ended June 30, 2019 and 2018, the Organization's cash in bank balances may have exceeded the federally insured limits.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The objective of this ASU is to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption of this ASU is permitted. Management is currently evaluating the impact of this ASU on its combined financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* to provide clarity in the requirements for the presentation of restricted cash on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. Management does not expect this ASU to have significant impact on its combined financial statements.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange transactions subject to the guidance issued under ASU 2014-09. This ASU gives further guidance related to when a contribution is deemed to be conditional such that recognition of revenue should be delayed until conditions are substantially met. This ASU is effective for fiscal years beginning after December 15, 2018 for recipients of funds and for fiscal years beginning after December 15, 2019 for resource providers. Early adoption is permitted. Management is currently evaluating the impact of this ASU on its combined financial statements.

Subsequent Events

In preparing these combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 22, 2019, the date the combined financial statements were available to be issued.

Note 2: Partnership Agreement

On August 19, 2015, the Organization and United Way of Medina County (“UW-Medina”) entered into a collaborative agreement where UW-Medina would transfer all campaign related and normal operating activities to the Organization. The primary reason for the collaborative agreement is to improve the efficiency of providing health and human services to the Medina County community. On July 21, 2017, effective July 1, 2017, the Organization and UW-Medina entered into a partnership agreement that incorporates the terms of the August 19, 2015 collaborative agreement and memorializes the understanding and obligations into a binding agreement. UW-Medina transferred substantially all of its other assets to be held by the Organization for the purpose of a restricted fund that supports UW-Medina programs and services. Total assets transferred consisted of cash and cash equivalents of \$725,535. In addition, the Organization canceled the previous amounts of \$180,949 due to the Organization from UW-Medina. The agreement has an initial term of three years and automatically renews for successive additional three-year terms unless either party gives notice of intent not to renew at least nine months prior to the expiration of the then current term. The Organization processes all normal operating activities for UW-Medina. The Organization’s Board of Directors has control over UW-Medina’s campaign and normal operating activities, however, oversight of these activities remains with the UW-Medina Board of Directors.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 3: Major Gifts Receivable, Net

The major gifts receivable are discounted to their estimated fair value assuming their respective terms and discount rate (4.00%). The major gifts receivable are scheduled to be collected as follows:

		<u>2019</u>	
Payable in less than one year	\$	1,291,000	
Payable in one to five years		1,325,500	
Payable in more than five years		<u>872,250</u>	
		3,488,750	
Less: discounts to fair value		<u>(703,901)</u>	
Net major gifts receivable	\$	<u><u>2,784,849</u></u>	

Note 4: Marketable Securities

At June 30, 2019 and 2018, marketable securities (except for the fixed annuity) are reported at fair value and consisted of the following:

		<u>2019</u>		<u>2018</u>
Cash and cash equivalents	\$	570,340	\$	353,509
Certificates of deposit		105,734		105,734
Common stock		-		15,537
Mutual funds		5,226,146		8,610,290
Common collective funds		3,349,527		6,277,372
Fixed annuity		-		66,562
Alternative investment – hedge funds		4,478,014		4,274,617
Limited partnerships		1,592,934		1,359,312
Held at community foundation		<u>2,354,265</u>		<u>2,429,730</u>
		17,676,960		23,492,663
Less: marketable securities included in custodial funds on the combined statements of financial position		<u>(725,535)</u>		<u>(712,478)</u>
Total	\$	<u><u>16,951,425</u></u>	\$	<u><u>22,780,185</u></u>

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 5: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Organization uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset and liability and are based on the best available information, which has been internally developed.

The Organization’s Level 3 investments are valued based upon information obtained from the community foundation that manages the investments. The investments held at the community foundation are classified as Level 3 due to the significance of Level 2 and Level 3 underlying securities within these pooled investments (e.g., fixed-income, private equity, hedged equity).

The Organization’s investments in common collective trusts are based upon the net asset value (NAV) of the common collective funds in which they are invested as reported by the investment company. Such values are derived from the value of the underlying investments, which are generally actively traded securities.

The hedge funds are measured based on the net asset value per share or unit as of June 30, 2019 and 2018. Management performs due diligence on the valuation techniques used by the investment company to ensure that they are in accordance with the applicable accounting standards.

Valuation of the Organization’s interest in its limited partnership approximates fair market value and is based on the beginning of year value of the Organization’s interest in the partnership plus actual contributions and current year allocated income (realized and unrealized gains and losses) less actual distributions and allocated expenses. As this is an investment in unregistered securities, the Organization may experience a lack of liquidity in the event it elects to dispose of its interest prior to the partnership’s termination and final distribution. Investments held by the partnership are portfolio funds focusing on long/short equity or event-driven investment strategies, equity and balance sheet arbitrage, special situations investing, or other nontraditional investment disciplines. For investments that are not publicly traded, the general partner estimates the fair market value based on factors such as using comparable market transactions or by calculating the net present value of estimated future cash flows, adjusted for liquidity, credit, or other market factors. Because of the inherent uncertainty of the valuations, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 5: Fair Value Measurements (continued)

Financial assets consisted of the following at June 30, 2019 and 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2019</u>
Mutual funds:				
Fixed income:				
Bank loan	\$ 465,708	\$ -	\$ -	\$ 465,708
Bond fund	487,704	-	-	487,704
Equities:				
International	1,817,281	-	-	1,817,281
Large-cap index	1,296,827	-	-	1,296,827
Mid-cap index	538,090	-	-	538,090
Small-cap index	620,536	-	-	620,536
Cash and cash equivalents	570,340	-	-	570,340
Certificates of deposit	-	105,734	-	105,734
Held at community foundation	<u>-</u>	<u>-</u>	<u>2,354,265</u>	<u>2,354,265</u>
	\$ <u>5,796,486</u>	\$ <u>105,734</u>	\$ <u>2,354,265</u>	8,256,485
				<u>9,420,475</u>
				17,676,960
				Less: marketable securities included in custodial funds on the combined statements of financial position
				<u>(725,535)</u>
				Total investments
				\$ <u>16,951,425</u>

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 5: Fair Value Measurements (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2018</u>
Mutual funds:				
Fixed income:				
Bank loan	\$ 930,525	\$ -	\$ -	\$ 930,525
Bond fund	498,571	-	-	498,571
Equities:				
International	2,149,849	-	-	2,149,849
Multi-alternative	304,707	-	-	304,707
Large-cap index	3,456,519	-	-	3,456,519
Mid-cap index	507,313	-	-	507,313
Small-cap index	762,806	-	-	762,806
Cash and cash equivalents	353,509	-	-	353,509
Common stock	15,537	-	-	15,537
Fixed annuity	-	66,562	-	66,562
Certificates of deposit	-	105,734	-	105,734
Held at community foundation	<u>-</u>	<u>-</u>	<u>2,429,730</u>	<u>2,429,730</u>
	<u>\$ 8,979,336</u>	<u>\$ 172,296</u>	<u>\$ 2,429,730</u>	11,581,362
				<u>11,911,301</u>
				23,492,663
				Less: marketable securities included in custodial funds on the combined statements of financial position
				<u>(712,478)</u>
				Total investments
				<u>\$ 22,780,185</u>

*In accordance with the "Fair Value Measurement" topic of the FASB ASC, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the combined statements of financial position.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 5: Fair Value Measurements (continued)

The table below sets forth a summary of the changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2019 and 2018:

	Held at community foundation
Balance, June 30, 2017	\$ 2,380,388
Administrative fees	(16,724)
Distributions	(127,057)
Unrealized gains	<u>193,123</u>
Balance, June 30, 2018	2,429,730
Administrative fees	(16,883)
Distributions	(122,240)
Unrealized gains	<u>63,658</u>
Balance, June 30, 2019	\$ <u>2,354,265</u>

The following table summarizes investments for which fair value is measured using net asset value per share as a practical expedient as of June 30, 2019 and 2018, respectively:

Investment	Fair Value		Redemption Frequency (if currently eligible)	Redemption Notice Period
	2019	2018		
Hedge funds:				
Gotham enhanced long fund	\$ 2,167,234	\$ 2,233,140	Daily	n/a
Private advisor stable value master fund	-	25,036	Suspended under liquidation	n/a
Two sigma active extension U.S. all cap equity cayman fund, ltd.	<u>2,310,780</u>	<u>2,016,441</u>	Monthly	30 days
Total hedge funds	4,478,014	4,274,617		
Limited partnerships:				
GLAS funds SPC limited partnership	1,135,612	1,128,406	Daily	n/a
Golub capital partners international 11 limited partnership	<u>457,322</u>	<u>230,906</u>	Daily	n/a
Total limited partnerships	1,592,934	1,359,312		
Common/collective funds:				
Charitable mid-cap fund	527,178	1,016,510	Daily	n/a
Charitable international equity fund	1,257,739	2,381,209	Daily	n/a
Charitable income fund	915,188	1,866,783	Daily	n/a
Charitable intermediate fund	<u>649,422</u>	<u>1,012,870</u>	Daily	n/a
Total common/collective funds	<u>3,349,527</u>	<u>6,277,372</u>		
Total investments at NAV	\$ <u>9,420,475</u>	\$ <u>11,911,301</u>		

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 6: Retirement Plans

United Way of Greater Cleveland has a defined benefit pension plan covering substantially all employees who were hired prior to December 31, 2009. Benefits are generally based on years of service and final average salary. It is the policy of United Way of Greater Cleveland to fund, at a minimum, the actuarially determined required minimum funding level. The measurement date of the plan is June 30. Participation in the plan was frozen effective December 31, 2009.

In accordance with the “Compensation-Retirement Benefits” topic of the FASB ASC, the Organization recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its combined statements of financial position.

The following presents the funded status and amounts included in pension liability in the combined statements of financial position at June 30:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at June 30	\$ 8,995,688	\$ 8,508,090
Benefit obligation at June 30	<u>(13,842,980)</u>	<u>(12,941,704)</u>
Funded status	\$ <u>(4,847,292)</u>	\$ <u>(4,433,614)</u>
Accrued benefit cost recognized in the combined statements of financial position	\$ <u>4,847,292</u>	\$ <u>4,433,614</u>

Reclassifications to net periodic benefit cost of amounts previously recognized as changes in net assets without donor restrictions but not included in net periodic benefit cost when they arose were as follows for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Net loss	\$ <u>312,346</u>	\$ <u>467,213</u>

Included in “employee fringe benefits” on the combined statements of allocations, contributions and functional expenses is \$150,574 and \$180,757 in pension service cost for the years ended June 30, 2019 and 2018, respectively.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 6: Retirement Plans (continued)

The following are included in “other components of periodic pension costs” on the accompanying combined statements of activities and changes in net assets as of June 30:

	<u>2019</u>	<u>2018</u>
Interest cost	\$ 489,138	\$ 473,937
Expected return on plan assets	(589,822)	(611,664)
Recognized net actuarial loss	<u>312,346</u>	<u>467,213</u>
	<u>\$ 211,662</u>	<u>\$ 329,486</u>

Amount recognized in changes in net assets but not yet included in net periodic benefit cost are as follows for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Net (loss) gain	<u>\$ (903,442)</u>	<u>\$ 1,176,736</u>

The accumulated net loss at June 30, 2019 is \$3,865,542 and the estimated net loss for the defined benefit pension plan that will be amortized into periodic benefit cost over the next fiscal year (ending June 30, 2020) is approximately \$490,000.

The accumulated benefit obligation of the pension plan is \$13,842,980 and \$12,941,704 at June 30, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Weighted-average actuarial assumptions used to determine net periodic benefit cost for the year ended June 30:		
Discount rate	4.00%	3.50%
Expected return on plan assets	5.50%	7.50%
Rate of compensation increase	N/A	N/A
Weighted-average actuarial assumptions used to determine benefit obligations as of June 30:		
Discount rate	3.25%	4.00%
Rate of compensation increase	N/A	N/A
Benefit cost recognized in combined statements of activities and changes in net assets	\$ 362,236	\$ 510,243
Benefits paid (including settlements)	\$ 678,194	\$ 1,038,680

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 6: Retirement Plans (continued)

The mortality table used by the Organization for the years ended June 30, 2019 and 2018 was the RP-2014 Mortality Tables regressed to 2007 using the MP-2014 projection scale and then projected forward generationally using a modification of the MP-2018 scale.

The following table shows the amounts United Way of Greater Cleveland contributed to its pension plan during the years ended June 30, 2019 and 2018 and the expected contributions for the fiscal year ending June 30, 2020:

Employer contributions:		
2018	\$	400,000
2019		852,000
2020 (expected)		558,000

The expected contribution to the plan represents an actuarial estimate of future assumed payments based on historic retirement, payment patterns, and statutory requirements. Actual amounts paid could differ from this estimate.

Employees of the plan who have achieved age 55 and are 30 years vested in the plan are eligible for early retirement at a reduced benefit. Certain employees are also eligible for a lump-sum distribution of their retirement benefits. The following table shows the benefits expected to be paid in each of the next five fiscal years ending June 30 and the aggregate to be paid for the subsequent five years assuming normal retirement age. Actual future benefit payments could differ from the estimate based on the election of the employees.

Estimated Future Benefit Payments:		
2020	\$	1,304,533
2021		1,052,904
2022		937,445
2023		903,363
2024		950,515
2025-2029		4,710,176

The investment objective of the pension plan is to assure the timely payment of promised benefits at a minimum cost consistent with prudent standards of investment, the adequacy of the plan's funding, and the age of the work force. The pension plan utilizes a diversified investment portfolio and seeks to earn returns consistent with a reasonable level of risk. The long-term expected return on plan assets is based upon the plan's investment allocation and anticipated returns for specific investment classes.

As long-term asset allocation is recognized as the primary determinant of performance, United Way of Greater Cleveland generally utilizes the following asset allocation targets to achieve its plan investment objectives: 65% equity securities and 35% fixed-income instruments (which can include debt securities, real estate investments, alternative investments, and government securities). Allocations are reviewed periodically and adjusted as necessary.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 6: Retirement Plans (continued)

The market values of pension plan assets are compared periodically to the value of plan benefit obligations.

The future value of assets, as calculated based on the expected long-term rate of return, are also compared to expected future plan benefit distributions and contributions to determine the sufficiency of expected plan funding levels. Investment asset allocations are revised as appropriate.

The fair value of the pension plan investment assets, and their level within the fair value hierarchy described in Note 5, were as follows at June 30, 2019 and 2018 (see Note 5 for a description of how the fair value of assets are determined):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2019</u>
Mutual funds:				
Fixed-income:				
Bank loan	\$ 285,026	\$ -	\$ -	\$ 285,026
Total bond fund	2,036,051	-	-	2,036,051
World bond	494,241	-	-	494,241
Equities:				
International	276,427	-	-	276,427
Multi-alternative	1,016,870	-	-	1,016,870
Large-cap index	2,228,605	-	-	2,228,605
Mid-cap index	489,765	-	-	489,765
Small-cap index	507,676	-	-	507,676
Exchange-traded notes	264,283	-	-	264,283
Structured notes	<u>-</u>	<u>-</u>	<u>1,208,984</u>	<u>1,208,984</u>
	<u>\$ 7,598,944</u>	<u>\$ -</u>	<u>\$ 1,208,984</u>	<u>\$ 8,807,928</u>

At June 30, 2019, the Organization also had \$187,381 of cash and cash equivalents and \$379 of accrued interest within its pension plan assets.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 6: Retirement Plans (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2018</u>
Mutual funds:				
Fixed-income:				
Bank loan	\$ 365,554	\$ -	\$ -	\$ 365,554
World bond	277,989	-	-	277,989
Equities:				
International	1,196,164	-	-	1,196,164
Multi-alternative	562,352	-	-	562,352
Large-cap index	2,661,414	-	-	2,661,414
Mid-cap index	689,193	-	-	689,193
Small-cap index	<u>350,310</u>	<u>-</u>	<u>-</u>	<u>350,310</u>
	<u>\$ 6,102,976</u>	<u>\$ -</u>	<u>\$ -</u>	6,102,976
	Investments measured at NAV*			<u>2,139,813</u>
				<u>\$ 8,242,789</u>
				Total investments

The table below sets forth a summary of the changes in the fair value of the pension plan's Level 3 assets for the year ended June 30, 2019:

Balance, June 30, 2018	\$ -
Purchases	1,120,000
Unrealized gains	<u>88,984</u>
Balance, June 30, 2019	<u>\$ 1,208,984</u>

At June 30, 2018, the Organization also had \$265,301 of cash and cash equivalents within its pension plan assets.

*In accordance with the "Fair Value Measurement" topic of the FASB ASC, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the fair value of plan assets.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 6: Retirement Plans (continued)

The following table summarizes investments for which fair value is measured using net asset value per share as a practical expedient as of June 30, 2018:

<u>Investment</u>	<u>Fair Value 2018</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Hedge fund	\$ 16,085	Suspended under liquidation	n/a
Common/collective funds	<u>2,123,728</u>	Daily	n/a
Total investments at NAV	\$ <u>2,139,813</u>		

United Way of Greater Cleveland also sponsors a 403(b) defined contribution plan that covers all full-time employees. Beginning January 1, 2011, the 403(b) defined contribution plan provides for employer contributions to employees based on a formula involving multiple variables. Employer contributions relating to the 403(b) defined contribution plan were \$359,830 and \$385,050 for the years ended June 30, 2019 and 2018, respectively.

Note 7: Land, Building, and Equipment

Land, building, and equipment, net consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 512,500	\$ 512,500
Building and improvements	8,122,381	8,122,381
Office furniture, equipment, and management information systems	<u>5,893,983</u>	<u>5,923,451</u>
	14,528,864	14,558,332
Less: accumulated depreciation	<u>(9,282,664)</u>	<u>(8,939,259)</u>
	5,246,200	5,619,073
Construction in progress	<u>146,522</u>	<u>-</u>
Land, building, and equipment, net	\$ <u>5,392,722</u>	\$ <u>5,619,073</u>

During the year ended June 30, 2019, the Organization received a pledge from a donor in the amount of \$2,350,000 restricted to provide support for renovations of the Organization's main office building. \$1,645,000 of the pledge is conditioned upon the Organization achieving certain milestones in relation to the renovation project as defined in the contribution agreement. Accordingly, \$705,000, the amount of the gift for which conditions have been met, has been recognized as contribution revenue with donor restrictions during the year ended June 30, 2019.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 8: Deferred Compensation

At December 31, 2008, United Way of Greater Cleveland had a tax-deferred compensation agreement with a former employee. The deferred compensation was invested by United Way of Greater Cleveland with all income reinvested and deferred until the former employee requested distribution. During 2009, the Organization purchased a Ten-Year Certain Annuity without Life Contingencies using the remaining deferred balance. The Organization received monthly payments and subsequently distributed those payments to the former employee. Payments ended in fiscal 2019. The asset balance was \$-0- and \$66,562 at June 30, 2019 and 2018, respectively, and is reported within marketable securities. The liability balance was \$-0- and \$66,562 at June 30, 2019 and 2018, respectively, and is reported within other liabilities in the accompanying combined statements of financial position.

Note 9: Leases

The Organization has operating leases for office equipment that expire at various dates through 2024. Minimum future lease payments due during the fiscal years ending June 30 are as follows:

2020	\$	294,565
2021		284,110
2022		197,349
2023		103,719
2024		1,468
Thereafter		<u>-</u>
Total	\$	<u>881,211</u>

Rental expense related to operating leases for equipment was \$258,548 and \$222,110 for the years ended June 30, 2019 and 2018, respectively.

The Organization had leased space in its main office building to another entity (“lessee”). During 2019, in conjunction with the building renovation project (Note 7), the Organization amended the lease agreement with the lessee in order to terminate this lease. As a result of the termination, the Organization will make payments totaling \$250,000 to the lessee in accordance with the amendment. This amount has been included in other liabilities on the statement of financial position at June 30, 2019.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 10: Debt

In June 2019, UWGC entered into a construction loan agreement (the “loan”) for up to \$8,000,000 with Chemical Bank for the renovation of UWGC’s main office building in Cleveland. The outstanding principal shall initially bear interest at the LIBOR rate plus 1.85%. Interest only on the outstanding balance is due from July 1, 2019 through January 1, 2020. Beginning February 1, 2020, UWGC shall commence making monthly principal payments based on a 25-year amortization schedule until maturity on July 1, 2029, at which point any remaining principal outstanding is due. The loan is secured by the main office building, which is owned by UWGC and leased to United Way Properties, LLC and subsequently sub-leased back to UWGC. The loan is further secured by an assignment of rents under the sub-lease, and is guaranteed by The Cleveland Community Fund. In addition, the donor pledge discussed in Note 7 also serves as collateral on the loan. UWGC is required to enter into a rate management transaction for the full principal amount of the loan, which will take effect as of January 1, 2020. The rate management transaction has not been entered into as of June 30, 2019. The loan agreement contains certain financial covenants, including, but not limited to, the maintenance of a minimum debt service coverage ratio and adjusted debt service coverage ratio (as defined). There were no borrowings on the loan as of June 30, 2019 and the Organization incurred no interest expense for the year ended June 30, 2019.

The expected maturities for the years ending June 30 are as follows:

2020	\$	92,375
2021		189,158
2022		197,685
2023		206,103
2024		214,453
Thereafter		<u>7,100,226</u>
Total	\$	<u>8,000,000</u>

In addition, the Organization paid acquisition fees of \$185,564 during 2019 in relation to issuance of this construction loan.

Note 11: Endowment Funds and Net Assets

Endowment Funds

The Organization collectively invests its funds. The sole donor restricted endowment fund is included within these pooled investments. As required by generally accepted accounting principles, 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 Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 11: Endowment Funds and Net Assets (continued)

Endowment Funds (continued)

The Board of Directors of the Organization has interpreted the State of Ohio enacted version of the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The investment policies of the Organization.

Changes in Endowment Net Assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 14,990,292	\$ 250,000	\$ 15,240,292
Reclassified for other board-designated purposes	<u>(14,990,292)</u>	<u>-</u>	<u>(14,990,292)</u>
Endowment net assets, June 30, 2018	-	250,000	250,000
Interest and dividends	-	2,500	2,500
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>
Endowment net assets, June 30, 2019	\$ <u>-</u>	\$ <u>250,000</u>	\$ <u>250,000</u>

During the year ended June 30, 2018, the Organization adopted policies regarding the board-designated net assets (without donor restrictions). The policies designate all net assets without donor restrictions not associated with fixed assets as available net assets. The Board has designated from the pool of available net assets a portion for an operating reserve and a portion for strategic initiatives. The remainder of the available net assets remain undesignated. The operating reserve shall be a minimum of three-months of annual operating expenses and program funding. The amounts designated as the operating reserve and for strategic initiatives are not limited by a spending policy. Spending of the undesignated amounts is limited to the spending rate approved in the annual budget.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 11: Endowment Funds and Net Assets (continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for their investments that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. Assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, investments of all Organization assets are directed by the investment manager and monitored by the Investment Committee of the Organization. The standard for the Investment Committee with regard to the assets shall be the preservation of corpus while prudently maximizing real growth. The Organization conducts a quarterly monitoring of the portfolio. Investment performance is measured against the returns of an appropriate composite index, weighted according to the asset allocation mix of the portfolio.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 long-term return objectives within prudent risk constraints.

Spending Policy

Recommendations for the use of assets free of donor restriction shall be the responsibility of the Board of Directors. Recommendations of the Board of Directors shall be executed by the management of the Organization. Except in special circumstances, and except for recommending specific uses of generally donor restricted funds, the Board of Directors shall limit recommendations in the aggregate to an amount which shall not exceed 4% of a three-year rolling average of the assets.

Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 and 2018 are restricted for the following:

	<u>2019</u>	<u>2018</u>
Restricted as to time	\$ 1,187,300	\$ 1,429,188
Restricted for impact, strategy, and innovations	1,724,000	-
Restricted for renovation project	705,000	-
Restricted for other program services	550,363	1,490,434
Perpetual in nature	<u>250,000</u>	<u>250,000</u>
Total	<u>\$ 4,416,663</u>	<u>\$ 3,169,622</u>

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 11: Endowment Funds and Net Assets (continued)

Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ 241,887	\$ 313,197
Satisfaction of purpose restrictions:		
Impact, strategy, and innovations	406,000	-
Other program services	<u>1,282,221</u>	<u>1,530,839</u>
Total	\$ <u>1,930,108</u>	\$ <u>1,844,036</u>

Net Assets without Donor Restrictions

Net assets without donor restrictions as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 89,348	\$ 3,329,193
Amounts invested in land, buildings and equipment	5,392,722	5,619,703
Board designated operating reserves	7,830,127	8,295,488
Board designated strategic initiatives	<u>543,000</u>	<u>1,644,000</u>
Net assets without donor restrictions	\$ <u>13,855,197</u>	\$ <u>18,888,384</u>

Note 12: Commitments and Contingencies

During the normal course of operations, the Organization is subject to occasional legal proceedings and claims. In the opinion of management, the eventual outcome of the current proceedings and claims will not materially affect its financial condition or operations.

Note 13: Liquidity and Availability of Resources

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization maintains board designated funds (net assets without donor restrictions) that the Organization intends to hold for purposes as outlined in *Board-designated Net Assets Without Donor Restrictions, Investment and Spending Policies* which could be made available for current operations, if necessary.

United Way of Greater Cleveland and The Cleveland Community Fund

Notes to Combined Financial Statements

June 30, 2019 and 2018

Note 13: Liquidity and Availability of Resources (continued)

A reconciliation of the Organization's financial assets available within one year of June 30 for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,352,774	\$ 2,591,701
Campaign receivables, net	13,254,161	14,287,204
Accounts receivables, agencies	852,210	802,388
Accounts receivables, other	473,373	666,494
Major gifts receivable, net	2,784,849	1,429,188
Marketable securities	<u>16,951,425</u>	<u>22,780,185</u>
	36,668,792	42,557,160
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Funds held for others included in cash and cash equivalents	29,852	13,056
Restricted by donors – as to use:		
Restricted for renovation project	705,000	-
Restricted as to time (less collections expected in the next 12 months*)	787,159	1,187,301
Restricted for impact, strategy, and innovations	1,724,000	-
Restricted for other program services	550,363	1,490,434
Restricted by donors – held in perpetuity	<u>250,000</u>	<u>250,000</u>
	<u>4,046,374</u>	<u>2,940,791</u>
 Amounts unavailable to management without Board's approval:		
Board designated – operating reserves	7,830,127	8,295,488
Board designated – strategic initiatives	<u>543,000</u>	<u>1,644,000</u>
	<u>8,373,127</u>	<u>9,939,488</u>
Total financial assets unavailable	<u>12,419,501</u>	<u>12,880,279</u>
 Total financial assets available to management for general expenditures within one year	 <u>\$ 24,249,291</u>	 <u>\$ 29,676,881</u>

*Management defines funds restricted for time that are not available for general expenditures within one year as those amounts expected to be collected in excess of twelve months from June 30, 2019.