

United Way
of Greater
Toledo



United Way
of Greater Toledo

Years Ended
June 30, 2018
and 2017

Financial
Statements

UNITED WAY OF GREATER TOLEDO

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INDEPENDENT AUDITORS' REPORT

December 12, 2018

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, 2018 and 2017, 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, 2018 and 2017, 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	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 416,757	\$ 562,007
Pledges receivable, less allowance for uncollectible pledges of \$443,258 in 2018 (\$470,221 in 2017)	3,773,568	3,605,540
Grant, contract and other receivables	79,568	161,763
Prepaid expenses and other assets	100,956	107,706
Investments	16,807,597	15,861,589
Beneficial interest in perpetual trust	1,833,504	1,737,412
Net property and equipment	5,662,534	5,860,738
Total assets	\$ 28,674,484	\$ 27,896,755
LIABILITIES AND NET ASSETS		
Liabilities		
Lines of credit	\$ 1,772,137	\$ 1,960,690
Accounts payable and other	349,284	537,780
Deferred revenue	50,000	116,250
Community investments payable	3,808,647	3,718,627
Designations payable	1,422,305	1,295,231
Total liabilities	7,402,373	7,628,578
Net assets		
Unrestricted	17,979,919	16,698,861
Temporarily restricted	573,105	946,321
Permanently restricted	2,719,087	2,622,995
Total net assets	21,272,111	20,268,177
Total liabilities and net assets	\$ 28,674,484	\$ 27,896,755

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

UNITED WAY OF GREATER TOLEDO

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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 realized and unrealized gain on investments	985,285	-	-	985,285
Change in value of beneficial interest in perpetual trust	-	-	96,092	96,092
Investment income	329,940	-	-	329,940
Miscellaneous	45,966	-	-	45,966
Net assets released from restrictions	978,246	(978,246)	-	-
Total public support and revenue and gains	9,892,776	(373,216)	96,092	9,615,652
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	2,752,177	-	-	2,752,177
Total program services	6,755,297	-	-	6,755,297
Supporting services				
Resource development	1,186,225	-	-	1,186,225
Administration	670,196	-	-	670,196
Total supporting services	1,856,421	-	-	1,856,421
Total expenses	8,611,718	-	-	8,611,718
Changes in net assets	1,281,058	(373,216)	96,092	1,003,934
Net assets, beginning of year	16,698,861	946,321	2,622,995	20,268,177
Net assets, end of year	\$ 17,979,919	\$ 573,105	\$ 2,719,087	\$ 21,272,111

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



Year Ended June 30, 2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 9,376,502	\$ 691,406	\$ -	\$ 10,067,908
745,956	-	-	745,956
-	-	-	-
<u>10,122,458</u>	<u>691,406</u>	<u>-</u>	<u>10,813,864</u>
-	123,022	-	123,022
(2,108,604)	-	-	(2,108,604)
<u>(349,077)</u>	<u>-</u>	<u>-</u>	<u>(349,077)</u>
<u>7,664,777</u>	<u>814,428</u>	<u>-</u>	<u>8,479,205</u>
1,071,702	-	-	1,071,702
-	-	168,345	168,345
519,829	-	-	519,829
40,028	-	-	40,028
<u>1,379,109</u>	<u>(1,379,109)</u>	<u>-</u>	<u>-</u>
<u>10,675,445</u>	<u>(564,681)</u>	<u>168,345</u>	<u>10,279,109</u>
6,212,384	-	-	6,212,384
(2,108,604)	-	-	(2,108,604)
<u>4,103,780</u>	<u>-</u>	<u>-</u>	<u>4,103,780</u>
<u>3,035,741</u>	<u>-</u>	<u>-</u>	<u>3,035,741</u>
<u>7,139,521</u>	<u>-</u>	<u>-</u>	<u>7,139,521</u>
1,294,511	-	-	1,294,511
<u>778,149</u>	<u>-</u>	<u>-</u>	<u>778,149</u>
<u>2,072,660</u>	<u>-</u>	<u>-</u>	<u>2,072,660</u>
<u>9,212,181</u>	<u>-</u>	<u>-</u>	<u>9,212,181</u>
1,463,264	(564,681)	168,345	1,066,928
<u>15,235,597</u>	<u>1,511,002</u>	<u>2,454,650</u>	<u>19,201,249</u>
<u>\$ 16,698,861</u>	<u>\$ 946,321</u>	<u>\$ 2,622,995</u>	<u>\$ 20,268,177</u>

UNITED WAY OF GREATER TOLEDO

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

With Comparative Totals for the Year Ended June 30, 2017

	Year Ended June 30, 2018									2017 Comparative Totals	
	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	\$ 6,212,384
Less donor designations	(1,938,405)	-	-	-	-	(1,938,405)	-	-	-	(1,938,405)	(2,108,604)
Net investments in community programs	3,535,530	-	-	339,324	128,266	4,003,120	-	-	-	4,003,120	4,103,780
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	2,283,545
Salaries related to grants and contracts	5,968	7,800	-	-	-	13,768	-	-	-	13,768	57,474
Employee benefits	206,269	13,789	5,680	5,310	2,075	233,123	94,685	71,190	165,875	398,998	340,015
Payroll taxes and other	78,935	6,183	3,440	971	1,351	90,880	59,610	31,018	90,628	181,508	210,539
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	2,891,573
Other expenses											
Contract services	151,199	465,767	12,769	697	5,690	636,122	51,937	55,823	107,760	743,882	876,153
Professional services	56,267	5,556	899	3,261	-	65,983	10,587	5,989	16,576	82,559	95,686
Office and general	158,766	1,422	1,016	224	19,878	181,306	104,012	17,720	121,732	303,038	332,141
Occupancy	81,516	2,071	1,916	471	636	86,610	45,901	17,729	63,630	150,240	138,835
Property & casualty insurance	13,065	518	343	74	295	14,295	11,340	6,047	17,387	31,682	36,065
Mileage and meals	8,860	255	141	63	-	9,319	10,320	640	10,960	20,279	25,815
Professional development	8,859	(327)	165	(224)	449	8,922	5,360	2,805	8,165	17,087	19,643
Annual event and other meetings	12,005	950	479	237	13,394	27,065	20,543	2,007	22,550	49,615	57,695
Professional memberships and subscriptions	7,942	195	294	46	-	8,477	3,205	1,610	4,815	13,292	17,328
Advertising	2,648	-	-	-	23	2,671	2,031	-	2,031	4,702	54,812
Credit card and bank charges	3,379	2,628	1,126	375	-	7,508	1,629	34,326	35,955	43,463	41,584
Equipment, repairs, and maintenance	30,930	-	3,354	-	-	34,284	5,987	3,407	9,394	43,678	48,188
United Way Worldwide dues	59,603	19,512	3,061	795	-	82,971	14,471	8,186	22,657	105,628	116,231
Interest	32,998	3,596	582	2,110	-	39,286	6,852	3,876	10,728	50,014	57,633
Depreciation	140,963	-	5,454	1,416	-	147,833	34,465	18,786	53,251	201,084	245,229
Specific assistance	-	27,051	-	-	-	27,051	-	-	-	27,051	27,347
Miscellaneous	6,147	1,309	562	190	100	8,308	3,893	17,374	21,267	29,575	26,443
Total other expenses	775,147	530,503	32,161	9,735	40,465	1,388,011	332,533	196,325	528,858	1,916,869	2,216,828
Total salaries and employee benefits and other expenses	1,949,583	612,446	101,529	26,371	62,248	2,752,177	1,186,225	670,196	1,856,421	4,608,598	5,108,401
Total expenses	\$ 5,485,113	\$ 612,446	\$ 101,529	\$ 365,695	\$ 190,514	\$ 6,755,297	\$ 1,186,225	\$ 670,196	\$ 1,856,421	\$ 8,611,718	\$ 9,212,181

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, 2017

	Year Ended June 30, 2017										
	Program Services						Support Services			2017 Total	
	Community Impact, Leadership and Support	United Way 2-1-1 & Coordinated Assessment	United Way Free Tax Preparation	United Way AmeriCorps Graduation Coaches	Schools as Community Hubs	Other	Total Program Services	Resource Development	Administration		Total Supporting Services
Community investments											
Gross investments in community	\$ 5,829,883	\$ -	\$ -	\$ -	\$ 282,501	\$ 100,000	\$ 6,212,384	\$ -	\$ -	\$ -	\$ 6,212,384
Less donor designations	(2,108,604)	-	-	-	-	-	(2,108,604)	-	-	-	(2,108,604)
Net investments in community programs	3,721,279	-	-	-	282,501	100,000	4,103,780	-	-	-	4,103,780
Salaries and employee benefits											
Salaries	883,645	90,237	71,420		25,704	47,358	1,118,364	718,892	446,289	1,165,181	2,283,545
Salaries related to grants and contracts	-	26,219	-	18,357	-	12,898	57,474	-	-	-	57,474
Employee benefits	131,527	13,485	7,501	1,102	2,207	5,407	161,229	99,423	79,363	178,786	340,015
Payroll taxes and other	80,695	23,227	5,904	2,418	1,764	2,930	116,938	61,078	32,523	93,601	210,539
Total salaries and employee benefits	1,095,867	153,168	84,825	21,877	29,675	68,593	1,454,005	879,393	558,175	1,437,568	2,891,573
Other expenses											
Contract services	183,237	460,016	19,715	801	51,017	12,844	727,630	80,939	67,584	148,523	876,153
Professional services	57,547	4,366	6,735	-	864	303	69,815	18,815	7,056	25,871	95,686
Office and general	188,003	4,731	4,685	1,225	651	8,121	207,416	104,964	19,761	124,725	332,141
Occupancy	76,201	-	2,562	1,239	713	1,048	81,763	38,639	18,433	57,072	138,835
Property & casualty insurance	12,366	1,235	932	417	133	485	15,568	15,347	5,150	20,497	36,065
Mileage and meals	10,485	671	949	22	94	131	12,352	12,494	969	13,463	25,815
Professional development	6,506	1,983	-	143	385	438	9,455	4,054	6,134	10,188	19,643
Annual event and other meetings	21,911	762	2,809	29	1,353	7,414	34,278	20,901	2,516	23,417	57,695
Professional memberships and subscriptions	6,036	4,877	303	-	93	3	11,312	4,164	1,852	6,016	17,328
Advertising	30,678	-	1,673	-	-	440	32,791	22,021	-	22,021	54,812
Credit card and bank charges	2,319	1,960	840	-	280	201	5,600	864	35,120	35,984	41,584
Equipment, repairs, and maintenance	30,576	-	2,422	-	-	-	32,998	10,809	4,381	15,190	48,188
United Way Worldwide dues	45,926	16,198	3,238	631	2,089	-	68,082	30,107	18,042	48,149	116,231
Interest	35,156	-	3,458	-	-	-	38,614	13,832	5,187	19,019	57,633
Depreciation	170,267	-	8,876	1,729	5,726	-	186,598	35,168	23,463	58,631	245,229
Specific assistance	-	27,347	-	-	-	-	27,347	-	-	-	27,347
Miscellaneous	14,093	239	313	-	40	5,432	20,117	2,000	4,326	6,326	26,443
Total other expenses	891,307	524,385	59,510	6,236	63,438	36,860	1,581,736	415,118	219,974	635,092	2,216,828
Total salaries and employee benefits and other expenses	1,987,174	677,553	144,335	28,113	93,113	105,453	3,035,741	1,294,511	778,149	2,072,660	5,108,401
Total expenses	\$ 5,708,453	\$ 677,553	\$ 144,335	\$ 28,113	\$ 375,614	\$ 205,453	\$ 7,139,521	\$ 1,294,511	\$ 778,149	\$ 2,072,660	\$ 9,212,181

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

UNITED WAY OF GREATER TOLEDO

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ 1,003,934	\$ 1,066,928
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gain on investments	(985,285)	(1,071,702)
Change in value of beneficial interest in perpetual trust	(96,092)	(168,345)
Provision for uncollectible pledges	533,948	349,077
Depreciation	201,084	245,229
Changes in operating assets and liabilities which provided (used) cash		
Pledges receivable	(701,976)	115,350
Grant, contract and other receivables	82,195	(40,808)
Prepaid expenses and other assets	6,750	3,461
Accounts payable and other	(188,496)	130,274
Retirement custodial fund	-	(84,787)
Community investments payable and designations payable	217,094	(666,245)
Deferred revenue	(66,250)	500
Net cash provided by (used in) operating activities	<u>6,906</u>	<u>(121,068)</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,880)	(2,905)
Purchases of investments	(712,920)	(444,538)
Proceeds from sales of investments	752,197	2,619,574
Net cash provided by investing activities	<u>36,397</u>	<u>2,172,131</u>
Cash used in financing activities		
Net repayments on lines of credit	(188,553)	(1,864,255)
Net (decrease) increase in cash and cash equivalents	<u>(145,250)</u>	<u>186,808</u>
Cash and cash equivalents, beginning of the year	562,007	375,199
Cash and cash equivalents, end of the year	<u>\$ 416,757</u>	<u>\$ 562,007</u>
Supplemental disclosures of cash flows information		
Interest paid	\$ 50,014	\$ 57,632

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.

Basis of Presentation

The Organization has classified information regarding its financial position and activities according to three classes of net assets depending on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted: Unrestricted net assets are not restricted by funding source or donor, or the funding source requirements or donor-imposed restrictions have expired.

Temporarily Restricted: Temporarily restricted net assets contain funding source or donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied by either the passage of time or the actions of the Organization and are reported as reclassifications between the applicable classes of net assets.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

Permanently Restricted: Permanently restricted net assets contain funding source or donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

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).

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.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

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 2 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 available for unrestricted use unless specifically restricted by the donor. Campaign collections and pledge receivables related to future campaigns are reported as temporarily restricted. 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. During 2018, the Organization received an unrestricted bequest for \$454,710 that has been included as contributions on the statements of activities.

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.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

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. The net realized appreciation (depreciation) in fair value of investments is reflected in the statement of activities. Investment income and net appreciation/depreciation derived from interest and dividends is included in unrestricted operations, unless their use is restricted by explicit donor imposed restriction or law.

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 permanently restricted contributed support at the date the trust is established. Distributions from the trust are recorded as investment income, 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.

Advertising

The costs of advertising are expensed as incurred. The Organization incurred \$4,702 in advertising costs during 2018 and \$54,812 in 2017.

Functional Allocation of Expenses

Expenses have been charged directly to program services and the supporting services based on specific identification, space utilized, or salaries, whichever is more appropriate. Indirect expenses have been allocated among the program services and the supporting services benefited. Although the methods of allocation used are considered reasonable, other methods could be used and produce different amounts.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

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 2015 through 2018, the years which remain subject to examination as of June 30, 2018. 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, 2018 or 2017, and is not aware of any claims for such amounts by federal or state income tax authorities.

Upcoming Accounting Pronouncements

In August 2016, The Financial Accounting Standards Board issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which will be effective for the Organization’s annual financial statements for the year ending June 30, 2019. 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. Management has evaluated the provisions of ASU 2016-14 and has determined that the presentation of the financial statements will need to be modified as required by the ASU.

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, 2018, the most recent statement of financial position presented herein, through December 12, 2018, the date these financial statements were available to be issued. No such significant transactions or events were identified.

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

2. 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:

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	\$ 15,514,253	\$ 1,293,344	\$ -	\$ 16,807,597
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 1,833,504	\$ 1,833,504

2017	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market	\$ 89,960	\$ -	\$ -	\$ 89,960
Mutual funds				
Equity				
Large-cap	2,865,241	-	-	2,865,241
Mid-cap	1,761,718	-	-	1,761,718
Developed international	1,615,586	-	-	1,615,586
Emerging market	1,265,260	-	-	1,265,260
U.S. real estate	932,890	-	-	932,890
Energy/commodity	351,453	-	-	351,453
Precious metal	397,858	-	-	397,858
Fixed income				
Intermediate-term bond	700,802	-	-	700,802
Short-term bond	491,995	-	-	491,995
International bond	1,657,861	-	-	1,657,861
U.S. stocks	2,402,601	-	-	2,402,601
U.S. government agency bonds	-	1,328,364	-	1,328,364
Total investments carried at fair value	\$ 14,533,225	\$ 1,328,364	\$ -	\$ 15,861,589
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 1,737,412	\$ 1,737,412

UNITED WAY OF GREATER TOLEDO

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	
	2018	2017
Balance, at beginning of year	\$ 1,737,412	\$ 1,569,067
Change in value of trust assets	<u>96,092</u>	<u>168,345</u>
Balance, at end of year	<u>\$ 1,833,504</u>	<u>\$ 1,737,412</u>

Investment management fees amounted to \$77,274 in 2018 and \$78,397 in 2017. Certain investments are pledged as collateral for the Organization's lines of credit (see Note 5).

3. 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 permanently restricted net asset. The Organization received approximately \$73,000 of income from the trust during 2018 and approximately \$70,000 during 2017. This revenue has been included as investment income in these financial statements.

4. PROPERTY AND EQUIPMENT

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

	2018	2017
Property and equipment		
Land and improvements	\$ 405,534	\$ 405,534
Buildings	7,182,647	7,182,647
Furniture and equipment	<u>887,412</u>	<u>884,532</u>
Total	8,475,593	8,472,713
Less accumulated depreciation	<u>2,813,059</u>	<u>2,611,975</u>
Net property and equipment	<u>\$ 5,662,534</u>	<u>\$ 5,860,738</u>

UNITED WAY OF GREATER TOLEDO

NOTES TO FINANCIAL STATEMENTS

5. 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% (2.8675% at June 30, 2018 and 2.0% at June 30, 2017) on both lines of credit is payable monthly. There were no amounts outstanding under the first line of credit agreement at June 30, 2018 or June 30, 2017. The amount outstanding under the second line of credit agreement was \$1,772,137 at June 30, 2018 and \$1,960,690 at June 30, 2017. 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 (\$16,656,513 at June 30, 2018). 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.

6. LEASES

The Organization leases certain equipment and office space from unrelated parties under operating lease agreements. Rent expense incurred was approximately \$58,000 and \$59,000 for the years ended June 30, 2018 and 2017, 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, 2018:

Year	Amount
2019	\$ 39,001
2020	37,686
2021	30,022
2022	<u>9,410</u>
	<u>\$ 116,119</u>

7. RETIREMENT PLANS

The Organization and 37 nonprofit agencies in the Greater Toledo area 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, 2018, the value of the Plan's assets exceeds the current liability of \$39,589,700. 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 \$38,849,203 as of the January 1, 2018 valuation date, the most recent information available. The fair value of the Plan's investments was \$43,975,220 as of December 31, 2017. Plan assets are invested based on a long-term investment strategy and held approximately 24% in fixed income securities and 76% in equity accounts as of December 31, 2017.

As of December 31, 2017, 88 of the approximately 1,400 total participants were from the Organization. Contributions were required to be made to the Plan for 2018 and 2017. The Organization's share of the required contributions was approximately \$105,000 in 2018 and \$106,000 in 2017, 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 \$113,000 in fiscal 2018 and \$115,000 in fiscal 2017.

8. RELATED PARTY TRANSACTIONS

The Organization is a member of United Way Worldwide. Membership dues paid to this organization amounted to \$105,628 in 2018 and \$116,231 in 2017. The Organization also paid fees to United Way Worldwide in the amount of \$3,681 in 2018 and \$1,184 in 2017 for training and development, and \$10,000 in 2017 for leased employees.

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 \$139,295 in 2018 and \$144,266 in 2017.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	2018	2017
Pledges received for future campaigns	\$ 201,123	\$ 123,022
Pledges received which have been restricted by the donor for a particular purpose	<u>371,982</u>	<u>823,299</u>
	<u>\$ 573,105</u>	<u>\$ 946,321</u>

Permanently restricted net assets consist of the following amounts as of June 30:

	2018	2017
Beneficial interest in perpetual trust	\$ 1,833,504	\$ 1,737,412
Donor endowment funds	<u>885,583</u>	<u>885,583</u>
	<u>\$ 2,719,087</u>	<u>\$ 2,622,995</u>

10. ENDOWMENT FUNDS

The Organization's endowment funds consist of several individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board considers donor restrictions on endowments to be the relevant law underlying the net asset classification of donor-restricted endowment funds. Accordingly, the Organization classifies as permanently restricted net assets the original value of the gift donated to the permanent endowment. The remaining portion of the endowment fund is classified as unrestricted net assets.

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

The current asset allocation of investments is 65% - 85% equity and 15% - 35% fixed income securities. This allocation was chosen to reflect the long-term nature of the endowment and the need to generate a satisfactory investment return. The equity portfolio will be generally structured using asset class diversification with the intent of reducing some specific risks inherent in equity investing.

Spending policy: The Organization's spending policy related to endowment assets is to distribute funds in accordance with the donor's stated intent.

Net asset balances permanently restricted by donors are as follows as of June 30, 2018 and 2017:

Operations of the Organization	
Fund for the Future	\$ 80,981
William Winkle	704,602
John and Hope Eastman Fund	<u>100,000</u>
	<u>\$ 885,583</u>

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

2018	Unrestricted	Permanently Restricted	Total
Donor-restricted	<u>\$ 427,615</u>	<u>\$ 885,583</u>	<u>\$ 1,313,198</u>

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

2018	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 356,970	\$ 885,583	\$ 1,242,553
Investment gains	76,159	-	76,159
Appropriation of endowment for expenditure	<u>(5,514)</u>	<u>-</u>	<u>(5,514)</u>
Endowment net assets, end of year	<u>\$ 427,615</u>	<u>\$ 885,583</u>	<u>\$ 1,313,198</u>

UNITED WAY OF GREATER TOLEDO

■ NOTES TO FINANCIAL STATEMENTS

Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

2017	Unrestricted	Permanently Restricted	Total
Donor-restricted	<u>\$ 356,970</u>	<u>\$ 885,583</u>	<u>\$ 1,242,553</u>

Changes in Endowment Assets for the Year Ended June 30, 2017:

2017	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 203,026	\$ 885,583	\$ 1,088,609
Investment gains	159,262	-	159,262
Appropriation of endowment for expenditure	<u>(5,318)</u>	<u>-</u>	<u>(5,318)</u>
Endowment net assets, end of year	<u>\$ 356,970</u>	<u>\$ 885,583</u>	<u>\$ 1,242,553</u>

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