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Consolidated Financial Statements

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Independent Auditor's Report

To the Board of Directors
United Way for Southeastern Michigan

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Way for Southeastern Michigan (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019 and 2018 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way for Southeastern Michigan as of June 30, 2019 and 2018 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. These provisions were implemented retrospectively. Our opinion is not modified with respect to this matter.
To the Board of Directors
United Way for Southeastern Michigan

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2020 on our consideration of United Way for Southeastern Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 United Way for Southeastern Michigan's internal control over financial reporting and compliance.

February 19, 2020
## United Way for Southeastern Michigan

### Consolidated Statement of Financial Position

**June 30, 2019 and 2018**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 12,596,934</td>
<td>$ 21,129,413</td>
</tr>
<tr>
<td>Marketable securities (Note 5)</td>
<td>34,453,954</td>
<td>33,428,089</td>
</tr>
<tr>
<td>Receivables - Net: (Note 4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges</td>
<td>13,148,823</td>
<td>15,552,191</td>
</tr>
<tr>
<td>Grants and other</td>
<td>2,964,238</td>
<td>2,594,538</td>
</tr>
<tr>
<td>Beneficial interest (Notes 5 and 6)</td>
<td>1,195,038</td>
<td>1,188,080</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>708,114</td>
<td>604,318</td>
</tr>
<tr>
<td>Capital assets - Net (Note 7)</td>
<td>904,791</td>
<td>700,609</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 65,971,892</strong></td>
<td><strong>$ 75,197,238</strong></td>
</tr>
</tbody>
</table>

| **Liabilities and Net Assets** |               |               |
| **Liabilities**              |               |               |
| Accounts payable and accrued liabilities | $ 5,380,299 | $ 7,357,989 |
| Undistributed grants to community impact partners (Note 11) | 9,304,081 | 9,888,776 |
| Undistributed donor designations | 4,082,279 | 7,500,120 |
| **Total liabilities**        | **18,766,659** | **24,746,885** |

| **Net Assets**              |               |               |
| Without donor restrictions: |               |               |
| Undesignated                | 3,015,110     | 3,933,437     |
| Board designated (Note 8)   | 32,220,688    | 31,398,166    |
| With donor restrictions (Note 9) | 11,969,435 | 15,208,750 |
| **Total net assets**        | **47,205,233** | **50,450,353** |

| **Total liabilities and net assets** | **$ 65,971,892** | **$ 75,197,238** |

See notes to consolidated financial statements.
### United Way for Southeastern Michigan

#### Consolidated Statement of Activities and Changes in Net Assets

**Years Ended June 30, 2019 and 2018**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Support and Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual campaigns</td>
<td>$32,182,795</td>
<td>$33,681,509</td>
</tr>
<tr>
<td>Less donor designations</td>
<td>(6,813,997)</td>
<td>(8,183,709)</td>
</tr>
<tr>
<td>Less provision for uncollectible pledges</td>
<td>(1,499,844)</td>
<td>(1,326,980)</td>
</tr>
<tr>
<td>Net assets released from campaign restrictions</td>
<td>15,577,002</td>
<td>9,909,461</td>
</tr>
<tr>
<td></td>
<td>$39,445,956</td>
<td>$34,080,281</td>
</tr>
<tr>
<td><strong>Administrative fees and fee for service</strong></td>
<td>$873,806</td>
<td>$875,663</td>
</tr>
<tr>
<td><strong>Federal grants</strong></td>
<td>$2,935,534</td>
<td>$3,945,422</td>
</tr>
<tr>
<td><strong>State grants</strong></td>
<td>$8,113,922</td>
<td>$6,042,324</td>
</tr>
<tr>
<td><strong>County grants</strong></td>
<td>$715,161</td>
<td>$1,167,031</td>
</tr>
<tr>
<td><strong>Foundation grants</strong></td>
<td>90</td>
<td>7,500</td>
</tr>
<tr>
<td>Other contributions and bequests</td>
<td>31,902</td>
<td>323</td>
</tr>
<tr>
<td><strong>Miscellaneous income</strong></td>
<td>551,224</td>
<td>929,918</td>
</tr>
<tr>
<td>Change in value of beneficial interest</td>
<td>59,503</td>
<td>74,343</td>
</tr>
<tr>
<td>Net realized and unrealized (losses) gains on marketable securities</td>
<td>(331,534)</td>
<td>253,937</td>
</tr>
<tr>
<td><strong>Interest and dividend income</strong></td>
<td>1,306,794</td>
<td>1,348,176</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>3,165,407</td>
<td>1,564,258</td>
</tr>
<tr>
<td><strong>Total noncampaign support and revenue</strong></td>
<td>17,952,864</td>
<td>16,543,772</td>
</tr>
<tr>
<td><strong>Total public support and revenue</strong></td>
<td>$57,398,820</td>
<td>$50,624,053</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross grants to community impact partners</td>
<td>40,169,745</td>
<td>35,950,545</td>
</tr>
<tr>
<td>Less donor designations</td>
<td>(6,813,997)</td>
<td>(8,183,709)</td>
</tr>
<tr>
<td>Net funds awarded</td>
<td>33,355,748</td>
<td>27,766,836</td>
</tr>
<tr>
<td>Other program services</td>
<td>15,323,283</td>
<td>16,134,711</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td>48,679,031</td>
<td>45,901,547</td>
</tr>
<tr>
<td>Support services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>4,099,898</td>
<td>4,669,239</td>
</tr>
<tr>
<td>Fundraising</td>
<td>4,625,696</td>
<td>5,484,789</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>57,404,625</td>
<td>56,055,575</td>
</tr>
<tr>
<td><strong>(Decrease) Increase in Net Assets</strong></td>
<td>(5,805)</td>
<td>2,621,320</td>
</tr>
<tr>
<td><strong>Net Assets - Beginning of year</strong></td>
<td>35,241,603</td>
<td>40,673,125</td>
</tr>
<tr>
<td><strong>Net Assets - End of year</strong></td>
<td>$35,235,798</td>
<td>$50,450,353</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
# Consolidated Statement of Functional Expenses

**Year Ended June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allocations/Awards</strong></td>
<td>$40,169,745</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$40,169,745</td>
</tr>
<tr>
<td><strong>Less donor designations</strong></td>
<td>(6,813,997)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6,813,997)</td>
</tr>
<tr>
<td><strong>Net allocations/awards</strong></td>
<td>33,355,748</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33,355,748</td>
</tr>
<tr>
<td><strong>Salaries</strong></td>
<td>7,204,278</td>
<td>1,799,311</td>
<td>1,952,360</td>
<td>3,751,671</td>
<td>10,955,949</td>
</tr>
<tr>
<td><strong>Employee benefits</strong></td>
<td>1,587,424</td>
<td>481,480</td>
<td>412,210</td>
<td>893,690</td>
<td>2,481,114</td>
</tr>
<tr>
<td><strong>Payroll taxes and insurance</strong></td>
<td>534,445</td>
<td>243,368</td>
<td>148,623</td>
<td>391,991</td>
<td>926,436</td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td>9,326,147</td>
<td>2,524,159</td>
<td>2,513,193</td>
<td>5,037,352</td>
<td>14,363,499</td>
</tr>
<tr>
<td><strong>Printing and publications</strong></td>
<td>132,769</td>
<td>215,185</td>
<td>71,964</td>
<td>287,149</td>
<td>419,918</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>952,278</td>
<td>46,814</td>
<td>53,053</td>
<td>99,867</td>
<td>1,052,145</td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td>82,952</td>
<td>27,498</td>
<td>12,992</td>
<td>40,490</td>
<td>123,442</td>
</tr>
<tr>
<td><strong>Professional fees and contract services</strong></td>
<td>2,701,617</td>
<td>875,394</td>
<td>296,575</td>
<td>1,171,969</td>
<td>3,873,586</td>
</tr>
<tr>
<td><strong>Employee travel and training</strong></td>
<td>87,153</td>
<td>6,205</td>
<td>12,014</td>
<td>18,219</td>
<td>105,372</td>
</tr>
<tr>
<td><strong>Meeting and event cost</strong></td>
<td>157,298</td>
<td>49,701</td>
<td>1,126,012</td>
<td>1,175,713</td>
<td>1,333,011</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>33,749</td>
<td>23,280</td>
<td>41,557</td>
<td>64,837</td>
<td>98,586</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>70,536</td>
<td>9,570</td>
<td>53,113</td>
<td>62,683</td>
<td>133,219</td>
</tr>
<tr>
<td><strong>Equipment expenses</strong></td>
<td>235,367</td>
<td>59,076</td>
<td>285,094</td>
<td>344,170</td>
<td>579,537</td>
</tr>
<tr>
<td><strong>Postage and shipping</strong></td>
<td>144,819</td>
<td>37,416</td>
<td>42,977</td>
<td>80,393</td>
<td>225,212</td>
</tr>
<tr>
<td><strong>Dues</strong></td>
<td>668,027</td>
<td>25,280</td>
<td>14,814</td>
<td>40,094</td>
<td>708,121</td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td>74,801</td>
<td>16,065</td>
<td>11,983</td>
<td>28,048</td>
<td>102,849</td>
</tr>
<tr>
<td><strong>In-kind expenses</strong></td>
<td>391,483</td>
<td>116,709</td>
<td>22,862</td>
<td>139,571</td>
<td>531,054</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>264,287</td>
<td>67,546</td>
<td>67,493</td>
<td>135,039</td>
<td>399,326</td>
</tr>
<tr>
<td><strong>Total functional expenses</strong></td>
<td><strong>$48,679,031</strong></td>
<td><strong>$4,099,898</strong></td>
<td><strong>$4,625,696</strong></td>
<td><strong>$8,725,594</strong></td>
<td><strong>$57,404,625</strong></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
### Consolidated Statement of Functional Expenses

**Year Ended June 30, 2018**

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allocations/Awards</strong></td>
<td>$35,950,545</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$35,950,545</td>
</tr>
<tr>
<td><strong>Less donor designations</strong></td>
<td>$(8,183,709)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$(8,183,709)</td>
</tr>
<tr>
<td><strong>Net allocations/awards</strong></td>
<td>27,766,836</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>27,766,836</td>
</tr>
<tr>
<td><strong>Salaries</strong></td>
<td>9,052,785</td>
<td>2,183,228</td>
<td>2,403,486</td>
<td>4,586,714</td>
<td>13,639,499</td>
</tr>
<tr>
<td><strong>Employee benefits</strong></td>
<td>1,977,478</td>
<td>482,654</td>
<td>541,439</td>
<td>1,024,093</td>
<td>3,001,571</td>
</tr>
<tr>
<td><strong>Payroll taxes and insurance</strong></td>
<td>596,562</td>
<td>219,458</td>
<td>170,681</td>
<td>390,139</td>
<td>986,701</td>
</tr>
<tr>
<td><strong>Total salaries and related expenses</strong></td>
<td>11,626,825</td>
<td>2,885,340</td>
<td>3,115,606</td>
<td>6,000,946</td>
<td>17,627,771</td>
</tr>
<tr>
<td><strong>Printing and publications</strong></td>
<td>136,883</td>
<td>221,699</td>
<td>71,443</td>
<td>293,142</td>
<td>430,025</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>752,400</td>
<td>40,962</td>
<td>55,502</td>
<td>96,464</td>
<td>848,864</td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td>337,126</td>
<td>33,021</td>
<td>20,578</td>
<td>53,599</td>
<td>390,725</td>
</tr>
<tr>
<td><strong>Professional fees and contract services</strong></td>
<td>2,651,345</td>
<td>956,740</td>
<td>770,770</td>
<td>1,727,510</td>
<td>4,378,855</td>
</tr>
<tr>
<td><strong>Employee travel and training</strong></td>
<td>79,003</td>
<td>1,475</td>
<td>9,967</td>
<td>11,442</td>
<td>90,445</td>
</tr>
<tr>
<td><strong>Meeting and event cost</strong></td>
<td>541,681</td>
<td>117,331</td>
<td>830,298</td>
<td>947,629</td>
<td>1,489,310</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>34,133</td>
<td>25,482</td>
<td>47,816</td>
<td>73,298</td>
<td>107,431</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>105,297</td>
<td>15,559</td>
<td>77,442</td>
<td>93,001</td>
<td>198,298</td>
</tr>
<tr>
<td><strong>Equipment expenses</strong></td>
<td>254,033</td>
<td>63,721</td>
<td>299,835</td>
<td>363,556</td>
<td>617,589</td>
</tr>
<tr>
<td><strong>Postage and shipping</strong></td>
<td>41,127</td>
<td>13,552</td>
<td>18,321</td>
<td>31,873</td>
<td>73,000</td>
</tr>
<tr>
<td><strong>Dues</strong></td>
<td>680,355</td>
<td>24,409</td>
<td>17,586</td>
<td>41,995</td>
<td>722,350</td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td>33,465</td>
<td>10,677</td>
<td>10,435</td>
<td>21,112</td>
<td>54,577</td>
</tr>
<tr>
<td><strong>In-kind expenses</strong></td>
<td>430,342</td>
<td>154,860</td>
<td>21,728</td>
<td>176,588</td>
<td>606,930</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>430,696</td>
<td>104,411</td>
<td>117,462</td>
<td>221,873</td>
<td>652,569</td>
</tr>
<tr>
<td><strong>Total functional expenses</strong></td>
<td><strong>$45,901,547</strong></td>
<td><strong>$4,669,239</strong></td>
<td><strong>$5,484,789</strong></td>
<td><strong>$10,154,028</strong></td>
<td><strong>$56,055,575</strong></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
United Way for Southeastern Michigan

Consolidated Statement of Cash Flows

Years Ended June 30, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in net assets</td>
<td>$(3,245,120)</td>
<td>$(2,810,202)</td>
</tr>
<tr>
<td>Adjustments to reconcile decrease in net assets to net cash from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>399,326</td>
<td>652,569</td>
</tr>
<tr>
<td>Realized and unrealized losses (gains) on marketable securities</td>
<td>342,859</td>
<td>(263,085)</td>
</tr>
<tr>
<td>Change in beneficial interest</td>
<td>(59,503)</td>
<td>(74,343)</td>
</tr>
<tr>
<td>Provision for uncollectible pledges</td>
<td>1,499,844</td>
<td>1,326,980</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities that provided (used) cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>903,524</td>
<td>(1,773,256)</td>
</tr>
<tr>
<td>Grants and other receivable</td>
<td>(369,700)</td>
<td>465,196</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(103,796)</td>
<td>128,646</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(1,977,690)</td>
<td>2,528,395</td>
</tr>
<tr>
<td>Undistributed grants to community impact partners</td>
<td>(584,695)</td>
<td>(150,328)</td>
</tr>
<tr>
<td>Undistributed donor designations</td>
<td>(3,417,841)</td>
<td>(1,582,194)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(6,612,792)</td>
<td>(1,551,622)</td>
</tr>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of capital assets</td>
<td>(603,508)</td>
<td>(275,044)</td>
</tr>
<tr>
<td>Purchases of marketable securities</td>
<td>(3,515,595)</td>
<td>(9,778,050)</td>
</tr>
<tr>
<td>Proceeds from sales of marketable securities</td>
<td>2,146,871</td>
<td>9,647,331</td>
</tr>
<tr>
<td>Distributions from beneficial interest</td>
<td>52,545</td>
<td>52,120</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,919,687)</td>
<td>(353,643)</td>
</tr>
<tr>
<td><strong>Net Decrease in Cash</strong></td>
<td>$(8,532,479)</td>
<td>$(1,905,265)</td>
</tr>
<tr>
<td>Cash - Beginning of year</td>
<td>21,129,413</td>
<td>23,034,678</td>
</tr>
<tr>
<td>Cash - End of year</td>
<td><strong>$ 12,596,934</strong></td>
<td><strong>$ 21,129,413</strong></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
Note 1 - Nature of Business

United Way for Southeastern Michigan (UWSEM) is a Michigan nonprofit corporation dedicated to mobilizing the caring power of Detroit and Southeastern Michigan to improve communities and individual lives in measurable and lasting ways.

During the fiscal year ended June 30, 2015, UWSEM became the sole member of Linked Learning Detroit, L3C (LLD). LLD’s purpose is to support and promote educational programs, which integrate academics and career-based learning objectives to improve academic performance. All activity related to LLD for the years ended June 30, 2019 and 2018 is included in the accompanying consolidated financial statements. All intercompany balances and activity between UWSEM and LLD have been eliminated.

Note 2 - Significant Accounting Policies

*Basis of Presentation*

The consolidated financial statements of UWSEM have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

*Cash*

UWSEM places its cash and certain investments with high credit quality financial institutions. UWSEM's cash balances include bank balances on deposit that exceed FDIC limits.

*Investments*

Investments in readily marketable securities are stated at current quoted market values or other observable inputs. The collective trust fund is recorded at fair value, based on the net asset value (or its equivalent) per unit.

*Receivables*

UWSEM's receivables consist of pledge and grant receivables.

Pledge receivables are associated with UWSEM's total annual campaign fundraising for UWSEM and other partnering agencies. A provision for uncollectible pledges is estimated based on an assessment of the prior year annual campaign pledges, which remain unpaid, and current market observations. All amounts deemed uncollectible are charged against the provision for uncollectible pledges in the period that determination is made.

Grants and other receivables include receivables for services rendered by UWSEM in accordance with grant contracts and reimbursements that have not been received as of year end. Grants and other receivables also include contributions made to UWSEM outside of the annual campaign, including foundation gifts. An allowance for doubtful accounts has not been established, as all grants and other receivables are deemed collectible.

*Capital Assets*

Capital assets are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 10 years. Costs of maintenance and repairs are charged to expense when incurred.
Note 2 - Significant Accounting Policies (Continued)

UWSEM reports gifts of capital assets as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long the capital assets must be maintained, UWSEM reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired capital assets.

Classification of Net Assets

Net assets of UWSEM are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of UWSEM.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UWSEM or by the passage of time, when net assets are reclassified to net assets without donor restriction. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board for various purposes. These designations are based on board actions, which can be altered or revoked at a future time by the board of directors (see Note 8).

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Annual campaigns, foundation grants, other contributions, and bequests are revenue items reported on the consolidated statement of activities and changes in net assets using these revenue recognition principles.

Concentration Risks

A significant portion of UWSEM's campaign revenue and pledges receivable is derived from employee contributions and firm gifts from the Detroit-based original auto equipment manufacturers. This amount is approximately $14.1 and $18.2 million of gross revenue for the years ended June 30, 2019 and 2018, respectively, and $9.6 and $10.7 million of gross pledges receivable at June 30, 2019 and 2018, respectively. The current and future economic health of the domestic automotive industry impacts collection of this revenue and future contribution levels and could result in a severe near-term negative impact to UWSEM.

Grants and Fee for Service Revenue

Federal, state, and county grants and fee for service revenue are exchange transactions and are recognized as services are provided. Amounts received in excess of those earned are recorded as deferred revenue. Administrative fees and fee for service, federal grants, state grants, and county grants are revenue items reported on the consolidated statement of activities and changes in net assets using these revenue recognition principles.
Note 2 - Significant Accounting Policies (Continued)

Agent Transactions

UWSEM follows standards for accounting for transfers of assets to a not-for-profit organization that raises or holds contributions for others. These standards affect transactions in which UWSEM accepts contributions from a donor and transfers those assets to another entity that is specified by the donor. UWSEM refers to such funds as donor designations. Agency transactions are reported as an obligation to the specified beneficiary, rather than annual campaign revenue to UWSEM. Amounts due to beneficiary organizations are reported as undistributed donor designations on the consolidated statement of financial position.

Contributed Services

UWSEM receives services from a large number of volunteers who give significant amounts of their time to UWSEM's programs, fundraising campaigns, and management. Such services may include those that (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not contributed. No amounts have been recorded for types of donated services that do not meet these requirements. The value of recorded contributed services is determined based on the estimated fair values of such services.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Total salaries and related expenses are allocated on the basis of time and effort. Marketing and information technology expenses are allocated based on internally conducted time studies. Other expenses utilized by all employees, such as occupancy and depreciation, are allocated on the basis of employee headcount. All other expenses are allocated based on specific identification of third-party invoices. Costs have been allocated between the various programs and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

UWSEM is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Adoption of New Accounting Pronouncement

As of July 1, 2018, UWSEM adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by UWSEM, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated as follows: management and general expenses increased by $909,886 and program expenses increased by $128,209 from the amounts previously reported, while fundraising expenses decreased by $1,038,095.
Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for UWSEM’s year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. Management is in the process of determining which application method it will use. Management does not expect the new standard to significantly impact the amount or timing of revenue recognized; however, there will be substantial new disclosures required once UWSEM adopts the new rules.

The FASB issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for UWSEM’s year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Upon adoption of the new standard, UWSEM expects to record long-term assets and lease liabilities of approximately $14-$17 million. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for UWSEM’s year ending June 30, 2020 and will be applied on a modified prospective basis. UWSEM does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including February 19, 2020, which is the date the consolidated financial statements were available to be issued.
Note 3 - Liquidity and Availability of Resources

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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$12,596,934</td>
<td>$21,129,413</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>34,453,954</td>
<td>33,428,089</td>
</tr>
<tr>
<td>Pledge receivable less allowance</td>
<td>13,148,823</td>
<td>15,552,191</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>2,964,238</td>
<td>2,594,538</td>
</tr>
<tr>
<td><strong>Financial assets - At year end</strong></td>
<td><strong>63,163,949</strong></td>
<td><strong>72,704,231</strong></td>
</tr>
</tbody>
</table>

Less those unavailable for general expenditures within one year due to:

- Contractual or donor-imposed restrictions:
  - Long-term portion of pledges receivable: 1,050,000 50,000
  - Restricted by donors with purpose restrictions: 11,081,580 13,909,895
  - Restricted by donors in perpetuity: 787,855 787,855
  - Undistributed agency allocations: 9,304,081 9,888,776
  - Undistributed agency designations: 4,082,279 7,500,120

- **Total amounts unavailable for general expenditure within one year**: 26,305,795 32,136,646

- **Board designations**:
  - Board designated for emergency and stabilization: 7,838,602 7,838,602
  - Board designated for quasi-endowment: 22,482,086 23,469,564

- **Total amounts unavailable to management without board's approval**: 30,320,688 31,308,166

- **Financial assets available to meet cash needs for general expenditures within one year**: $6,537,466 $9,259,419

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

Additionally, the Organization has board-designated net assets without donor restrictions that, while the Organization does not intend to spend these for purposes other than identified, the amounts could be made available for current operations with board approval, if necessary. The board-designated net assets consist of an emergency and stabilization fund and funds functioning as an endowment (see Note 8). For the funds functioning as an endowment, the board has authorized $1,900,000 to be utilized in the upcoming fiscal year ending June 30, 2020 for community impact grants and technology and infrastructure. Additional information on the funds functioning as an endowment can be found in Notes 8 and 10.
Note 4 - Receivables

Receivables as of June 30 consist of pledges receivable and grants receivable.

Included in pledges receivable are unconditional promises to give generated from the annual campaign. Pledges receivable are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross promises to give</td>
<td>$16,364,545</td>
<td>$18,850,577</td>
</tr>
<tr>
<td>before allowance for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>doubtful accounts</td>
<td>(3,215,722)</td>
<td>(3,298,386)</td>
</tr>
<tr>
<td>Net pledges receivable</td>
<td>$13,148,823</td>
<td>$15,552,191</td>
</tr>
</tbody>
</table>

Amounts due in:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$15,314,545</td>
<td>$18,800,577</td>
</tr>
<tr>
<td>One to five years</td>
<td>1,050,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Total</td>
<td>$16,364,545</td>
<td>$18,850,577</td>
</tr>
</tbody>
</table>

Included in grants and other receivables are unconditional promises to give generated from foundation gifts outside of the annual campaign and other grants receivable. All amounts are expected to be collected within one year. They are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promises to give</td>
<td>$1,580,368</td>
<td>$977,069</td>
</tr>
<tr>
<td>Grants and fee for service</td>
<td>$1,383,870</td>
<td>$1,617,469</td>
</tr>
<tr>
<td>receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and other receivables</td>
<td>$2,964,238</td>
<td>$2,594,538</td>
</tr>
</tbody>
</table>

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about UWSEM’s assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by UWSEM to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that UWSEM has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques, taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. UWSEM’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.
Note 5 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2019

<table>
<thead>
<tr>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Net Asset Value</th>
<th>Balance at June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds, certificates of deposit, and other short-term investments</td>
<td>$ 9,867,364</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>12,147,646</td>
<td>-</td>
<td>-</td>
<td>13,602,523</td>
</tr>
<tr>
<td>Collective trust fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,029,553</td>
</tr>
<tr>
<td>Total marketable securities</td>
<td>32,553,755</td>
<td>-</td>
<td>-</td>
<td>19,001,199</td>
</tr>
<tr>
<td>Beneficial interest</td>
<td>-</td>
<td>-</td>
<td>1,195,038</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 32,553,755</td>
<td>$ -</td>
<td>1,195,038</td>
<td>$ 19,001,199</td>
</tr>
</tbody>
</table>

Assets Measured at Fair Value on a Recurring Basis at June 30, 2018

<table>
<thead>
<tr>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Net Asset Value</th>
<th>Balance at June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds, certificates of deposit, and other short-term investments</td>
<td>$ 9,692,147</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>13,602,523</td>
<td>-</td>
<td>-</td>
<td>13,602,523</td>
</tr>
<tr>
<td>Collective trust fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,029,553</td>
</tr>
<tr>
<td>Debt securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>8,029,553</td>
<td>135,000</td>
<td>-</td>
<td>135,000</td>
</tr>
<tr>
<td>Total marketable securities</td>
<td>31,324,223</td>
<td>135,000</td>
<td>-</td>
<td>1,968,866</td>
</tr>
<tr>
<td>Beneficial interest</td>
<td>-</td>
<td>-</td>
<td>1,188,080</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 31,324,223</td>
<td>135,000</td>
<td>1,188,080</td>
<td>$ 1,968,866</td>
</tr>
</tbody>
</table>

The fair values of municipal bonds at June 30, 2019 and 2018 were determined primarily based on Level 2 inputs. UWSEM estimates the fair value of these investments by using a reliable third-party investment custodian and multiple investment managers. Valuation methods used are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other economic measures.
Note 5 - Fair Value Measurements (Continued)

UWSEM measures the beneficial interest in funds held at the Community Foundation for Southeastern Michigan (CFSEM) at fair value on a recurring basis. The fair value of the beneficial interest was determined primarily based on Level 3 inputs. UWSEM estimates the fair value of these investments based upon UWSEM's relative share of assets held and reported by CFSEM, unless the facts and circumstances indicate the fair value would be different from the present value of the estimated future distributions.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance at July 1, 2018</th>
<th>Distributions</th>
<th>Net change in value</th>
<th>Balance at June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficial Interest</td>
<td>$1,188,080</td>
<td>(52,545)</td>
<td>59,503</td>
<td>$1,195,038</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance at July 1, 2017</th>
<th>Distributions</th>
<th>Net change in value</th>
<th>Balance at June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficial Interest</td>
<td>$1,165,857</td>
<td>(52,120)</td>
<td>74,343</td>
<td>$1,188,080</td>
</tr>
</tbody>
</table>

The net change in value of the beneficial interest is recognized in the consolidated statement of activities and changes in net assets. See further discussion in Note 6.

Investments in Entities that Calculate Net Asset Value per Share

UWSEM holds shares or interests in investment companies at year end whereby the fair value of the investment held is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2019</th>
<th>June 30, 2018</th>
<th>June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Fair Value</td>
<td>Unfunded</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commitments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collective trust fund</td>
<td>$1,900,199</td>
<td>$1,968,866</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Daily</td>
<td>Daily</td>
<td>Daily</td>
</tr>
</tbody>
</table>

The collective trust fund is designed to provide investment results that correspond to the price and yield performance of publicly traded common stocks of large-sized domestic companies, as represented by the Standard & Poor's 500 Growth Index. The trust invests approximately 100 percent in equities as of June 30, 2019 and 95 percent in equities and 5 percent in fixed income as of June 30, 2018. Net asset value of the trust is determined daily, and units are issued and redeemed at the calculated net asset value.
Note 6 - Community Foundation Endowment Fund

UWSEM acquired an endowment fund held by the Community Foundation for Southeastern Michigan as part of a merger between UWSEM and United Way of Oakland County (UWOC). The endowment was originally created using funds without donor restrictions and, therefore, is shown within net assets without donor restrictions on the consolidated financial statements. However, UWSEM does not have the ability to draw on the corpus of the endowment unless approval is granted by CFSEM. The recorded amount of approximately $1,195,000 and $1,188,000 as of June 30, 2019 and 2018, respectively, represents the present value of the estimated future income stream from the underlying endowment assets. The investment is recorded at fair market value. The purpose of the endowment fund is to provide operating support for UWSEM from endowment earnings.

In addition, certain funds donated by outside donors for the benefit of UWSEM are held and managed by CFSEM. Such contributions are subject to variance power maintained by CFSEM. The fair market value of these funds is approximately $11,000 at June 30, 2019 and 2018. Earnings are available for distribution to UWSEM at the discretion of CFSEM; therefore, interest and principal balances are not reflected in the consolidated financial statements.

Note 7 - Capital Assets

The cost of capital assets is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>$292,639</td>
<td>$3,591,482</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>3,703,697</td>
<td>5,558,143</td>
</tr>
<tr>
<td>Total cost</td>
<td>3,996,336</td>
<td>9,149,625</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>3,091,545</td>
<td>8,449,016</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$904,791</td>
<td>$700,609</td>
</tr>
</tbody>
</table>

Depreciation expense for 2019 and 2018 was $399,326 and $652,569, respectively.

Note 8 - Board-designated Net Assets

Board-designated net assets at June 30, 2019 and 2018 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board-designated net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency and stabilization</td>
<td>$7,838,602</td>
<td>$7,838,602</td>
</tr>
<tr>
<td>Funds functioning as endowment</td>
<td>24,382,086</td>
<td>23,469,564</td>
</tr>
<tr>
<td>Total</td>
<td>$32,220,688</td>
<td>$31,308,166</td>
</tr>
</tbody>
</table>

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions constitute grant fund net assets, which contain donor-imposed restrictions as to purpose and time, until those donor-imposed restrictions are satisfied.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time-restricted pledges</td>
<td>$100,000</td>
<td>$511,000</td>
</tr>
<tr>
<td>Contributions restricted for specific program use</td>
<td>11,081,580</td>
<td>13,909,895</td>
</tr>
<tr>
<td>Total net assets with temporary donor restrictions</td>
<td>$11,181,580</td>
<td>$14,420,895</td>
</tr>
</tbody>
</table>
Note 9 - Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions also constitute contributions whereby the principal is permanently restricted and the income may have donor-imposed restrictions. Income from permanently restricted net assets is reclassified to the net assets without donor restricted categories when donor-imposed restrictions are met. Total net assets with permanent donor restrictions held by UWSEM are $787,855 at June 30, 2019 and 2018.

Note 10 - Donor-restricted and Board-designated Endowments

UWSEM's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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.

Interpretation of Relevant Law

The board of directors of UWSEM has interpreted the Uniform Prudent Management of Institutional Funds 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, UWSEM classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, 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. Amounts are classified within net assets with donor restrictions until those amounts are appropriated for expenditure by UWSEM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UWSEM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of UWSEM and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of UWSEM
- The investment policies of UWSEM

<table>
<thead>
<tr>
<th>Endowment Net Asset Composition by Type of Fund as of June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Donor Restrictions</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
United Way for Southeastern Michigan

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

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

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets - Beginning of year</td>
<td>$ 23,469,564</td>
<td>$ 790,514</td>
<td>$ 24,260,078</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>1,255,495</td>
<td>41,382</td>
<td>1,296,877</td>
</tr>
<tr>
<td>Net depreciation</td>
<td>(342,973)</td>
<td>(11,325)</td>
<td>(354,298)</td>
</tr>
<tr>
<td>Total investment gain</td>
<td>912,522</td>
<td>30,057</td>
<td>942,579</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>-</td>
<td>(30,057)</td>
<td>(30,057)</td>
</tr>
<tr>
<td>Endowment net assets - End of year</td>
<td>$ 24,382,086</td>
<td>$ 790,514</td>
<td>$ 25,172,600</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$ 790,514</td>
<td>$ 790,514</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>23,469,564</td>
<td>-</td>
<td>23,469,564</td>
</tr>
<tr>
<td>Total</td>
<td>$ 23,469,564</td>
<td>$ 790,514</td>
<td>$ 24,260,078</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets - Beginning of year</td>
<td>$ 22,098,220</td>
<td>$ 790,514</td>
<td>$ 22,888,734</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>1,118,113</td>
<td>37,768</td>
<td>1,155,881</td>
</tr>
<tr>
<td>Net depreciation</td>
<td>253,231</td>
<td>9,148</td>
<td>262,379</td>
</tr>
<tr>
<td>Total investment gain</td>
<td>1,371,344</td>
<td>46,916</td>
<td>1,418,260</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>-</td>
<td>(46,916)</td>
<td>(46,916)</td>
</tr>
<tr>
<td>Endowment net assets - End of year</td>
<td>$ 23,469,564</td>
<td>$ 790,514</td>
<td>$ 24,260,078</td>
</tr>
</tbody>
</table>

Return Objectives and Risk Parameters

UWSEM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding in general support of UWSEM, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UWSEM must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the board of directors, UWSEM has established a total return objective to provide an average rate of return of approximately 7 percent annually over time. Actual returns in any given year may vary from this amount.
Note 10 - Donor-restricted and Board-designated Endowments (Continued)

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, UWSEM 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). UWSEM targets a diversified asset allocation of equity-based and fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

UWSEM has a policy of appropriating for distribution each year up to 3 percent of its endowment fund’s average fair value. According to the policy, additional earnings may be used over time with the total of annual support and additional spending limited to the cumulative earnings over a trailing five-year period. In establishing this policy, UWSEM considered the long-term expected return on its endowment. This is consistent with UWSEM’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 11 - Undistributed Grants to Community Impact Partners

Unconditional grants are recognized as an expense at the time the grant is awarded.

The following summarizes the changes in undistributed grants to community impact partners:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undistributed grants to community impact partners - Beginning of year</td>
<td>$ 9,888,776</td>
<td>$ 10,039,104</td>
</tr>
<tr>
<td>Grants approved</td>
<td>12,752,863</td>
<td>12,926,893</td>
</tr>
<tr>
<td>Payments made</td>
<td>(13,337,558)</td>
<td>(13,077,221)</td>
</tr>
<tr>
<td>Undistributed grants to community impact partners - End of year</td>
<td>$ 9,304,081</td>
<td>$ 9,888,776</td>
</tr>
</tbody>
</table>

Undistributed grants to community impact partners at June 30, 2019 are scheduled for payment in 2020.

As of June 30, 2019 and 2018, $5,693,842 and $7,892,193, respectively, is reserved for grants to community impact partners that have not yet been committed to specific partner agencies.

Note 12 - Postretirement Benefit Plan

As a result of the merger of UWOC and United Way Community Services in 2005, UWSEM assumed a UWOC defined benefit plan covering substantially all former full-time UWOC employees. Benefits are based on years of service and the employee's compensation during the final year of employment. UWSEM's funding policy is to make the minimum annual contribution required by applicable regulations.

Information pertaining to the plan is as follows for the years ended June 30, 2019 and 2018:

**Obligations and Funded Status**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation</td>
<td>$ 1,135,232</td>
<td>$ 1,284,344</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>776,459</td>
<td>989,328</td>
</tr>
<tr>
<td>Funded status at end of year</td>
<td>($358,773)</td>
<td>($295,016)</td>
</tr>
</tbody>
</table>
Note 12 - Postretirement Benefit Plan (Continued)

Amounts recognized in the consolidated statement of financial position consist of the following:

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 358,773</td>
<td>$ 295,016</td>
</tr>
</tbody>
</table>

The net periodic benefit cost of the defined benefit pension plan, which is included in the functional expenses of UWSEM, includes the following components for the years ended June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$ 11,378</td>
<td>$ 11,378</td>
</tr>
<tr>
<td>Interest cost</td>
<td>42,033</td>
<td>35,705</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(48,960)</td>
<td>(117,752)</td>
</tr>
<tr>
<td>Amortization of unrecognized loss</td>
<td>2,116</td>
<td>868</td>
</tr>
<tr>
<td>Asset (loss) gain deferred</td>
<td>(9,534)</td>
<td>54,702</td>
</tr>
<tr>
<td>Total net periodic benefit cost</td>
<td>$ (2,967)</td>
<td>$ (9,099)</td>
</tr>
</tbody>
</table>

Amounts accumulated and not yet recognized as components of net periodic benefit cost related to net loss as of June 30, 2019 and 2018 total $217,510 and $169,163, respectively. There are no amounts expected to be reclassified as net periodic benefit cost in the following fiscal year.

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation - Beginning of year</td>
<td>$ 1,284,344</td>
<td>$ 1,165,047</td>
</tr>
<tr>
<td>Service cost</td>
<td>11,378</td>
<td>11,378</td>
</tr>
<tr>
<td>Interest cost</td>
<td>42,033</td>
<td>35,705</td>
</tr>
<tr>
<td>Change due to assumption change</td>
<td>26,925</td>
<td>81,371</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>19,214</td>
<td>29,955</td>
</tr>
<tr>
<td>Expense charges</td>
<td>(11,990)</td>
<td>(11,258)</td>
</tr>
<tr>
<td>Annuities purchased or benefits paid</td>
<td>(285,839)</td>
<td>(27,854)</td>
</tr>
<tr>
<td>Effects of settlement</td>
<td>49,167</td>
<td>-</td>
</tr>
<tr>
<td>Benefit obligation - End of year</td>
<td>$ 1,135,232</td>
<td>$ 1,284,344</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Plan Assets</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets - Beginning of year</td>
<td>$ 989,328</td>
<td>$ 884,688</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>48,960</td>
<td>111,752</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>36,000</td>
<td>32,000</td>
</tr>
<tr>
<td>Expense charges</td>
<td>(11,990)</td>
<td>(11,258)</td>
</tr>
<tr>
<td>Annuities purchased or benefits paid</td>
<td>(285,839)</td>
<td>(27,854)</td>
</tr>
<tr>
<td>Fair value of plan assets - End of year</td>
<td>$ 776,459</td>
<td>$ 989,328</td>
</tr>
</tbody>
</table>
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Note 12 - Postretirement Benefit Plan (Continued)

Assumptions

The following assumptions used in developing the net pension cost and funded status information for the years ended June 30, 2019 and 2018 are as follows:

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate - Benefit obligations</td>
<td>2.80%</td>
<td>3.75%</td>
</tr>
<tr>
<td>Discount rate - Net periodic benefit cost</td>
<td>3.75</td>
<td>3.25</td>
</tr>
<tr>
<td>Postretirement interest rate</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Long-term rate of return on plan assets</td>
<td>7.00</td>
<td>7.00</td>
</tr>
</tbody>
</table>

Pension Plan Assets

For the years ended June 30, 2019 and 2018, the expected long-term rate of return on plan assets assumption of 7.0 percent was selected using the "building block" approach, described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. A best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 3.00 and 3.25 percent as of June 30, 2019 and 2018, respectively, was selected and added to the real rate of return range to arrive at a best estimate range of 6.38 to 8.52 percent as of June 30, 2019 and 6.23 to 8.39 percent as of June 30, 2018. A rate within the best estimate range of 7.0 percent was selected as of June 30, 2019 and 2018.

Pension plan assets of $776,459 and $989,328 as of June 30, 2019 and 2018, respectively, are held in a pooled separate account with underlying equity securities, for which fair value is measured at net asset value using the practical expedient. The pooled separate account invests in a diversified portfolio of common stocks and is valued at quoted market value. The investment seeks to outperform the S&P 500 Index and achieve a high level of total return through appreciation of capital. At year end, there were no unfunded commitments or redemption restrictions related to this pooled separate account.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$171,000</td>
</tr>
<tr>
<td>2021</td>
<td>28,000</td>
</tr>
<tr>
<td>2022</td>
<td>189,000</td>
</tr>
<tr>
<td>2023</td>
<td>43,000</td>
</tr>
<tr>
<td>2024</td>
<td>104,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>590,000</td>
</tr>
</tbody>
</table>

Note 13 - Operating Leases

UWSEM leases its main administrative headquarters under a 10-year noncancelable operating lease expiring in November 2018, with additional month-to-month provisions added through February 2019, and additional offsite space under an operating lease expiring in March 2019. A new 11-year administrative headquarters lease commenced on March 1, 2019. Additionally, UWSEM leases various office equipment under three leases that expire in July 2019 and June 2020.

UWSEM entered into a contingent lease agreement expiring in November 2018, with additional month-to-month provisions added through February 2019, for the use of parking within the city of Detroit. This lease is contingent upon the number of spaces used during a monthly period and is calculated at $90 per space. Due to the contingent nature of this lease, these payments are not included in the future minimum rental payment schedule below. UWSEM also has entered into contingent leases with various offsite storage locations that are month-to-month in nature. Rental expense under these contingent leases for the years ended June 30, 2019 and 2018 was $158,618 and $251,924, respectively.
Note 13 - Operating Leases (Continued)

The following is a schedule of the future minimum rental payments for the above noncontingent leases for fiscal years ending June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$1,066,404</td>
</tr>
<tr>
<td>2021</td>
<td>$1,016,664</td>
</tr>
<tr>
<td>2022</td>
<td>$1,016,664</td>
</tr>
<tr>
<td>2023</td>
<td>$1,016,664</td>
</tr>
<tr>
<td>2024</td>
<td>$1,016,664</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$5,761,096</td>
</tr>
<tr>
<td>Total</td>
<td>$10,894,156</td>
</tr>
</tbody>
</table>

Total rent expense on noncontingent lease agreements was approximately $815,000 and $476,000 for the years ended June 30, 2019 and 2018, respectively.

Note 14 - Employee Benefit Plan

UWSEM's employees participate in a tax-deferred annuity plan. Under the terms of the thrift plan, employees can elect to contribute a percentage of their annual compensation. UWSEM contributed 3 percent of the employees' compensation on behalf of the employees, plus an amount up to 100 percent of the employees' contribution to the plan, not to exceed 2 percent of the employees' compensation. Employer contributions to the thrift plan amounted to $405,497 and $593,054 for the years ended June 30, 2019 and 2018, respectively.

Effective January 1, 2016, automatic deferrals apply to all participants and require that 2 percent of compensation be deferred unless a contrary election is made. Effective January 1, 2017, each participant's pretax deferral election is automatically increased by 1 percent annually up to a maximum of 8 percent.

Note 15 - Related Party Transactions

Related party expenses include payments to entities that are affiliated with UWSEM board members for approximately $16,892,000 and $9,104,000 during the years ended June 30, 2019 and 2018, respectively. Included within accounts payable were payments due to agencies of approximately $2,023,000 and $2,700,000 as of June 30, 2019 and 2018, respectively. A total of $15,585,000 and $9,097,000 of payments made during the years ended June 30, 2019 and 2018, respectively, related to contracted services to support UWSEM's mission. All other amounts related to health insurance, legal, consulting, and advertising services provided to UWSEM.

Some members of UWSEM's board serve as executive directors for partnering nonprofit agencies. Total payments to these agencies were approximately $903,000 and $1,029,000 during the years ended June 30, 2019, and 2018, respectively. Included within liabilities were payments due to the agencies of approximately $350,000 and $548,000 as of June 30, 2019 and 2018, respectively. Executive directors excuse themselves from discussions and votes regarding agency funding.

Note 16 - Commitments

UWSEM has employees who operate under a collective bargaining agreement that dictates salary, pension benefits, and funding, as well as working conditions and other terms. The employees are members of the UAW Technical, Office, and Professional Union for which an agreement is in effect until June 30, 2020.