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# United Way for Southeastern Michigan

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**Financial Report**  
**June 30, 2020**

<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-24

## Independent Auditor's Report

To the Board of Directors  
United Way for Southeastern Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of United Way for Southeastern Michigan (the "Organization"), which comprise the statement of financial position as of June 30, 2020 and 2019 and the related statements of activities and changes in net assets, 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.

### *Auditor's 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way for Southeastern Michigan as of June 30, 2020 and 2019 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 Matters*

As described in Note 17 to the financial statements, the Organization has been impacted by the COVID-19 pandemic.

In addition, as described in Note 2 to the financial statements, the Organization adopted the provisions of Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of July 1, 2019.

Our opinion is not modified with respect to these matters.

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 4, 2021 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.

*Plante & Moran, PLLC*

February 4, 2021

Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash	\$ 22,697,193	\$ 12,596,934
Marketable securities (Note 5)	30,594,066	34,453,954
Receivables - Net: (Note 4)		
Pledges	6,941,593	13,148,823
Grants and other	2,646,470	2,964,238
Beneficial interest (Notes 5 and 6)	1,153,789	1,195,038
Prepaid expenses and other assets	766,079	708,114
Capital assets - Net (Note 7)	807,563	904,791
	<b>\$ 65,606,753</b>	<b>\$ 65,971,892</b>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,006,344	\$ 5,380,299
Undistributed grants to community impact partners (Note 11)	20,199,678	9,304,081
Undistributed donor designations	2,016,391	4,082,279
Refundable advances	1,835,217	-
	28,057,630	18,766,659
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	669,123	3,015,110
Board designated (Note 8)	28,296,353	32,220,688
With donor restrictions	8,583,647	11,969,435
	37,549,123	47,205,233
Total net assets		
	<b>\$ 65,606,753</b>	<b>\$ 65,971,892</b>
Total liabilities and net assets		

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>						
Annual campaigns	\$ 27,014,560	\$ 3,740,045	\$ 30,754,605	\$ 32,182,795	\$ 12,086,687	\$ 44,269,482
Less donor designations	(8,972,206)	-	(8,972,206)	(6,813,997)	-	(6,813,997)
Less provision for uncollectible pledges	(1,609,134)	-	(1,609,134)	(1,499,844)	-	(1,499,844)
Net assets released from campaign restrictions	7,290,079	(7,290,079)	-	15,577,002	(15,577,002)	-
Net campaign results	23,723,299	(3,550,034)	20,173,265	39,445,956	(3,490,315)	35,955,641
COVID-19 campaign (Note 17)	9,768,434	12,109,686	21,878,120	-	-	-
Paycheck Protection Program loan forgiveness (Note 17)	1,872,747	-	1,872,747	-	-	-
Administrative fees and fee for service	774,314	-	774,314	873,806	-	873,806
Federal grants	3,708,750	-	3,708,750	2,935,534	-	2,935,534
State grants	3,637,069	-	3,637,069	8,113,922	-	8,113,922
County grants	492,506	-	492,506	715,161	-	715,161
Foundation grants	118,919	1,708,500	1,827,419	90	2,225,850	2,225,940
Other contributions and bequests	-	-	-	31,902	265,000	296,902
In-kind gifts revenue	3,800,586	-	3,800,586	531,055	-	531,055
Miscellaneous income	369,971	98,570	468,541	551,224	895,500	1,446,724
Change in value of beneficial interest	17,431	-	17,431	59,503	-	59,503
Net realized and unrealized losses on marketable securities	(1,660,630)	(60,183)	(1,720,813)	(331,534)	(11,325)	(342,859)
Interest and dividend income	1,668,219	49,590	1,717,809	1,306,794	41,382	1,348,176
Net assets released from restrictions	13,741,917	(13,741,917)	-	3,165,407	(3,165,407)	-
Total noncampaign support and revenue	38,310,233	164,246	38,474,479	17,952,864	251,000	18,203,864
Total public support and revenue	62,033,532	(3,385,788)	58,647,744	57,398,820	(3,239,315)	54,159,505
<b>Expenses</b>						
Program services:						
Gross grants to community impact partners	51,782,685	-	51,782,685	40,169,745	-	40,169,745
Less donor designations	(8,972,206)	-	(8,972,206)	(6,813,997)	-	(6,813,997)
Net funds awarded	42,810,479	-	42,810,479	33,355,748	-	33,355,748
Other program services	17,076,362	-	17,076,362	15,323,283	-	15,323,283
Total program services	59,886,841	-	59,886,841	48,679,031	-	48,679,031
Support services:						
Management and general	4,234,744	-	4,234,744	4,099,898	-	4,099,898
Fundraising	4,182,269	-	4,182,269	4,625,696	-	4,625,696
Total expenses	68,303,854	-	68,303,854	57,404,625	-	57,404,625
<b>Decrease in Net Assets</b>	(6,270,322)	(3,385,788)	(9,656,110)	(5,805)	(3,239,315)	(3,245,120)
<b>Net Assets - Beginning of year</b>	35,235,798	11,969,435	47,205,233	35,241,603	15,208,750	50,450,353
<b>Net Assets - End of year</b>	<b>\$ 28,965,476</b>	<b>\$ 8,583,647</b>	<b>\$ 37,549,123</b>	<b>\$ 35,235,798</b>	<b>\$ 11,969,435</b>	<b>\$ 47,205,233</b>

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Support Services			Total
		Management and General	Fundraising	Total	
Allocations/Awards	\$ 51,782,685	\$ -	\$ -	\$ -	\$ 51,782,685
Less donor designations	(8,972,206)	-	-	-	(8,972,206)
Net allocations/awards	42,810,479	-	-	-	42,810,479
Salaries	6,750,279	1,911,444	2,066,868	3,978,312	10,728,591
Employee benefits	1,301,045	415,724	398,894	814,618	2,115,663
Payroll taxes and insurance	486,900	205,190	152,567	357,757	844,657
Total salaries and related expenses	8,538,224	2,532,358	2,618,329	5,150,687	13,688,911
Printing and publications	178,367	46,417	162,828	209,245	387,612
Occupancy	938,715	66,845	69,273	136,118	1,074,833
Supplies	170,715	24,078	31,539	55,617	226,332
Professional fees and contract services	2,898,044	773,650	399,603	1,173,253	4,071,297
Employee travel and training	51,736	739	6,680	7,419	59,155
Meeting and event cost	83,857	19,352	205,162	224,514	308,371
Insurance	30,252	11,909	14,304	26,213	56,465
Communication	87,716	7,218	41,477	48,695	136,411
Equipment expenses	227,505	57,059	274,842	331,901	559,406
Postage and shipping	21,525	5,082	14,248	19,330	40,855
Dues	678,316	26,768	11,881	38,649	716,965
Miscellaneous	65,215	12,789	30,107	42,896	108,111
In-kind expenses	2,943,594	604,028	252,964	856,992	3,800,586
Depreciation	162,581	46,452	49,032	95,484	258,065
Total functional expenses	<b>\$ 59,886,841</b>	<b>\$ 4,234,744</b>	<b>\$ 4,182,269</b>	<b>\$ 8,417,013</b>	<b>\$ 68,303,854</b>

Statement of Functional Expenses

Year Ended June 30, 2019

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

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (9,656,110)	\$ (3,245,120)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	258,065	399,326
Realized and unrealized losses on marketable securities	1,720,813	342,859
Change in beneficial interest	(17,431)	(59,503)
Provision for uncollectible pledges	1,609,134	1,499,844
Changes in operating assets and liabilities that provided (used) cash:		
Pledges receivable	4,598,096	903,524
Grants and other receivable	317,768	(369,700)
Prepaid expenses and other assets	(57,965)	(103,796)
Accounts payable and accrued liabilities	(1,373,955)	(1,977,690)
Undistributed grants to community impact partners	10,895,597	(584,695)
Undistributed donor designations	(2,065,888)	(3,417,841)
Refundable advance	1,835,217	-
Net cash provided by (used in) operating activities	8,063,341	(6,612,792)
<b>Cash Flows from Investing Activities</b>		
Purchases of capital assets	(160,837)	(603,508)
Purchases of marketable securities	(4,703,528)	(3,515,595)
Proceeds from sales of marketable securities	6,842,603	2,146,871
Distributions from beneficial interest	58,680	52,545
Net cash provided by (used in) investing activities	2,036,918	(1,919,687)
<b>Net Increase (Decrease) in Cash</b>	10,100,259	(8,532,479)
<b>Cash - Beginning of year</b>	12,596,934	21,129,413
<b>Cash - End of year</b>	<b>\$ 22,697,193</b>	<b>\$ 12,596,934</b>

**Note 1 - Nature of Business**

United Way for Southeastern Michigan (UWSEM or the "Organization") 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.

**Note 2 - Significant Accounting Policies**

***Basis of Presentation***

The financial statements of UWSEM have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of 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 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.

Pledges receivable 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. 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.

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.

**Note 2 - Significant Accounting Policies (Continued)**

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 restrictions. Other donor restrictions are perpetual in nature, where 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, COVID-19 funding, federal grants, state grants, foundation grants, other contributions, and bequests are revenue items reported on the 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 \$12.0 and \$14.1 million of gross revenue for the years ended June 30, 2020 and 2019, respectively, and \$7.4 and \$9.6 million of gross pledges receivable at June 30, 2020 and 2019, 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 statement of activities and changes in net assets using these revenue recognition principles.

***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 statement of financial position.

**Note 2 - Significant Accounting Policies (Continued)**

***In-kind and Contributed Services Revenue***

During the year ended June 30, 2020, in-kind gifts revenue largely relates to donations of personal protective equipment in conjunction with the Organization's COVID-19 response. In addition, 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 statement of functional expenses. The 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, 2019, UWSEM adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and 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 Organization adopted the new standard on a modified prospective basis, and it impacted the recognition of certain contribution and grant agreements. Government grants (including federal and state grants) now meet the criteria of a nonreciprocal (contribution) transaction, typically with conditions to be met before revenue is recognized. The standard did not require a restatement of prior year amounts.

**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, 2021. 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, 2023 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 to \$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.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including February 4, 2021, which is the date the financial statements were available to be issued.

In December 2020, UWSEM received a \$25 million contribution from philanthropist MacKenzie Scott. The grant is part of a larger gift program through which Ms. Scott designated funds to support the work of 384 organizations in communities across the country. Given the significant need in the community, UWSEM plans to design a strategy to ensure these funds are allocated where they will be most effective in addressing near and long-term needs.

June 30, 2020 and 2019

**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:

	2020	2019
Cash	\$ 22,697,193	\$ 12,596,934
Marketable securities	30,594,066	34,453,954
Beneficial interest	1,153,789	1,195,038
Pledges receivable less allowance	6,941,593	13,148,823
Grants and other receivables	2,646,470	2,964,238
Financial assets - At year end	64,033,111	64,358,987
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Long-term portion of pledges receivable	625,000	1,050,000
Restricted by Community Foundation of Southeastern Michigan	1,153,789	1,195,038
Restricted by donors with purpose restrictions	7,378,726	10,503,921
Restricted by donors for endowment	779,921	790,514
Undistributed grants to community impact partners	20,199,678	9,304,081
Undistributed donor designations	2,016,391	4,082,279
Total amounts unavailable for general expenditure within one year	32,153,505	26,925,833
Board designations:		
Board designated for emergency and stabilization	4,338,602	7,838,602
Board designated for quasi endowment	21,747,751	22,482,086
Total amounts unavailable to management without board's approval	26,086,353	30,320,688
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,793,253	\$ 7,112,466

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). During the year ended June 30, 2020, the board authorized a \$1,900,000 release of funds from the board-designated endowment in order to provide for additional community impact grants and technology and infrastructure needs and a \$2,000,000 release of funds from the amounts designated for emergency and stabilization in order to provide additional COVID-19 funding.

In the budget for the fiscal year ended June 30, 2021, the board has authorized \$1,500,000 from the emergency and stabilization fund and \$710,000 from the quasi endowment to stabilize programs in the upcoming year.

Additional information on the funds functioning as an endowment can be found in Notes 8 and 10.

June 30, 2020 and 2019

**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:

	2020	2019
Gross promises to give before allowance for doubtful accounts	\$ 9,587,858	\$ 16,364,545
Less allowance for uncollectible pledges	<u>(2,646,265)</u>	<u>(3,215,722)</u>
Net pledges receivable	<u>\$ 6,941,593</u>	<u>\$ 13,148,823</u>
Amounts due in:		
Less than one year	\$ 8,962,858	\$ 15,314,545
One to five years	<u>625,000</u>	<u>1,050,000</u>
Total	<u>\$ 9,587,858</u>	<u>\$ 16,364,545</u>

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:

	2020	2019
Promises to give	\$ 1,651,055	\$ 1,580,368
Grants and fee for service receivables	<u>995,415</u>	<u>1,383,870</u>
Grants and other receivables	<u>\$ 2,646,470</u>	<u>\$ 2,964,238</u>

**Note 5 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the 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, 2020 and 2019 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 where 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.

June 30, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2020					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2020
Marketable securities:					
Money market funds, certificates of deposit, and other short-term investments	\$ 7,702,313	\$ -	\$ -	\$ -	\$ 7,702,313
Equity securities:					
Mutual funds	11,733,287	-	-	-	11,733,287
Collective trust fund	-	-	-	1,703,474	1,703,474
Debt securities - Mutual funds	9,454,992	-	-	-	9,454,992
Total marketable securities	28,890,592	-	-	1,703,474	30,594,066
Beneficial interest	-	-	1,153,789	-	1,153,789
Total assets	<u>\$ 28,890,592</u>	<u>\$ -</u>	<u>\$ 1,153,789</u>	<u>\$ 1,703,474</u>	<u>\$ 31,747,855</u>

Assets Measured at Fair Value on a Recurring Basis at June 30, 2019					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2019
Marketable securities:					
Money market funds, certificates of deposit, and other short-term investments	\$ 9,867,364	\$ -	\$ -	\$ -	\$ 9,867,364
Equity securities:					
Mutual funds	12,147,646	-	-	-	12,147,646
Collective trust fund	-	-	-	1,900,199	1,900,199
Debt securities - Mutual funds	10,538,745	-	-	-	10,538,745
Total marketable securities	32,553,755	-	-	1,900,199	34,453,954
Beneficial interest	-	-	1,195,038	-	1,195,038
Total assets	<u>\$ 32,553,755</u>	<u>\$ -</u>	<u>\$ 1,195,038</u>	<u>\$ 1,900,199</u>	<u>\$ 35,648,992</u>

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.

June 30, 2020 and 2019

**Note 5 - Fair Value Measurements (Continued)**

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2020 and 2019 are as follows:

	Beneficial Interest
Balance at July 1, 2019	\$ 1,195,038
Distributions	(58,680)
Net change in value	17,431
Balance at June 30, 2020	<u>\$ 1,153,789</u>
	Beneficial Interest
Balance at July 1, 2018	\$ 1,188,080
Distributions	(52,545)
Net change in value	59,503
Balance at June 30, 2019	<u>\$ 1,195,038</u>

The net change in value of the beneficial interest is recognized in the 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 where 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:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2020</u>
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Collective trust fund	\$ 1,703,474	\$ 1,900,199	\$ -	Daily	Daily

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 Standard & Poor's 500 Growth Index. The trust invests approximately 100 percent in equities as of June 30, 2020 and 2019. 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 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 \$1,154,000 and \$1,195,000 as of June 30, 2020 and 2019, 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.

June 30, 2020 and 2019

**Note 6 - Community Foundation Endowment Fund (Continued)**

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 \$10,000 at June 30, 2020 and \$11,000 at June 30, 2019. Earnings are available for distribution to UWSEM at the discretion of CFSEM; therefore, interest and principal balances are not reflected in the financial statements.

**Note 7 - Capital Assets**

The cost of capital assets is summarized as follows:

	2020	2019
Leasehold improvements	\$ 292,639	\$ 292,639
Furniture and equipment	3,864,534	3,703,697
Total cost	4,157,173	3,996,336
Accumulated depreciation	3,349,610	3,091,545
Net property and equipment	<u>\$ 807,563</u>	<u>\$ 904,791</u>

Depreciation expense for 2020 and 2019 was \$258,065 and \$399,326, respectively.

**Note 8 - Board-designated Net Assets**

Board-designated net assets at June 30, 2020 and 2019 consist of the following:

	2020	2019
Board-designated net assets:		
Emergency and stabilization	\$ 5,838,602	\$ 7,838,602
Funds functioning as endowment	22,457,751	24,382,086
Total	<u>\$ 28,296,353</u>	<u>\$ 32,220,688</u>

June 30, 2020 and 2019

**Note 9 - Net Assets with Donor Restrictions**

Net assets with donor restrictions as of June 30 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditures for a specified purpose:		
Education	\$ 1,878,361	\$ 2,240,378
Economic mobility	1,650,714	1,715,609
COVID-19	1,106,536	-
Early childhood	944,979	1,859,619
Utility assistance	901,287	3,810,420
Basic needs and other	896,849	877,895
	<u>7,378,726</u>	<u>10,503,921</u>
Subject to the passage of time:		
Fiscal year 2021 operations	75,000	-
Pledges receivable for future operations	350,000	575,000
	<u>425,000</u>	<u>575,000</u>
Subject to expenditure for a specified purpose and the passage of time		
Pledge receivable - Social Innovation Fund	-	100,000
	<u>-</u>	<u>100,000</u>
Subject to the Organization's spending policy and appropriation -		
Endowment:		
Original donor corpus	787,855	787,855
Accumulated endowment (losses) earnings	(7,934)	2,659
	<u>779,921</u>	<u>790,514</u>
Total	<u>\$ 8,583,647</u>	<u>\$ 11,969,435</u>

**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

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

- 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

Endowment Net Asset Composition by Type of Fund  
as of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 779,921	\$ 779,921
Board-designated endowment funds	22,457,751	-	22,457,751
<b>Total</b>	<b>\$ 22,457,751</b>	<b>\$ 779,921</b>	<b>\$ 23,237,672</b>

Changes in Endowment Net Assets for the Fiscal  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 24,382,086	\$ 790,514	\$ 25,172,600
Investment return:			
Investment income	1,559,845	49,590	1,609,435
Net depreciation (realized and unrealized)	(1,584,180)	(60,183)	(1,644,363)
Total investment loss	(24,335)	(10,593)	(34,928)
Appropriation of endowment assets for expenditure	(1,900,000)	-	(1,900,000)
<b>Endowment net assets - End of year</b>	<b>\$ 22,457,751</b>	<b>\$ 779,921</b>	<b>\$ 23,237,672</b>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 790,514	\$ 790,514
Board-designated endowment funds	24,382,086	-	24,382,086
<b>Total</b>	<b>\$ 24,382,086</b>	<b>\$ 790,514</b>	<b>\$ 25,172,600</b>

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

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 23,469,564	\$ 790,514	\$ 24,260,078
Investment return:			
Investment income	1,255,495	41,382	1,296,877
Net depreciation (realized and unrealized)	(342,973)	(11,325)	(354,298)
Total investment gain	912,522	30,057	942,579
Appropriation of endowment assets for expenditure	-	(30,057)	(30,057)
Endowment net assets - End of year	<u>\$ 24,382,086</u>	<u>\$ 790,514</u>	<u>\$ 25,172,600</u>

**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.

**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:

	2020	2019
Undistributed grants to community impact partners - Beginning of year	\$ 9,304,081	\$ 9,888,776
Grants approved	32,534,273	12,752,863
Payments made	(21,638,676)	(13,337,558)
Undistributed grants to community impact partners - End of year	<u>\$ 20,199,678</u>	<u>\$ 9,304,081</u>

June 30, 2020 and 2019

**Note 11 - Undistributed Grants to Community Impact Partners (Continued)**

Included in the table above is approximately \$23 million in grants approved for COVID-19 relief. Undistributed grants to community impact partners at June 30, 2020 are scheduled for payment in 2021. As of June 30, 2020 and 2019, \$4,563,738 and \$5,693,842, respectively, has been 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, 2020 and 2019:

**Obligations and Funded Status**

	Pension Benefits	
	2020	2019
Projected benefit obligation	\$ 1,075,365	\$ 1,135,232
Fair value of plan assets	651,675	776,459
Funded status at end of year	<u>\$ (423,690)</u>	<u>\$ (358,773)</u>

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

	Pension Benefits	
	2020	2019
Accounts payable and accrued liabilities	\$ 423,690	\$ 358,773

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, 2020 and 2019:

	Pension Benefits	
	2020	2019
Service cost	\$ 11,172	\$ 11,378
Interest cost	29,805	42,033
Actual return on plan assets	(6,239)	(48,960)
Amortization of unrecognized loss	4,095	2,116
Asset loss deferred	(41,673)	(9,534)
Total net periodic benefit cost	<u>\$ (2,840)</u>	<u>\$ (2,967)</u>

June 30, 2020 and 2019

**Note 12 - Postretirement Benefit Plan (Continued)**

Amounts accumulated and not yet recognized as components of net periodic benefit cost related to net loss as of June 30, 2020 and 2019 total \$291,887 and \$217,510, respectively. There are no amounts expected to be reclassified as net periodic benefit cost in the following fiscal year.

	Pension Benefits	
	2020	2019
<b>Change in Benefit Obligation</b>		
Benefit obligation - Beginning of year	\$ 1,135,232	\$ 1,284,344
Service cost	11,172	11,378
Interest cost	29,805	42,033
Change due to assumption change	40,909	26,925
Actuarial loss	11,870	19,214
Expense charges	(11,408)	(11,990)
Annuities purchased or benefits paid	(173,751)	(285,839)
Effects of settlement	31,536	49,167
Benefit obligation - End of year	<u>\$ 1,075,365</u>	<u>\$ 1,135,232</u>
<b>Change in Plan Assets</b>		
Fair value of plan assets - Beginning of year	\$ 776,459	\$ 989,328
Actual return on plan assets	6,239	48,960
Employer contributions	54,136	36,000
Expense charges	(11,408)	(11,990)
Annuities purchased or benefits paid	(173,751)	(285,839)
Fair value of plan assets - End of year	<u>\$ 651,675</u>	<u>\$ 776,459</u>

**Assumptions**

The following assumptions used in developing the net pension cost and funded status information for the years ended June 30, 2020 and 2019 are as follows:

	Pension Benefits	
	2020	2019
Discount rate - Benefit obligations	1.60%	2.80%
Discount rate - Net periodic benefit cost	2.80	3.75
Postretirement interest rate	5.00	5.00
Long-term rate of return on plan assets	6.50	7.00

**Pension Plan Assets**

For the years ended June 30, 2020 and 2019, 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 percent as of June 30, 2020 and 2019 was selected and added to the real rate of return range to arrive at a best estimate range of 5.86 to 7.78 percent as of June 30, 2020 and 6.38 to 8.52 percent as of June 30, 2019. A rate within the best estimate range of 6.5 percent and 7.0 percent was selected as of June 30, 2020 and 2019, respectively.

**Note 12 - Postretirement Benefit Plan (Continued)**

Pension plan assets of \$651,675 and \$776,459 as of June 30, 2020 and 2019, 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:

2021	\$	66,000
2022		190,000
2023		43,000
2024		105,000
2025		27,000
Thereafter		590,000

**Note 13 - Operating Leases**

UWSEM leases its main administrative headquarters under an 11-year noncancelable operating lease expiring in March 2030. Additionally, UWSEM leases various office equipment under a lease that expires in September 2024.

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

2021	\$	1,032,872
2022		1,038,275
2023		1,038,275
2024		1,038,275
2025		1,022,067
Thereafter		<u>4,744,432</u>
Total	\$	<u>9,914,196</u>

Total rent expense on noncontingent lease agreements was approximately \$1,099,000 and \$815,000 for the years ended June 30, 2020 and 2019, 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 \$258,886 and \$405,497 for the years ended June 30, 2020 and 2019, 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 \$6,840,000 and \$16,892,000 during the years ended June 30, 2020 and 2019, respectively. Included within accounts payable were payments due to agencies of approximately \$559,000 and \$2,023,000 as of June 30, 2020 and 2019, respectively. A total of \$5,550,000 and \$15,585,000 of payments made during the years ended June 30, 2020 and 2019, 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 \$1,124,000 and \$903,000 during the years ended June 30, 2020, and 2019, respectively. Included within liabilities were payments due to the agencies of approximately \$340,000 and \$350,000 as of June 30, 2020 and 2019, 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, 2023.

**Note 17 - COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

The impact of COVID-19 was a factor in management's estimate for the provision for uncollectible pledges. No other impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization's changes in net assets, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

At the onset of the pandemic, the Organization created its COVID-19 Community Response Fund, allowing individual and corporate donors to contribute directly for pandemic-related assistance. This fund was seeded with \$2,000,000 from the board-designated emergency and stabilization fund (see Note 3). The original goal of \$10,000,000 was surpassed, with total contributions into the fund of approximately \$22,000,000, which were ultimately passed through to other grant partners. The Organization has continued to operate the fund subsequent to year end.

In addition, the Organization received a Paycheck Protection Program (PPP) loan in the amount of \$2,470,905. Under the terms of this program, the loan can be forgivable if the loan is spent on qualifying expenses and staffing level requirements are met. The Organization has recorded the loan as a conditional contribution and, at June 30, 2020, has determined it has satisfied the conditions to achieve forgiveness of \$1,872,747. The remaining balance of the PPP funds received is included within the statement of financial position as a refundable advance. The Organization has the option to use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the Small Business Administration (SBA) will be recorded as debt and will be paid over a period of two years at a 1 percent interest rate with payments beginning six months after the conclusion of the covered period.

**June 30, 2020 and 2019**

**Note 17 - COVID-19 Pandemic (Continued)**

The COVID-19 pandemic is expected to continue to impact UWSEM's financial results during the 2021 fiscal year. UWSEM has budgeted for a 6.4 percent reduction in the net campaign results for the year ended June 30, 2021 as compared to the year ended June 30, 2020.