

***METRO UNITED WAY, INC.***  
***A Not-for-Profit Corporation***

***Financial and Compliance Report***

***April 30, 2023***

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## INDEPENDENT AUDITOR'S REPORT



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An Independently  
Owned Member,  
RSM US Alliance

Finance Committee  
Metro United Way, Inc.

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Metro United Way, Inc. (Organization), a Not-for-Profit Corporation, which comprise the statement of financial position as of April 30, 2023, the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of April 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued or available to be issued.

## ***INDEPENDENT AUDITOR'S REPORT (CONTINUED)***

### ***Auditor's Responsibilities for the Audit of the Financial Statements***



Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and; therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



## ***INDEPENDENT AUDITOR'S REPORT (CONTINUED)***

### ***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

#### ***Report on Summarized Comparative Information***

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 1, 2022, except for Note 2, as to which the date is January 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report (beginning on page 43) dated August 31, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Wardrig, Olymanski & Company, P.S.C.*

Louisville, Kentucky  
August 31, 2023

**METRO UNITED WAY, INC.**  
**A Not-for-Profit Corporation**

STATEMENTS OF FINANCIAL POSITION  
April 30, 2023 with Comparative Totals for 2022

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,226,489	\$ 6,055,925
Certificates of Deposit	114,265	702,438
Investments	32,845,266	32,835,131
Pledges Receivable, Less Allowance for Uncollectible Pledges 2023 \$495,689; 2022 \$1,046,417	5,220,392	6,067,337
Grants Receivable	408,537	1,696,059
Employee Retention Tax Credits Receivable, Net	1,416,323	1,325,605
Other Receivables and Prepaid Expenses	164,104	97,329
Property and Equipment, Net	1,953,003	2,110,118
Assets Held for Custodian Funds	111,960	97,407
Investments Held by Others	1,948,359	1,669,232
<b>Total assets</b>	<b>\$ 47,408,698</b>	<b>\$ 52,656,581</b>
<b>LIABILITIES AND NET ASSETS</b>		
Allocations Payable	\$ 1,169,179	\$ 1,343,817
Accounts Payable and Accrued Expenses	1,032,222	1,088,377
Pension Liability	596,324	852,241
Amounts Due Custodian Funds	111,960	97,407
<b>Total liabilities</b>	<b>2,909,685</b>	<b>3,381,842</b>
Net Assets		
Without donor restrictions		
Invested in land, building, and equipment	1,953,003	2,110,118
Board designated for Southern Indiana	373,373	396,163
Board designated for future allocations	2,298,365	7,197,961
Board designated for donor advised fund	4,437,389	4,543,595
Board designated for endowment fund	20,856,169	20,516,923
Undesignated	5,942,667	3,192,709
	<b>35,860,966</b>	<b>37,957,469</b>
With donor restrictions		
Purpose restricted	1,969,952	4,591,519
Time restricted for future periods	369,646	785,006
Beneficial interest in trusts held by others	597,275	248,384
Endowment	5,701,174	5,692,361
	<b>8,638,047</b>	<b>11,317,270</b>
<b>Total net assets</b>	<b>44,499,013</b>	<b>49,274,739</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,408,698</b>	<b>\$ 52,656,581</b>

See notes to financial statements.

**METRO UNITED WAY, INC.**  
**A Not-for-Profit Corporation**

**STATEMENTS OF ACTIVITIES**

Year Ended April 30, 2023 with Comparative Totals for 2022

	April 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total	April 30, 2022
Total 2022/2021 campaign results	\$ 9,691,674	\$ 1,351,910	\$ 11,043,584	\$ 15,173,153
Donor designations	(34,083)	0	(34,083)	(103,916)
Total 2022/2021 campaign contributions	<u>\$ 9,657,591</u>	<u>\$ 1,351,910</u>	<u>\$ 11,009,501</u>	<u>\$ 15,069,237</u>
Revenues, gains, and other support:				
<b>Current campaign:</b>				
Contributions received in the current year	\$ 9,121,774	\$ 1,289,646	\$ 10,411,420	\$ 13,871,706
Contributions received in prior years released from restrictions	<u>535,817</u>	<u>(535,817)</u>	<u>0</u>	<u>0</u>
Total contributions from current campaign	9,657,591	753,829	10,411,420	13,871,706
Provision for uncollectible pledges	(238,341)	0	(238,341)	(395,930)
<b>Future campaigns:</b>				
Contributions received for future allocation periods	0	537,061	537,061	482,581
Provision for uncollectible pledges	0	(9,104)	(9,104)	(8,110)
<b>Prior campaigns:</b>				
Additional contributions, net	<u>1,893,383</u>	<u>34,701</u>	<u>1,928,084</u>	<u>2,294,801</u>
Total campaigns	11,312,633	1,316,487	12,629,120	16,245,048
Grants and other income	278,246	2,145,295	2,423,541	2,261,925
Gain on extinguishment of PPP loan	0	0	0	1,073,500
Employee retention tax credits	0	0	0	1,325,605
Investment income, net	766,842	3,488	770,330	201,949
Realized and unrealized gains (losses) on investments, net	49,896	12,036	61,932	(1,188,765)
Depreciation of investments held by others	(6,940)	(21,070)	(28,010)	(117,153)
Administrative fees for fundraising on behalf of others	32,793	0	32,793	6,809
Other fees	255,126	0	255,126	100,286
Other net assets released from restrictions	<u>6,135,459</u>	<u>(6,135,459)</u>	<u>0</u>	<u>0</u>
Total revenues, gains, and other support	<u>18,824,055</u>	<u>(2,679,223)</u>	<u>16,144,832</u>	<u>19,909,204</u>

See notes to financial statements.

**METRO UNITED WAY, INC.**  
**A Not-for-Profit Corporation**

STATEMENTS OF ACTIVITIES (CONTINUED)  
Year Ended April 30, 2023 with Comparative Totals for 2022

	<u>April 30, 2023</u>			<u>April 30, 2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Allocations and other functional expenses:				
Gross allocations to agencies and partners	\$ 7,880,378	\$ 0	\$ 7,880,378	\$ 13,734,873
Less donor designations	(42,474)	0	(42,474)	(128,716)
Net allocations expense to agencies and partners	7,837,904	0	7,837,904	13,606,157
Program/community service expenses	7,659,040	0	7,659,040	6,497,090
Supporting services				
Fundraising	3,644,776	0	3,644,776	3,758,388
Management and general	2,013,090	0	2,013,090	1,810,669
Total allocations and other functional expenses	21,154,810	0	21,154,810	25,672,304
Changes in net assets before pension related changes	(2,330,755)	(2,679,223)	(5,009,978)	(5,763,100)
Pension related changes other than the service cost component of net periodic pension costs	234,252	0	234,252	1,364,750
Change in net assets	(2,096,503)	(2,679,223)	(4,775,726)	(4,398,350)
Net assets at beginning of year	37,957,469	11,317,270	49,274,739	53,673,089
<b>Net assets at end of year</b>	<b>\$ 35,860,966</b>	<b>\$ 8,638,047</b>	<b>\$ 44,499,013</b>	<b>\$ 49,274,739</b>

See notes to financial statements.



**METRO UNITED WAY, INC.**  
**A Not-for-Profit Corporation**

**STATEMENTS OF CASH FLOWS**

Year Ended April 30, 2023 with Comparative Totals for 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (4,775,726)	\$ (4,398,350)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	242,957	239,311
Pension and postretirement benefit additions	(4,395)	(1,098,901)
Pension and postretirement benefit contributions	(251,522)	(76,709)
Provision for uncollectible pledges	247,445	404,040
Depreciation of investments held by others	28,010	117,153
Gain on extinguishment of PPP loan	0	(1,073,500)
Investment income for long-term investments, net	(682,016)	(182,360)
Realized and unrealized (gains) losses on investments, net	(61,932)	1,188,765
Changes in assets and liabilities:		
Decrease (increase)		
Pledges receivable	599,500	1,395,751
Grants receivable	1,287,522	(675,059)
Employee retention tax credits receivable	(90,718)	(1,325,605)
Other receivables and prepaid expenses	(66,775)	52,311
Increase (decrease)		
Allocations payable	(174,638)	(292,772)
Accounts payable and accrued expenses	(56,155)	(16,577)
<b>Net cash used in operating activities</b>	<b>(3,758,443)</b>	<b>(5,742,502)</b>
Cash Flows from Investing Activities		
Purchases of fixed assets	(85,842)	(311,277)
Purchases of investments	(479,924)	(402,942)
Proceeds from sale of investments, certificates of deposit, and assets held by others	1,494,773	302,174
<b>Net cash provided by (used in) investing activities</b>	<b>929,007</b>	<b>(412,045)</b>
Net decrease in cash and cash equivalents	(2,829,436)	(6,154,547)
Cash and cash equivalents at beginning of year	6,055,925	12,210,472
Cash and cash equivalents at end of year	\$ 3,226,489	\$ 6,055,925
Supplemental Schedule of Noncash Investing and Financing Activities		
Forgiveness of PPP loan (see Note 1)	\$ 0	\$ 1,073,500

See notes to financial statements.

**METRO UNITED WAY, INC.**  
**A Not-for-Profit Corporation**

STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended April 30, 2023 with Comparative Totals for 2022

	2023				
		Supporting Services			
	Total Program/Community Services	Fundraising Services	Management and General Services	2023 Total	2022 Total
Gross allocations	\$ 7,880,378	\$ 0	\$ 0	\$ 7,880,378	\$ 13,734,873
Less donor designations	(42,474)	0	0	(42,474)	(128,716)
Net allocations	7,837,904	0	0	7,837,904	13,606,157
Salaries	2,070,323	1,880,089	1,130,444	5,080,856	4,959,154
Fringe benefits	368,381	354,049	183,960	906,390	974,842
Payroll taxes	166,693	156,259	80,574	403,526	369,918
Professional fees and contract services	3,974,249	405,930	308,248	4,688,427	3,490,407
Supplies	117,685	7,590	4,011	129,286	96,457
Telephone	51,770	41,946	14,984	108,700	184,462
Postage and shipping	6,496	5,905	4,604	17,005	42,025
Occupancy	162,868	175,684	56,797	395,349	331,367
Equipment, repairs, and rentals	49,621	41,793	14,574	105,988	113,014
Printing and duplicating	57,323	35,195	10,283	102,801	233,387
Travel	31,645	15,360	2,778	49,783	19,144
Conferences, conventions, and meetings	247,117	143,029	51,745	441,891	311,308
Membership dues	9,500	2,504	3,056	15,060	20,359
Dues to state United Ways	27,873	30,661	11,149	69,683	79,205
Insurance	16,000	16,294	12,232	44,526	44,078
Banking and processing fees	8,337	9,170	5,431	22,938	42,564
Miscellaneous	2,038	3,085	1,772	6,895	193
Depreciation	97,183	106,901	38,873	242,957	239,311
	7,465,102	3,431,444	1,935,515	12,832,061	11,551,195
United Way Worldwide dues	193,938	213,332	77,575	484,845	514,952
Total functional expenses	\$ 15,496,944	\$ 3,644,776	\$ 2,013,090	\$ 21,154,810	\$ 25,672,304

See notes to financial statements.

**METRO UNITED WAY, INC.**  
**A Not-for-Profit Corporation**

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)  
Year Ended April 30, 2023 with Comparative Totals for 2022

	Program/Community Services 2023							2023 Total Program/ Community Services	2022 Total Program/ Community Services
	Educational Success	Equity, Diversity, and Inclusion	Health and Basic Needs	Community Engagement	Economic Mobility	Designations and County Services	Direct Organizational Support		
Gross allocations	\$ 1,970,139	\$ 586,411	\$ 2,186,477	\$ 0	\$ 695,369	\$ 657,292	\$ 1,784,690	\$ 7,880,378	\$ 13,734,873
Less donor designations	0	0	0	0	0	(42,474)	0	(42,474)	(128,716)
Net allocations	1,970,139	586,411	2,186,477	0	695,369	614,818	1,784,690	7,837,904	13,606,157
Salaries	439,068	102,815	527,980	131,481	144,847	152,521	571,611	2,070,323	2,017,986
Fringe benefits	43,207	11,839	52,319	19,202	18,899	19,346	203,569	368,381	399,029
Payroll taxes	30,137	8,022	40,501	9,228	9,700	12,079	57,026	166,693	149,439
Professional fees and contract services	737,254	175,706	1,050,554	0	1,648,864	7,000	354,871	3,974,249	2,816,560
Supplies	70,883	38,311	1,097	131	1,638	421	5,204	117,685	85,178
Telephone	0	0	13,614	0	0	734	37,422	51,770	80,268
Postage and shipping	4,805	19	211	0	1	631	829	6,496	7,061
Occupancy	1,382	0	0	0	0	19,492	141,994	162,868	136,416
Equipment, repairs, and rentals	7,676	350	47	1,056	600	202	39,690	49,621	65,109
Printing and duplicating	35,883	4,938	2,632	52	2,305	1,758	9,755	57,323	175,783
Travel	1,147	3,422	5,453	2,694	8,558	2,776	7,595	31,645	8,400
Conferences, conventions, and meetings	53,259	50,290	25,531	66,705	5,672	818	44,842	247,117	188,671
Membership dues	200	0	2,829	1,154	0	395	4,922	9,500	7,611
Dues to state United Ways	0	0	0	0	0	0	27,873	27,873	31,682
Insurance	0	0	0	2,624	0	370	13,006	16,000	17,412
Banking and processing fees	0	0	0	0	0	0	8,337	8,337	8,586
Miscellaneous	80	0	7	0	0	1,898	53	2,038	193
Depreciation	0	0	0	0	0	0	97,183	97,183	95,725
	1,424,981	395,712	1,722,775	234,327	1,841,084	220,441	1,625,782	7,465,102	6,291,109
United Way Worldwide dues	0	0	0	0	0	0	193,938	193,938	205,981
Total functional expenses	\$ 3,395,120	\$ 982,123	\$ 3,909,252	\$ 234,327	\$ 2,536,453	\$ 835,259	\$ 3,604,410	\$ 15,496,944	\$ 20,103,247

See notes to financial statements.

***METRO UNITED WAY, INC.***  
***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 1 – Nature of Activities and Significant Accounting Policies***

Legal Name and Governance

Metro United Way, Inc. (Metro United Way or Organization) is a not-for-profit organization governed by a Board of Directors and is not subject to federal or state income taxes. The Organization serves a seven-county area in Kentucky and Southern Indiana and is based in Louisville, Kentucky.

Nature of Activities

Metro United Way has served individuals and families in the community for more than 100 years, and today continues to tackle the most difficult challenges faced in the community. Together, with a strong network of partners, the Organization brings together the people and resources needed to fight for the education, economic mobility, and health of every person in the seven-county region they serve. These are the building blocks for a good quality of life so that every individual, child, and family can achieve their full potential and succeed in life.

Annual campaign resources currently support community human service agencies that collectively manage a variety of programs in Jefferson, Bullitt, Shelby, and Oldham counties in Kentucky, and Harrison, Floyd, and Clark counties in Southern Indiana to help improve lives. They are achieving results in:

- More kids being ready for kindergarten so they can be successful from the start;
- Ensuring that all youth in our community have access to high-quality out-of-school time programs that support them in graduating from high school and prepared for college and life;
- Helping more individuals and families obtain assistance so that their basic needs for food, shelter, health, safety, and more are met.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations and financial statement standards issued by United Way Worldwide. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**METRO UNITED WAY, INC.**  
***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Basis of Accounting (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and reported in the statements of activities as net assets released from restrictions. Pledges received for which the time restriction has been met in the current period are recorded in net assets without donor restrictions.

Contributions received where the donor has restricted the use of the principal and allows only the income to be utilized to support activities of the Organization are recorded as net assets with donor restrictions.

Contributions received for investment in land, building, and equipment, unless restricted by the donor, are designated for that purpose by the Board and recorded as net assets without donor restrictions. Contributions specifically restricted by the donor are reported in net assets with donor restrictions.

Contributions received, which have been designated by the donor to be given to another organization, are included in total campaign results, but are not included in revenues on the accompanying statements of activities. These contributions pass through Metro United Way as agency transactions to the designated recipient.

Summarized Financial Information for Prior Year

The financial statements and notes include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Metro United Way's financial statements for the year ended April 30, 2022, from which the summarized information was derived.

**METRO UNITED WAY, INC.**  
***A Not-for-Profit Corporation***

NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Paycheck Protection Program

On April 5, 2021, the Organization received a second draw Paycheck Protection Program (PPP) loan in the amount of \$1,073,500 under the Economic Aid to Hard-Hit Small Businesses, Non-profits and Venues Act (Economic Aid Act), which allowed qualifying businesses who received a first round PPP loan to receive a second loan under the PPP, if certain criteria were met. The maximum loan amount for the second draw PPP loan is equal to the lesser of 2.5 times an entity's average monthly payroll costs and \$2,000,000. The loan and accrued interest are forgivable after the applicable time period in the Economic Aid Act, as long as the borrower uses the loan proceeds for eligible purposes, which are similar to those associated with the first draw PPP loans. The unforgiven portion of the second PPP loan, if any, is payable over five years in accordance with the terms of the loan.

The Organization applied for and received forgiveness for the loan with respect to these eligible expenses and was notified by the Small Business Association (SBA) and its lender that they have been granted full legal release as of November 4, 2021. The Organization elected to treat the loan as debt, in accordance with Accounting Standards Codification (ASC) 470, and presented the forgiveness of the loan as a gain on extinguishment of debt during the year ended April 30, 2022.

Employee Retention Tax Credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, provided for an employee retention tax credit (ERC) that is a refundable tax credit against certain employer payroll taxes. The ERC was subsequently amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020, the Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act of 2021, all of which amended various provisions of the ERC availability and guidelines. Under the provisions of the ERC, eligible employers are able to claim a refundable tax credit against the employer share of Social Security taxes owed. For 2020, the amount of the credit is equal to 50 percent of the employer's qualified wages paid (up to \$10,000 of wages per employee) after March 13, 2020, but before December 31, 2020. For 2021, the amount of the credit is equal to 70 percent of the employer's qualified wages paid (up to \$10,000 of wages per employee per quarter) before October 1, 2021. An employer receives an ERC benefit by either requesting a refund on their quarterly payroll tax returns or by amending payroll tax returns filed for previous quarters.

The Organization was eligible and applied for ERCs during fiscal year 2022. The Organization elected to treat the ERC as a government grant in accordance with ASC 958-605. Under this treatment, the Organization recognizes the ERC on a systematic basis over the periods in which the payroll related expenses are incurred. In fiscal year 2022, the Organization recognized ERCs totaling \$1,325,605. In fiscal year 2023, the Organization recognized interest income, net of fees, of \$90,718, resulting in a receivable of \$1,416,323 at April 30, 2023. Interest income, net of fees, is included in investment income, net on the statements of activities and employee retention tax credits receivable, net on the statements of financial position. On June 27, 2023, the ERC receivable was collected.

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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents, certificates of deposit, pledges, grants, other receivables, and assets held for custodian funds. At times, such cash, cash equivalents, and certificates of deposit in banks may be in excess of the Federal Deposit Insurance Corporation insurance limit. In order to limit its credit exposure, the Organization utilizes a fully collateralized overnight sweep account at the institution that houses its main checking account.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Certificates of Deposit

The Organization's investments in certificates of deposit are classified separately on the statements of financial position and are carried at the principal cost plus accrued interest.

Revenue Recognition

*Revenue from Contracts with Customers*

Administration and other fees consist of reimbursements to Metro United Way from other organizations for indirect costs incurred by Metro United Way for providing services to support various programs, projects, and other engagement services. These fees are not significant, and no changes resulted as a result of adoption of ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606).

*Revenue from Contributions and Other Income*

Revenue from the Organization's pledges, contributions, and grants is outside the scope of ASC 606. The Organization does not provide the donor with benefits in return for a pledge or a contribution, nor does the Organization provide services to a grantor in exchange for the grant. Therefore, there is no exchange transaction and these revenues are accounted for in accordance with ASC Topic 958-605.

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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Pledges Receivable

Promises to give are referred to as pledges by the Organization. Pledges, less an estimated provision for uncollectible amounts, are recorded as receivables in the year made. The Organization provides for losses on pledges receivable using the allowance method. The allowance for uncollectible pledges is based upon the Organization's collection policy, past experience, the length of time pledges have been outstanding, and current economic factors.

At the end of the collection period of each campaign, any differences between the original provision for uncollectible pledges and the actual uncollectible amount are recognized by the Organization and recorded with "Prior Campaigns-Additional Contributions" on the statements of activities.

Investments and Investments Held by Others

Investments and investments held by others are recorded at fair value based on quoted market value. Unrealized and realized gains and losses are recorded in the statements of activities, as well as appreciation and depreciation of investments held by others. Investment earnings are reported net of related expenses, such as custodial and commission fees. Short-term investments consist of cash and cash equivalents held by investment firms.

Fair Value Measurements

Under the Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.



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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Fair Value Measurements (Continued)

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended April 30, 2023 and 2022, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

The following are descriptions of the valuation methodologies used for instruments measured at fair value:

*Investment Securities*

The fair value of investment securities, including corporate bonds, common stock, mutual funds, and money market funds, is the market value based on quoted market prices, if available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

*Beneficial Interest in Perpetual Trusts*

The fair value of the beneficial interest in perpetual trusts is recorded at the stated value of the Organization's interest as determined by the trustee. Based on the valuation method and nonredeemable nature of the assets, the measures of the fair value of the beneficial interest are categorized as Level 3, as further discussed in Note 3.

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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Property, Equipment, and Depreciation

Property and equipment are stated at cost. The Organization capitalizes expenditures in excess of \$500 with useful lives of one year or more. Provisions for depreciation of property and equipment have been computed on the straight-line method over the estimated useful life.

Long-Lived Assets

Long-lived assets are reviewed for impairment in accordance with guidance issued by FASB. The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Impairment losses are measured by comparing the estimated fair value of the assets to their carrying amount. There were no impairment losses for the years ended April 30, 2023 and 2022.

Leases

In February 2016, FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on May 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on May 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient and; therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on May 1, 2022.

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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Leases (Continued)

Topic 842 provides lessors a practical expedient, applicable by class of underlying asset, to not separate nonlease components from the associated lease component if certain criteria are met. An underlying asset is an asset that is the subject of a lease for which a right to use that asset has been conveyed to a lessee. The Organization considers office space as a class of underlying assets.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less and instead recognizes the lease payments in changes in net assets on a straight-line basis over the lease term. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or May 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Corporation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). The Organization elected to use this risk-free borrowing rate for all leases. For any lease in which the rate implicit in the lease is readily determinable, that rate must be used instead of the risk-free borrowing rate.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which would be initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent would be recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease, if present in the lease, are included in the lease payments only when it is probable that they will be incurred.

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NOTES TO FINANCIAL STATEMENTS  
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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Leases (Continued)

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate lease asset class. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate. Additionally, the Organization makes payments to or on behalf of the lessor for reimbursement of certain costs, such as property taxes and insurance. These payments are non-component costs representing additional consideration in the contract, which is allocated to the single lease component. Non-lease component and non-component costs that are fixed in nature are included with the lease payments in the calculation of the lease liabilities and ROU assets; however, non-lease component and non-component costs that are variable in nature are recorded in variable lease expense in the period incurred.

As of May 1, 2022, all leases were short-term in nature and; therefore, the Organization did not recognize ROU assets and lease liabilities for leases in accordance with the accounting policy election available under ASC 842.

Allocations Payable

For the fiscal years ended April 30, 2023 and 2022, the Organization identified undesignated funds from the 2020 campaign to be allocated to a variety of programs across the seven-county service area. Allocations were determined by the Community Impact Cabinet and approved by the Board of Directors. Campaign gifts from the 2021 campaign that were designated by donors to specific agencies were recorded at April 30, 2023 and 2022 since the agencies, at minimum, would receive these designations.

Allocation decisions were typically communicated to the agencies by June, and payments began in July. However, due to economic hardships within the community, the Organization paid some of the allocations in April 2022, instead of beginning in July.

In fiscal year ended 2023, the Organization changed its process for allocating undesignated funds by eliminating historic allocations. The Organization used community data, and local agency relationships to determine allocations to best meet community needs. As part of the Organization's redesign efforts, Jefferson County began funding both traditional and non-traditional agencies and supporting MUW led programming.

All allocations continue to be determined by the Community Impact Cabinet and approved by the Board. Allocation expenses are recorded once an agency has been notified of its approved allocation.

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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Board Designated for Future Allocations

“Board designated for future allocations” on the statements of financial position as of April 30, 2023 and 2022, represent funds eligible to be allocated to agencies subsequent to the fiscal year-end. The associated allocation payable liability and allocation expense will be incurred and recorded at the time of the award.

Donor Advised Fund

The Organization has a donor advised fund that enables a donor to identify funding opportunities aligned with values and charitable interests of the donor. The donor advised fund allows the donor to recommend grant recipients, subject to the Organization’s due diligence and approval. The donor advised fund is not restricted and is recorded as Board designated net assets on the statements of financial position. The Organization has a donor advised fund of \$4,437,389 and \$4,543,595 as of the years ended April 30, 2023 and 2022, respectively.

Donated Services, Goods, and Property

Various volunteers have donated substantial amounts of time toward the annual campaign and the various community activities; however, no values of in-kind amounts have been included in the financial statements as there is no objective basis upon which to measure the value of these services.

Donated goods and property are recorded in the financial statements at their fair value when received.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee salaries, fringe benefits, professional fees and contract services, insurance, depreciation, telephone, occupancy, equipment, repairs, and rentals, and printing and duplicating, which are allocated on the basis of estimates of staff time and effort.

Advertising

Advertising costs are expensed as incurred. Advertising expense, included in professional fees and contract services on the statements of functional expenses, for the years ended April 30, 2023 and 2022 was \$122,267 and \$95,672, respectively.

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NOTES TO FINANCIAL STATEMENTS  
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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain items in the April 30, 2022 financial statements have been reclassified to conform to the April 30, 2023 classifications.

In fiscal year 2022, the Organization included certain designations in gross campaign results and donor designations that the Organization no longer includes in campaign results for fiscal year 2023. The Organization reclassified the prior year financial statements by removing certain designations received of approximately \$3,500,000 from gross campaign results and donor designations.

In addition, the Organization removed certain designations paid of approximately \$4,100,000 from gross allocations to agencies and partners and donor designations. Net revenues and allocations did not change as a result of the reclassifications for fiscal year 2022.

Recently Adopted Accounting Standards

*Leases*

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. A modified retrospective transition approach is required. An entity may adopt the guidance, as well as certain practical expedients, either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. As previously disclosed in Note 1, the new standard provides a number of practical expedients. The election of any practical expedients is disclosed there. The adoption of the new lease standard did not materially impact changes in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets. The Organization adopted ASU 2016-02 effective for their fiscal year ended April 30, 2023, which did not have a material effect on the Organization's financial statements.

**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
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***Note 1 – Nature of Activities and Significant Accounting Policies (Continued)***

Recently Adopted Accounting Standards (Continued)

*Contributions of Nonfinancial Assets Received by Not-for-Profits*

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. In the current fiscal year, the Organization adopted ASU 2020-07, which did not have a material impact on the Organization's financial statements.

Recent Accounting Pronouncements

*Financial Instruments – Credit Losses*

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Organization does not intend to early adopt. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
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**Note 2 – Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2023	2022
Cash and Cash Equivalents	\$ 3,226,489	\$ 6,055,925
Certificates of Deposit	114,265	590,875
Investments and Investments Held by Others	34,793,625	34,504,363
Pledges Receivable, Net	5,220,392	6,067,337
Grants Receivable	333,537	1,536,059
Employee Retention Tax Credits Receivable, Net	1,416,323	1,325,605
Other Receivables	45,465	20,351
Subtotal of financial assets	<u>45,150,096</u>	<u>50,100,515</u>
Less Amounts Unavailable for General Expenditures Within One Year, Due To:		
Restricted by donors with purpose restrictions	(1,969,952)	(4,591,519)
Endowment earnings restricted until appropriated by Board	(2,294,660)	(2,285,636)
Restricted by donors in perpetuity	(3,641,406)	(3,655,109)
Long-term pledges receivable without donor restrictions, net	<u>(107,773)</u>	<u>(249,189)</u>
Total amounts unavailable for general expenditures within one year	<u>(8,013,791)</u>	<u>(10,781,453)</u>
Less Amounts Unavailable to Management Without Board Approval:		
Board designated endowment fund	(20,856,169)	(20,516,923)
Board designated for future allocations	(2,298,365)	(7,197,961)
Board designated for donor advised fund	(4,437,389)	(4,543,595)
Board designated for Southern Indiana	<u>(373,373)</u>	<u>(396,163)</u>
Total amounts unavailable to management without Board approval:	<u>(27,965,296)</u>	<u>(32,654,642)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 9,171,009</u>	<u>\$ 6,664,420</u>

As part of the liquidity management plan, the Organization invests excess cash in short-term investments, certificates of deposit, and money market funds. As further discussed in Note 6, the Organization also has an operating line of credit with maximum borrowings available of \$1,000,000.



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NOTES TO FINANCIAL STATEMENTS  
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***Note 3 – Investments and Investments Held by Others***

At April 30, 2023 and 2022, the Organization's investments are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>April 30, 2023</u>				
Money market funds	\$ 6,596,894	\$ 6,596,894	\$ 0	\$ 0
Common stock and mutual funds	12,298,093	12,298,093	0	0
Corporate bonds	4,855,929	4,855,929	0	0
U.S. government agency	<u>9,094,350</u>	<u>9,094,350</u>	<u>0</u>	<u>0</u>
Total investments at fair value	<u>\$ 32,845,266</u>	<u>\$ 32,845,266</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>April 30, 2022</u>				
Money market funds	\$ 20,622,837	\$ 20,622,837	\$ 0	\$ 0
Common stock and mutual funds	8,892,563	8,892,563	0	0
Corporate bonds	<u>3,319,731</u>	<u>3,319,731</u>	<u>0</u>	<u>0</u>
Total investments at fair value	<u>\$ 32,835,131</u>	<u>\$ 32,835,131</u>	<u>\$ 0</u>	<u>\$ 0</u>

**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
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***Note 3 – Investments and Investments Held by Others (Continued)***

At April 30, 2023 and 2022, the Organization's investments held by others are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>April 30, 2023</u>				
Money market funds	\$ 62,182	\$ 62,182	\$ 0	\$ 0
Common stock and mutual funds	1,106,852	1,106,852	0	0
Corporate bonds	<u>182,050</u>	<u>182,050</u>	<u>0</u>	<u>0</u>
Fair value of investment securities held by others	1,351,084	1,351,084	0	0
Beneficial interest in trusts held by others	<u>597,275</u>	<u>0</u>	<u>0</u>	<u>597,275</u>
Total investments held by others at fair value	<u>\$ 1,948,359</u>	<u>\$ 1,351,084</u>	<u>\$ 0</u>	<u>\$ 597,275</u>
<u>April 30, 2022</u>				
Money market funds	\$ 20,429	\$ 20,429	\$ 0	\$ 0
Common stock and mutual funds	1,192,015	1,192,015	0	0
Corporate bonds	<u>208,404</u>	<u>208,404</u>	<u>0</u>	<u>0</u>
Fair value of investment securities held by others	1,420,848	1,420,848	0	0
Beneficial interest in trusts held by others	<u>248,384</u>	<u>0</u>	<u>0</u>	<u>248,384</u>
Total investments held by others at fair value	<u>\$ 1,669,232</u>	<u>\$ 1,420,848</u>	<u>\$ 0</u>	<u>\$ 248,384</u>

**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

***Note 3 – Investments and Investments Held by Others (Continued)***

The Organization has beneficial interest in trusts that are categorized as Level 3. Changes in the fair value of the Organization's beneficial interest in trusts held by others are as follows:

Beginning balance at April 30, 2021	\$ 282,056
Total realized and unrealized net losses included in change in net assets	(33,132)
Interest and dividends	14,371
Fees and expenses	(2,846)
Distributions to the Organization	<u>(12,065)</u>
Balance at April 30, 2022	248,384
Total realized and unrealized net losses included in change in net assets	(7,407)
Contributions	363,250
Interest and dividends	7,491
Fees and expenses	(2,640)
Distributions to the Organization	<u>(11,803)</u>
Balance at April 30, 2023	<u><u>\$ 597,275</u></u>

Net investment income (loss) for the years ended April 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Dividend and interest income	\$ 842,770	\$ 272,304
Realized gain (loss)	49,896	(785,444)
Unrealized gain (loss)	12,036	(403,321)
Depreciation of investments held by others	(28,010)	(117,153)
Investment expenses	<u>(72,440)</u>	<u>(70,355)</u>
Total investment return (loss), net	<u><u>\$ 804,252</u></u>	<u><u>\$ (1,103,969)</u></u>

**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
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***Note 4 – Pledges Receivable and Grants Receivable***

*Pledges Receivable*

At April 30, 2023 and 2022, the Organization's pledges receivable are as follows:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 5,243,297	\$ 6,861,254 (A)
One to five years	<u>487,784</u>	<u>266,500</u>
Total pledges receivable	5,731,081	7,127,754
Less discount	(15,000)	(14,000)
Less allowance for uncollectible pledges	<u>(495,689)</u>	<u>(1,046,417) (A)</u>
	<u><u>\$ 5,220,392</u></u>	<u><u>\$ 6,067,337</u></u>

(A) For fiscal year 2022, pledges receivable and allowance for uncollectible pledges include \$472,645 that relate to the 2020 campaign. For fiscal year 2023, the 2021 campaign was closed out before the end of the fiscal year and is excluded from pledges receivable and allowance for uncollectible pledges.

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in campaign revenue. The interest rate used in computing the discount of the estimated future cash flows was 4.41 and 2.34 percent for pledges received for the years ended April 30, 2023 and 2022, respectively. The Organization deemed the discount on future pledges due in one to five years insignificant at April 30, 2022. During fiscal years when a discount is recorded, the discount will be recognized as income in future fiscal years and amortized over the duration of the pledges. An allowance for uncollectible pledges receivable is provided based on management's judgment, including such factors as prior collection history and type of pledge.

The timing of the close-out of campaigns will vary from year to year based on the status of collections.

Metro United Way receives pledges from corporations and individuals primarily located in Jefferson and adjoining counties in Kentucky and Southern Indiana. Although Metro United Way has many diverse pledges from donors, a substantial portion of its donors' abilities to perform is somewhat dependent on the economic conditions of the counties in which they operate.

**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 4 – Pledges Receivable and Grants Receivable (Continued)***

*Grants Receivable*

Grants receivable of \$408,537 and \$1,696,059 as of April 30, 2023 and 2022, respectively, are expected to be collected within one year except for approximately \$75,000 and \$160,000 of grants receivable as of April 30, 2023 and 2022, respectively, which are expected to be collected between one year and the fiscal year ending April 30, 2025.

***Note 5 – Property and Equipment***

Property and equipment at April 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 403,218	\$ 403,218
Building and improvements	5,115,027	5,134,250
Equipment, furniture, and fixtures	1,030,387	1,866,712
Automobiles	<u>32,691</u>	<u>32,691</u>
	6,581,323	7,436,871
Accumulated depreciation	<u>(4,628,320)</u>	<u>(5,326,753)</u>
	<u><u>\$ 1,953,003</u></u>	<u><u>\$ 2,110,118</u></u>

Depreciation expense for the years ended April 30, 2023 and 2022 was \$242,957 and \$239,311, respectively.

***Note 6 – Line of Credit***

The Organization has an operating line of credit with maximum borrowings of \$1,000,000. The note provides for interest at 1.15 percent in excess of the Index Rate for the years ended April 30, 2023 and 2022, is secured by assets of the Organization, and matures in December 2023. There were no borrowings on the line of credit at April 30, 2023 and 2022.

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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

**Note 7 – Net Assets with Donor Restrictions and Net Assets Released from Restrictions and Commitments**

Net assets with donor restrictions at April 30, 2023 and 2022 represent contributions restricted by donors for specific programs of Metro United Way, subsequent year allocations to Metro United Way agencies, restricted grants, and certain land, building, and equipment which are restricted for a specific program.

A summary of the components of net assets with donor restrictions is as follows:

	2023	2022
Purpose-based restrictions:		
Kindergarten readiness	\$ 473,720	\$ 64,740
Other early care and education initiatives	113,668	179,981
Economic stability initiatives	227,163	1,377,548
United community	36,579	535,118
Black male achievement gifts	9,316	22,425
Black love philanthropic partnership	431,248	1,656,709
Grace James Academy	61,480	83,735
Other high school graduation initiative	109,107	149,232
Other restricted gifts	507,671	522,031
Total purpose-based restrictions	1,969,952	4,591,519
Time restricted for future periods:		
Future campaigns without purpose restrictions	369,646	785,006
Beneficial interest in trusts held by others	362,383 (A)	0
Endowment earnings not yet appropriated by Board	2,294,660	2,285,636
Perpetual in nature:		
Beneficial interest in trusts held by others	234,892	248,384
Endowment	3,406,514	3,406,725
	<u>\$ 8,638,047</u>	<u>\$ 11,317,270</u>

(A) The Organization is a beneficiary of a trust in which they receive interest on an annual basis. The principal is restricted through fiscal year 2043, at which time, the restriction on the principal balance will be released.

Net assets of \$535,817 and \$1,111,656 for the years ended April 30, 2023 and 2022, respectively, have been released from donor restrictions due to the expiration of time restrictions on campaign pledges. Purpose-based restrictions of \$6,135,459 and \$10,156,329 have also been released from net assets with donor restrictions for the years ended April 30, 2023 and 2022, respectively.

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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 8 – Endowment Funds***

Endowment Funds

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Metro United Way has both Board-designated endowment funds and donor-restricted endowment funds.

Interpretation of Relevant Law

The Organization has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effects of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Organization
- g. The investment policies of the Organization

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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

**Note 8 – Endowment Funds (Continued)**

Changes in endowment net assets for the year ended April 30, 2023 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of the year	\$ 20,516,923	\$ 5,692,361	\$ 26,209,284
Investment return			
Investment income	532,376	60,238	592,614
Net change in value (realized and unrealized)	132,491	10,036	142,527
Total investment return	664,867	70,274	735,141
Appropriation of endowment assets for expenditure	(364,066)	(61,461)	(425,527)
Contributions	38,445	0	38,445
Endowment net assets, end of year	\$ 20,856,169	\$ 5,701,174	\$ 26,557,343

Changes in endowment net assets for the year ended April 30, 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of the year	\$ 21,364,979	\$ 6,130,509	\$ 27,495,488
Investment return			
Investment income	229,480	359,917	589,397
Net change in value (realized and unrealized)	(194,555)	(683,778)	(878,333)
Total investment return	34,925	(323,861)	(288,936)
Appropriation of endowment assets for expenditure	(1,121,787)	(121,787)	(1,243,574)
Contributions	238,806	7,500	246,306
Endowment net assets, end of year	\$ 20,516,923	\$ 5,692,361	\$ 26,209,284



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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 8 – Endowment Funds (Continued)***

Investment Objectives and Spending Policy

Metro United Way's endowments are managed according to the Board's investment and spending policies. These policies attempt to provide a consistent return on assets, preserve capital, and the purchasing power of the assets while also providing a predictable funding stream to support programs and the annual campaign. The Organization must hold donor-restricted funds in perpetuity. Under these policies, endowment assets are invested in a manner to maintain the real value of the principal over the long-term, provide a return that is greater than that for the simple preservation of capital, and shall avoid undue risk. The investment managers are reviewed based on absolute returns; returns relative to market indices; and the universe of investment managers.

To satisfy its rate-of-return objectives, Metro United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its return objectives within prudent risk constraints.

The net income from the Board-designated endowment funds with and without donor restrictions are used to support the annual campaign or are used for other Board-approved purposes, in accordance with the donor's intentions. This spending policy is consistent with Metro United Way's objective to preserve capital and the purchasing power of the assets while also providing a predictable funding stream to support programs and the annual campaign.

In addition to the donor-restricted endowment funds, the Organization has beneficial interest in perpetual trusts. The investment policy and the spending policy of the trust are determined by the trustee rather than by the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of April 30, 2023 and 2022.

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NOTES TO FINANCIAL STATEMENTS  
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***Note 9 – Employee Benefit Plans***

Metro United Way sponsors a defined benefit pension plan and a defined contribution 403(b) plan. To be eligible for future benefit accruals in the defined benefit pension plan, the combined age and years of service were required to be a total 45 years or more on January 1, 2018.

403(b) Plan

Employees who are eligible to continue to earn benefit accruals on and after January 1, 2018 in the Pension Plan receive a matching contribution equal to 100 percent of the salary reduction amount the employee contributed during the plan year that does not exceed three percent of the employee's compensation during the plan year.

Employees who are not eligible to continue to earn benefit accruals on and after January 1, 2018 in the Pension Plan receive a matching contribution based on the employee's years of service and their deferral amount during the year. Employer matching contributions range between 100 percent to 300 percent of the salary reduction amount the employee contributed during the plan year that does not exceed five percent of the employee's compensation received during the plan years.

Prior to January 1, 2018, the Organization matched up to three percent of the eligible employee contribution at a rate of 100 percent. Vesting for the employer contribution is 20 percent per year with full vesting in five years.

The Organization's contributions for the years ended April 30, 2023 and 2022 were \$139,441 and \$138,406, respectively.

Pension Plan

Pension benefits are based on years of service and compensation during the last five years of employment.

FASB ASC 715 "Compensation-Retirement Benefits" requires an employer without publicly traded equity securities to recognize the funded status of a defined benefit post-retirement plan and to provide the required disclosures under FASB ASC 715.

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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

**Note 9 – Employee Benefit Plans (Continued)**

The changes in projected benefit obligation as of the years ended April 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Projected benefit obligation at the beginning of the year	\$ 14,567,986	\$ 17,075,827
Service cost	229,858	265,849
Interest cost	627,615	511,623
Actuarial gain	(93,494)	(2,799,835)
Benefits disbursed	<u>(502,110)</u>	<u>(485,478)</u>
Projected benefit obligation at the end of the year	<u><u>\$ 14,829,855</u></u>	<u><u>\$ 14,567,986</u></u>

The significant changes in assumption that impacted the change in the projected benefit obligation as of April 30, 2023 are as follows:

- The assumed Discount Rate changed from 4.4 percent to 4.85 percent.
- The wage base increase assumption changed from 2.5 percent to 3.5 percent.
- The assumed Rate of Annual Compensation Increase changed from 5.5 percent per year for past years and 3.5 percent per year for future years to a flat 3.5 percent increase. Actual salaries are now being used for prior years.
- The limit increase assumption changed from 2.5 percent to 2.4 percent.

The following table sets forth the defined benefit plan's funded status and amounts recognized in the Organization's statements of financial position at April 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Projected benefit obligation	\$ 14,829,855	\$ 14,567,986
Fair value of plan assets	<u>14,233,531</u>	<u>13,715,745</u>
Funded status	<u><u>\$ (596,324)</u></u>	<u><u>\$ (852,241)</u></u>
Accumulated benefit obligation	<u><u>\$ 13,915,675</u></u>	<u><u>\$ 13,727,481</u></u>
Accrued cost recognized in the statements of financial position	<u><u>\$ 596,324</u></u>	<u><u>\$ 852,241</u></u>

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NOTES TO FINANCIAL STATEMENTS  
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**Note 9 – Employee Benefit Plans (Continued)**

There are no plan assets expected to be returned to Metro United Way during the next fiscal year.

Net periodic pension cost including the following components for the years ended April 30, 2023 and 2022 is as follows:

	2023	2022
Service cost	\$ 229,858	\$ 265,849
Interest cost	627,615	511,623
Expected return on plan assets	(783,395)	(926,862)
Amortization of unrecognized prior service credit	(29,381)	(30,396)
Net periodic pension cost (credit)	<u>\$ 44,697</u>	<u>\$ (179,786)</u>

The following table sets forth items not yet recognized as a component of net periodic pension cost as follows:

	2023	2022
Net prior service credit	\$ 0	\$ 29,381
Net gain	674,346	595,872

The net actuarial changes other than net periodic pension costs that are reported separately on the statements of activities that is adjusting net assets without donor restrictions for the years ended April 30, 2023 and 2022 are as follows:

	2023	2022
Net effect of adoption of recognition provisions of ASC Topic 715	\$ 49,093	\$ 919,115
Components other than the service cost component of net periodic pension costs	185,159	445,635
Net actuarial changes	<u>\$ 234,252</u>	<u>\$ 1,364,750</u>

**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

***Note 9 – Employee Benefit Plans (Continued)***

Estimated amount that will be amortized from additional pension liability and reclassified as net periodic benefit cost over the next fiscal year are as follows:

	<u>2023</u>	<u>2022</u>
Net prior service credit	<u>\$ 0</u>	<u>\$ (29,381)</u>

Other information related to the plan for the years ended April 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Net periodic pension cost (credit)	\$ 44,697	\$ (179,786)
Employer contribution	251,522	76,709
Benefits disbursed	502,110	485,478
Expense charges	58,338	27,619

Weighted-average assumptions used to determine net periodic pension cost:

Discount rate	4.40%	3.10%
Expected long-term rate of return on assets	6.75%	6.25%
Rate of compensation increase	3.50%	3.00%

The expected long-term rate of return on plan assets assumption of 6.75 percent was selected in accordance with Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection of Economic Assumptions for Measuring Pension Obligations. Based on Metro United Way's investment allocation for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation and investment expense) and for inflation based on long-term historical return on the applicable asset classes. Metro United Way's investment objective is to invest plan assets in a manner that will assure sufficient resources to pay current and projected plan obligations over the life of the plan.

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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

***Note 9 – Employee Benefit Plans (Continued)***

The following table sets forth by level, within the fair value hierarchy, Metro United Way's defined benefit plan assets at fair value as of April 30, 2023 and 2022, which are considered Level 1 investments.

	<u>2023</u>	<u>2022</u>
Cash and general account	\$ 0	\$ 391,369
Equity	7,902,339	8,929,797
Fixed income	<u>6,331,192</u>	<u>4,394,579</u>
	<u>\$ 14,233,531</u>	<u>\$ 13,715,745</u>

Metro United Way currently provides continuing benefit accruals to a closed group of active participants. As a result, the Plan's ultimate liability is capped. The market value of this ultimate liability can be measured periodically as the Total Benefit Obligation (TBO), using the assumptions and methods defined by FASB for such purposes.

Due to the capped nature of the Plan's liability, Metro United Way no longer has a desire to accumulate any significant amount of excess assets in the Plan. Therefore, Metro United Way wishes to dynamically reduce the Plan's asset/liability risk as the Plan's TBO funded percentage becomes closer to 100 percent. For this purpose, the Plan's TBO funded percentage shall equal the TBO (measured on assumptions, including the discount rate, which reflect market conditions on the measurement date) divided by the market value of Plan assets on such measurement date.

Until the Plan's TBO funded percentage equals 85 percent or more, the Plan's long-term asset mix guideline is 65 percent in equity alternatives and 35 percent in fixed income alternatives. Upon attaining an 85 percent or more TBO funded percentage, Metro United Way will implement changes to its asset mix in accordance with the Organization's investment policy to achieve the overall investment objective. The TBO is calculated at month-end with the new target being established for the month following the TBO calculation.

For the fiscal year ended April 30, 2023, Metro United Way attained a TBO funded percentage greater than 85 percent. As of April 30, 2023, the target allocation, based on the TBO funded percentage of 86.9 percent, calculated at March 31, 2023, was 56 percent in equity alternatives and 44 percent in fixed income alternatives. The TBO funded percentage calculated at April 30, 2023 was 87.8 percent, which will result in a target allocation of 52 percent in equity alternatives and 48 percent in fixed income alternatives for May 2023.

**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

**Note 9 – Employee Benefit Plans (Continued)**

For the fiscal year ended April 30, 2022, Metro United Way did not attain a TBO funded percentage of 85 percent. The weighted average asset allocation of the investment portfolio for Metro United Way at April 30, 2022, and target allocations, is as follows:

	Target Allocation	Plan Assets
Equity	30%-70%	65.1%
Bonds		32.0%
Cash and general		2.9%
Total fixed income	30%-70%	34.9%
	100.0%	100.0%

If the TBO funded percentage reaches 85 percent or more and then declines, no assets shall be moved back into equity investments unless Metro United Way directs so.

Estimated pension benefit payments, which reflect future service, for the years ending April 30, 2024 through 2033 are as follows:

<u>Years Ending April 30,</u>	
2024	\$ 690,000
2025	720,000
2026	760,000
2027	800,000
2028	800,000
2029-2033	4,480,000
	<u>\$ 8,250,000</u>

Metro United Way contributed approximately five percent of plan compensation for eligible employees for the year ended April 30, 2023. For the fiscal year ended April 30, 2023, the Organization expects to continue to base its contribution percentage on the recommendation of the actuary after the actuarial valuation is completed. Based on this, the Organization estimates contributions of approximately \$36,000 for the next fiscal year.

***METRO UNITED WAY, INC.***  
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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 10 – Leases***

Future minimum lease commitments, as determined under ASC 840, for all noncancelable operating leases were as follows as of April 30, 2022:

<u>Years Ending April 30,</u>	
2023	\$ 27,600
2024	27,600
2025	<u>4,600</u>
	<u>\$ 59,800</u>

Total rental expense for operating leases under ASC 840 was \$44,184 for the year ended April 30, 2022.

During fiscal year 2023, the Organization terminated its long-term leasing arrangements. Therefore, the Organization did not recognize ROU assets and lease liabilities under the short-term exemption as described in Note 1.

***Note 11 – Commitments and Contingencies***

Paycheck Protection Program Loan

During the year ended April 30, 2022, the Organization received a second draw PPP loan under the Economic Aid Act. The Organization believes it met the eligibility criteria for qualification to receive the second draw PPP loan and used the proceeds only for qualifying expenses eligible under the Economic Aid Act. The Organization received formal forgiveness from the SBA on November 4, 2021. The Organization believes it has met the subsequent criteria for forgiveness of the PPP loan as set forth in the Economic Aid Act; however, the loan is subject to review by the SBA, which could result in the partial or full repayment of the loan by the Organization.



**METRO UNITED WAY, INC.**  
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NOTES TO FINANCIAL STATEMENTS  
April 30, 2023 with Comparative Totals for 2022

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***Note 11 – Commitments and Contingencies (Continued)***

Unemployment Services Trust

Metro United Way is a participating member of the Unemployment Services Trust, a revocable grantor trust composed of individual 501(c)(3) organizations. The Trust acts as a servicing agent for funds contributed by its participating members for payment of unemployment claims. As a participating member of the Trust, Metro United Way is able to take advantage of the benefits of directly reimbursing unemployment claims generally at a lower cost than paying state unemployment taxes.

Contributions to the Trust are recommended by the Trust's actuary, based on analyses of historical claims experience and current economic conditions in order to approximate future unemployment obligations of the Organization. Contributions totaled \$10,353 and \$6,314 for the fiscal years ended April 30, 2023 and 2022, respectively. Claims are paid by the Trust on behalf of Metro United Way to the Commonwealth of Kentucky for unemployment claims paid to former Metro United Way employees. The obligation for the estimated future claim liabilities of each participating member is ultimately the responsibility of that member. Since contributions are based on actuarial estimates, the amounts held in the Trust at a given time may be less than the potential future unemployment obligations of the Organization. The Organization estimates that the amounts held in the Trust as of April 30, 2023 and 2022 approximate the potential future unemployment obligations incurred as of April 30, 2023 and 2022.

For the year ended April 30, 2023, claims were billed from the state through March 31, 2023. The Organization incurred no additional claims following this date through April 30, 2023.

***Note 12 – Tax Status***

The Internal Revenue Service has ruled that the Organization is exempt from the payment of federal income tax (except on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954 and is not considered a private foundation. There were no taxes due for the years ended April 30, 2023 and 2022, as there was no unrelated business income for these years.

Management evaluated the Organization's uncertain tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

***Note 13 – Subsequent Events***

The Organization has evaluated subsequent events through August 31, 2023, the date on which the financial statements were available to be issued.

***--- SUPPLEMENTARY INFORMATION ---***

***METRO UNITED WAY, INC.***  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended April 30, 2023**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Agency or Pass-Through Entity Identifying Number</u>	<u>Total Expenditures</u>
<b>Federal Awards</b>			
U.S. Department of Treasury Passed through Louisville Metro Government Public Health and Wellness			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	CSLFRF-LMPHW-FY-22-001	\$ 1,732,391
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	CSLFRF-RCS-FY-22-003	177,186
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	ARP 0060-SHN Office of Youth Development LAT-090	5,275
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	CSLFRF-CEOC-FY-22-001	<u>11,704</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,926,556</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards

***METRO UNITED WAY, INC.***  
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended April 30, 2023

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***Note 1 – Basis of Presentation***

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Metro United Way, Inc. under programs of the federal government for the year ended April 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

***Note 2 – Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable.

***Note 3 – Indirect Cost Rate***

The Organization has elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

***Note 4 – Subrecipient Awards***

There were no pass-through awards to subrecipients for the year ended April 30, 2023.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Metro United Way, Inc.

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Metro United Way, Inc. (Organization), a Not-for-Profit Corporation, which comprise the statement of financial position as of April 30, 2023, the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



**HARDING, SHYMANSKI  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wardig, Shymanski & Company, P.S.C.*

Louisville, Kentucky  
August 31, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Metro United Way, Inc.

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Metro United Way, Inc.'s (Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended April 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE (CONTINUED)**



***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to on the previous page and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to on the previous page occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and; therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to on the previous page is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.





**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE (CONTINUED)**

***Auditor's Responsibilities for the Audit of Compliance (Continued)***

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Report on Internal Control Over Compliance***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Wardig, Szymanski & Company, P.S.C.*

Louisville, Kentucky  
August 31, 2023

**METRO UNITED WAY, INC.**  
***A Not-for-Profit Corporation***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended April 30, 2023**

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**Section 1 - Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified? No
- Significant deficiencies identified? No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) No

Identification of major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**Section II - Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

## Summary Schedule of Prior Audit Findings

### 2022-001 Finding: Revenue Recognition of Federal Grant Funding

Condition: Subsequent to the issuance of the audited financial statements for the year ended April 30, 2022, it was discovered the Organization recognized revenue for federal grant funds at the time the grant agreements were signed. Since the federal funding was deemed to be conditional funding based on the agreement's terms, the Organization should have recognized revenue over time as grant expenditures were incurred.

Recommendation: Establish sufficient monitoring procedures to ensure revenue relating to federal grant funding is recognized in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Current Status: The correction was made in fiscal year 2022. No similar findings were noted in the fiscal year 2023 audit.

### 2022-002 Finding: Accounts Payable

Condition: Management is responsible for ensuring transactions are recorded in the proper reporting period, adhering to U.S. GAAP. During the auditor's testing over accounts payable, it was noted that a vendor invoice for services to be provided in May 2022 through April 2023 totaling \$385,000 was improperly included in accounts payable and expensed as of fiscal year-end.

Recommendation: Ensure that invoices are being reviewed for proper cut-off. Additionally, for invoices that are for services provided over a period of time, we recommend that the accounting department ensure that the expense is recognized as the service is completed.

Current Status: The correction was made in fiscal year 2022. No similar findings were noted in the fiscal year 2023 audit.

### 2022-003 Finding: Pension Liability

Condition: Management is responsible for ensuring transactions are recorded properly and in accordance with U.S. GAAP. During the audit fieldwork, the auditor noted the pension liability and related expense per the trial balance did not agree to the Mutual of America ASC Topic 715 Report by approximately \$227,000.

## Summary Schedule of Prior Audit Findings (Continued)

### 2022-003 Finding: Pension Liability (Continued)

Recommendation: Ensure the Organization's internal reconciliation agrees to the Mutual of America ASC Topic 715 Report.

Current Status: The correction was made in fiscal year 2022. No similar findings were noted in the fiscal year 2023 audit.

### 2022-004 Finding: Late Submission of Fiscal Year 2021 Single Audit and Form SF-SAC

Condition: Single audits should be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days of Metro United Way, Inc.'s receipt of the audit report or nine months after fiscal year-end. Metro United Way, Inc. did not comply with this requirement. The single audit for fiscal year ended April 30, 2021 was submitted after the deadline.

Recommendation: Establish an effective timeline and sufficient monitoring procedures to ensure the single audit to the FAC is submitted timely.

Current Status: The 2021 Single Audit was submitted to the FAC on January 27, 2023. The Fiscal Year 2022 Single Audit was submitted timely to the FAC.