

United Way of Palm Beach County, Inc.

Financial Statements

September 30, 2020

Table of Contents

Independent Auditors' Report.....	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7 – 22

Independent Auditors' Report

To the Board of Directors
United Way of Palm Beach County, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of United Way of Palm Beach County, Inc. (the "Organization"), which comprise the statement of financial position at September 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Continued from previous page

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Palm Beach County, Inc. at September 30, 2020, 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.

Restatement

As discussed in Note 3 to the financial statements, the Organization has restated its beginning net assets for the year ended September 30, 2020 to properly reflect net assets with donor and without donor restriction. Our opinion is not modified with respect to this matter.

Coastal Capital LLP

Boca Raton, Florida
February 23, 2021

United Way of Palm Beach County, Inc.
Statement of Financial Position
September 30, 2020

Assets

Current assets:		
Cash and cash equivalents	\$	1,982,661
Receivables:		
Pledges receivable, net		1,235,730
Grants		41,987
Prepaid expenses		29,661
Deposits		6,100
Total current assets		<u>3,296,139</u>
Non-current assets:		
Investments		12,087,219
Beneficial interest in trust		424,447
Beneficial interest in perpetual trust		29,637
Beneficial interest in charitable remainder trust		1,049,018
Property and equipment, net		437,817
Total non-current assets		<u>14,028,138</u>
Total assets	\$	<u><u>17,324,277</u></u>

Liabilities and Net Assets

Current liabilities:		
Allocations payable	\$	3,266,913
Designations payable		169,182
Accounts payable and accrued expenses		534,988
Deferred income		1,024,590
Current portion of annuity obligations		18,250
Total current liabilities		<u>5,013,923</u>
Non-current liabilities:		
Annuity obligations, net of current portion		<u>46,120</u>
Total liabilities		<u>5,060,043</u>
Commitments and contingencies		
Net assets:		
Without donor restriction		8,642,866
With donor restriction		3,621,368
Total net assets		<u>12,264,234</u>
Total liabilities and net assets	\$	<u><u>17,324,277</u></u>

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Public support and revenue:			
Public support:			
Gross campaign contributions	\$ 4,313,067	\$ 7,338,877	\$ 11,651,944
Less:			
Designation to other agencies	-	(3,330,233)	(3,330,233)
Provision for uncollectible pledges	-	(762,917)	(762,917)
Net campaign contributions	<u>4,313,067</u>	<u>3,245,727</u>	<u>7,558,794</u>
In-kind contributions	300,313	-	300,313
Bequest revenue	239,678	-	239,678
Change in value of planned giving instruments	-	76,435	76,435
Other contributions	14,255	-	14,255
Total public support	<u>4,867,313</u>	<u>3,322,162</u>	<u>8,189,475</u>
Revenue:			
Special events	79,192	-	79,192
Grants	4,882,885	-	4,882,885
Net investment return	674,315	9,708	684,023
Designation fees	103,135	-	103,135
Net assets released from restriction	3,411,388	(3,411,388)	-
Total public support and revenue	<u>14,018,228</u>	<u>(79,518)</u>	<u>13,938,710</u>
Expenses:			
Program services	14,569,495	-	14,569,495
Less: donor designations	(3,330,233)	-	(3,330,233)
Net program services	<u>11,239,262</u>	-	<u>11,239,262</u>
Management and general	742,277	-	742,277
Fundraising and other events	1,532,993	-	1,532,993
Total expenses	<u>13,514,532</u>	<u>-</u>	<u>13,514,532</u>
Change in net assets	503,696	(79,518)	424,178
Net assets at beginning of year (restated)	<u>8,139,170</u>	<u>3,700,886</u>	<u>11,840,056</u>
Net assets at end of year	<u>\$ 8,642,866</u>	<u>\$ 3,621,368</u>	<u>\$ 12,264,234</u>

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2020

	Program Services	Support Services		Total
		Management and General	Fundraising and Other Events	
Allocations to agencies and designation to others	\$ 6,597,146	\$ -	\$ -	\$ 6,597,146
Less: donor designations	(3,330,233)	-	-	(3,330,233)
Net allocations	3,266,913	-	-	3,266,913
Grants to others	4,954,182	-	-	4,954,182
Salaries	2,004,649	263,725	632,459	2,900,833
Employee benefits	216,280	84,780	151,042	452,102
Payroll taxes	94,896	52,825	65,527	213,248
Professional and consulting fees	152,713	139,139	3,485	295,337
Occupancy	86,086	55,676	62,130	203,892
Sponsored events and meetings	26,955	1,663	35,764	64,382
Printing and publications	45,999	871	70,764	117,634
Conferences	9,481	-	1,636	11,117
National and state affiliation dues	84,119	54,116	61,804	200,039
Telephone	9,619	4,706	7,140	21,465
Supplies	21,455	8,050	8,362	37,867
Travel	8,664	11,421	4,479	24,564
Depreciation	44,061	22,478	32,024	98,563
Insurance	14,098	7,140	10,212	31,450
Processing and bank fees	-	-	45,658	45,658
Postage	2,383	1,642	7,416	11,441
Rental and maintenance of equipment	51,323	30,373	36,335	118,031
Recognition	1,580	2,745	3,493	7,818
Staff development	23,885	927	1,188	26,000
In-kind contributions	119,921	-	141,864	261,785
Special events	-	-	150,211	150,211
Total expenses	\$ 11,239,262	\$ 742,277	\$ 1,532,993	\$ 13,514,532

See accompanying notes to financial statements.

United Way of Palm Beach County, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 424,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	98,563
Net realized and unrealized gains from investments	(357,928)
Provision for uncollectible pledges	762,917
(Increase) in value of planned giving instruments	(76,435)
Change in operating assets:	
Pledges receivable	(562,279)
Grants receivable	15,254
Other receivables	8,516
Prepaid expenses	26,989
Beneficial interest in trust	7,867
Change in operating liabilities:	
Allocations payable	91,500
Designations payable	(139,594)
Accounts payable and accrued expenses	(5,306)
Deferred income	126,269
Annuity liability	(2,669)
Net cash provided by operating activities	<u>417,842</u>
Cash flows from investing activities:	
Purchases of investments	(1,569,075)
Proceeds from sales of investments	1,072,877
Purchase of property and equipment	(19,598)
Net cash used in investing activities	<u>(515,796)</u>
Cash flows from financing activities	<u>-</u>
Net decrease in cash and cash equivalents	(97,954)
Cash and cash equivalents, beginning of year	<u>2,080,615</u>
Cash and cash equivalents, end of year	<u>\$ 1,982,661</u>

See accompanying notes to financial statements.

Note 1 – Description of Organization

United Way of Palm Beach County, Inc. (the “Organization” or “United Way”) is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). The Organization is governed by a volunteer board of directors. The Organization’s mission is to improve measurably the lives of individuals and families in Palm Beach County by uniting the resources of donors, volunteers, agencies and the community. The Organization advances the common good by creating opportunities for a better life for all, with a focus on the impact areas of education, income and health – the building blocks for a good quality of life. The Organization conducts an annual fundraising campaign to obtain funds for investment in a variety of programs within these impact areas. Donors have the option to designate their contributions to a specific impact area or charitable organization. In addition to the annual campaign which is the Organization’s largest source of support, the Organization receives private and public grants.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and the board of directors.

Net assets with donor restriction: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Paycheck Protection Program

On April 16, 2020, the Organization was granted a \$537,500 loan under the Paycheck Protection Program (the “PPP”) administered by a Small Business Administration (the “SBA”) approved lender. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with Accounting Standards Codification (“ASC”) 958, *Not-For-Profit Entities* guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$537,500 as grant revenue for the year ended September 30, 2020. On December 23, 2020, the Organization was notified by its lender that the SBA approved loan forgiveness for the entire amount granted of \$537,500 and remitted payment to the lender bringing the outstanding balance of the PPP loan to \$0.

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP generally requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support and revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies, continued

Revenue Recognition

The Organization recognizes contribution revenue in accordance with Financial Accounting Standards Board (“FASB”) ASC 958, *Not-For-Profit Entities*. Contributions received are recognized at fair value, including unconditional promises to give when the promise is made. Contributions that are to be collected more than one year in the future are recorded at their discounted present value. All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are restricted for future periods (time restriction) or are restricted by the donor for specific purposes (purpose restriction) are reported as increases to net assets with donor restriction. All pledged amounts accounted for as campaign revenue are considered to be time restricted by donors since amounts are unconditional promises to give with payments due in future periods. Cash contributions received with no donor stipulations are recorded as increases to net assets without donor restriction upon receipt of the gifts.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the statement of activities and changes in net assets as “net assets released from restriction”.

The Organization is a beneficiary under various wills and trust agreements. Related amounts are recorded when either a will is declared valid by a probate court or the Organization is notified as an irrevocable beneficiary of a trust, and the expected proceeds are measurable.

The Organization conducts a donor-advised fund program for large individual contributions. Under this program, contributors are permitted to provide recommendations on the use of the funds. The funds are held until distributed pursuant to the Organization’s approval.

Designation fees are fees that the Organization charges recipient agencies as cost recovery fees for processing designated pledges. Designated pledges include contributions that are designated by the contributor to the Organization’s affiliated agencies or non-affiliated agencies. As the Organization serves as an intermediary, it recognizes a liability to the specified external agency concurrent with the recognition of the assets received from the donor.

The Organization receives various grants from federal and local agencies and private companies for program and supporting services. These grants are generally funded on a cost reimbursement basis or when required services are performed. Accordingly, revenues from grants are generally recognized in the statement of activities and changes in net assets when expenses are made for the purpose specified. Grant funds that have been received but have not yet been expended for the purposes specified are reported as deferred revenue.

Cash and Cash Equivalents

The Organization considers money market funds, repurchase agreements and all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Certain funds in these accounts are subject to external restrictions or limitations on its use, including cash received under grant agreements which has not been expended for the specified purpose and cash held for others under agency relationships (including designated contributions received but not yet paid out to the other agencies). At September 30, 2020, cash and cash equivalents subject to these restrictions or limitations amounted to \$1,982,661.

Note 2 – Summary of Significant Accounting Policies, continued

Investments

The Organization reports investments at fair value. Net investment return consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Net investment return is reported in the statement of activities and changes in net assets as a change in net assets without donor restriction unless the use of the income is limited by donor-imposed restrictions.

Investments include both board-designated and donor-restricted endowment assets and are managed in accordance with board approved investment and spending policies. The policies, including the policy establishing the portion of the portfolio to be spent annually, seek to preserve the value of the portfolio in real terms and to generate a reliable flow of earnings for support of the Organization. The board-designated endowment spending policy provides that the income available for distribution is calculated as 4% of the endowment fund's value, as measured at the end of the fiscal year. The investment policy statement provides for major classes of assets, including: cash and cash equivalents, fixed-income securities, domestic and international equities, emerging markets and real estate. The donor-restricted endowment permits annual distributions equal to 5% of the endowment fund balance as of the beginning of the applicable year, with a stipulation that any distributions in excess of that amount shall be permissible only for emergencies and must be approved by the board of directors.

Fair Value Measurement

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. Fair value is defined as 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.

The Organization categorizes its financial instruments, as well as certain other assets reported at fair value, based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial instruments and other assets recorded at fair value on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date (examples include active exchange-traded equity and fixed income securities).

Note 2 – Summary of Significant Accounting Policies, continued

Fair Value Measurement, continued

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets (examples may include corporate and municipal bonds); pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over the counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data. Level 2 assets also include investment funds that do not have a readily determinable fair value but meet other criteria and a net asset value per share, or its equivalent, is provided by the fund manager and the reporting entity has the ability to redeem its investment at the net asset value per share at the measurement date.

Level 3 - Unobservable inputs for the asset or liability. Level 3 assets may not permit redemptions at net asset value, or its equivalent, at the measurement date. Management uses inputs that reflect assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, hedge funds, non-public real estate and split-interest agreements).

Pledges Receivable and Grants Receivable

Pledges receivable are unconditional promises received from the annual fundraising campaign and are recorded when the promises to contribute are made. The Organization provides an allowance for estimated uncollectible amounts at the time campaign pledges are recorded. The provision for uncollectible pledges is based, among other things, on the Organization's past collection experience and the impact of changes in the current economic conditions. Pledges receivable with payment terms in excess of one year are recorded at the present value of the expected future cash flows. Amortization of the discounts related to pledges receivable are recognized over the period of the promise as contribution revenue.

Grants receivable are due from federal and local agencies and private companies and are stated at net realizable value.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. The Organization capitalizes all expenditures for property and equipment whose cost is equal to or in excess of \$1,000 and whose useful life is greater than one year. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets:

	<u>Years</u>
Leasehold improvements	10
Furniture and equipment	4 - 10

Note 2 – Summary of Significant Accounting Policies, continued

Donated Services and Materials

The Organization recognizes the fair value of donated services received if such services: (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Organization receives services from a number of volunteers who give significant amounts of their time to the Organization's programs, fund-raising campaigns, and management. Time donated by these volunteers is not recorded in the financial statements, as these services do not meet the required recognition criteria in accordance with FASB ASC 958.

Donated materials that can be used or sold are recognized as in-kind contributions at fair value when received from or unconditionally promised by a donor.

Donated services received during the year ended September 30, 2020 were \$256,272. Donated materials received during the year ended September 30, 2020 were \$44,041.

Allocations Payable to Agencies

The Organization annually allocates funds to its affiliated agencies. The board of directors approves the total amount of allocations to be distributed for the next fiscal year. The amounts allocated to the individual agencies are determined by the Community Impact Committee. Once the board approves the allocations, the agencies are notified and agreements are executed. The allocations are considered conditional promises to give as the agencies must execute the agreements and comply with the terms and conditions included therein in order to receive the funds. As the possibility of the agencies not executing the agreements or not meeting the routine performance requirements or other conditions are considered unusual, the allocations are recognized as an expense and liability when the agreements are executed with the agencies. On occasion, funding is discontinued for an agency for not fulfilling contractual requirements, at which time an adjustment is made to the allocations payable and related expense account.

In September 2020, the board of directors approved allocations and executed contracts with agencies for the year ending September 30, 2021. At September 30, 2020, allocations payable was \$3,266,913.

Designations Payable

The Organization honors donor designations to other non-profit agencies. To be eligible to receive a donation, the agency must be an active 501(c)(3) organization and comply with the Patriot Act.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Certain program and support expenses, such as salaries, benefits and other administrative costs, are allocated among program services, management and general and fundraising based on management's analysis of these costs.

Note 2 – Summary of Significant Accounting Policies, continued

Charitable Gift Annuity Program and Split Interest Agreements

The Organization has a charitable gift annuity program, whereby the Organization receives a transfer of assets from a donor and agrees to pay an annuitant a fixed amount of money periodically for their lifetime. Upon the death of the annuitant, the remaining balance will be available for general use of the Organization. When the gift annuity is established, the difference between the fair value of the assets transferred and the liability for the estimated future payments (discounted over the annuitant's life expectancy using published mortality tables), is recorded as an increase to contribution revenue without donor restriction. The Organization has not elected the fair value option for reporting purposes in subsequent periods. Accordingly, discount rate assumptions are not adjusted, and each reporting period the annuity obligation is re-measured based on changes in actuarial assumptions only (life expectancy). The resulting adjustment is recorded as net assets without donor restriction.

Additionally, the Organization is a residual beneficiary of split-interest agreements whereby another entity serves as trustee. These split-interest agreements include a trust, charitable remainder trust and a perpetual trust.

Under the charitable remainder trust, the trustee holds and invests the assets and pays the annuitant(s) on a periodic basis for their lifetime. Upon the death of the annuitant(s), the Organization will receive the remaining balance (or proportionate share) from the trustee which is available for the general use of the Organization. Donor restricted contribution revenue (based on inherent time restrictions) is recognized when the Organization is notified of the existence of the remainder trust agreement based on the fair value of the assets less the fair value of the payments to be made to other beneficiaries (measured using a present value technique).

The Organization has a beneficial interest in one perpetual trust which is donor restricted in perpetuity as the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. The Organization's proportionate share of the perpetual trust assets are used to measure the beneficial interest. As the cash or other assets contributed by donors under these split-interest agreements are held by independent trustees, the measurement objective for the beneficial interest at initial recognition and for subsequent periods is fair value. Changes in the fair values of the Organization's beneficial interest under the charitable remainder and perpetual arrangements are recorded as net assets with donor restriction "change in value of planned giving instruments" in the statement of activities and changes in net assets.

The Organization is a remainder beneficiary under a revocable trust. Upon the death of the surviving spouse, the trust becomes irrevocable, at which time the Organization recognizes revenue with donor restriction "bequest revenue" in the statement of activities and changes in net assets based on the estimated net fair market value of trust assets management intends to collect. The trustee will remit to the Organization their remainder interest in trust assets for over a period not to exceed five (5) years from the death of the surviving spouse. As the Organization receives payments from the trustee, expiring the time restriction, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the statement of activities and changes in net assets as "net assets released from restriction".

Note 2 – Summary of Significant Accounting Policies, continued

Income Taxes

The Organization is a non-profit organization exempt from income taxes under Section 501(c)(3) of the IRC. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a)(1) of the IRC.

The Organization follows ASC 740, *Income Taxes*. ASC 740 creates a single model to address uncertainty in income tax provisions and prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, measurement, classification, interest and penalties and disclosure. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

Recent Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update (“ASU”) No. 2018-08 – Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. ASU No. 2018-08 should assist entities in (i) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (ii) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization does not expect the adoption of ASU No. 2018-08 to have a material effect on the financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position 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 statement of activities and changes in net assets. The Organization has not entered into any leasing arrangements where they are the lessor. The new standard is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the implementation of ASU No. 2016-02 will have on the financial statements.

Date of Management’s Review

The Organization evaluated events and transactions for potential recognition or disclosure in the financial statements through February 23, 2021, the date the financial statements were available to be issued.

Note 3 – Prior Period Adjustment

Restatement

The Organization has restated its financial statements for the period ended September 30, 2019, to properly reflect net assets with donor and without donor restriction. The results of the restatement had no effect on the aggregate net assets or change in net assets previously reported. Accordingly, the Organization has restated its financial statements for the period ended September 30, 2019 to correct the error.

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Beginning net assets, as previously reported	\$ 8,571,484	\$ 3,268,572	\$ 11,840,056
Net asset reclassification	(432,314)	432,314	-
Beginning net assets, as restated	<u>\$ 8,139,170</u>	<u>\$ 3,700,886</u>	<u>\$ 11,840,056</u>
Change in net assets, as previously reported	\$ (3,034,199)	\$ (10,968)	\$ (3,045,167)
Net asset reclassification	(432,314)	432,314	-
Change in net assets, as restated	<u>\$ (3,466,513)</u>	<u>\$ 421,346</u>	<u>\$ (3,045,167)</u>

Note 4 – Liquidity and Availability of Resources

The Organization's financial assets available to meet cash needs for general expenditure, without donor or other restrictions limiting their use, within one year at September 30, 2020 consist of:

Financial assets:	
Cash and cash equivalents	\$ 1,982,661
Pledges receivable, net	1,235,730
Grants receivable	41,987
Investments	<u>12,087,219</u>
Total financial assets	15,347,597
Less: financial assets unavailable for general expenditure within one year due to:	
Restricted by donors with purpose restrictions	(1,944,381)
Restricted by donors in perpetuity, endowments	<u>(173,885)</u>
Total financial assets unavailable for general expenditure	(2,118,266)
Total financial assets available within one year to meet cash needs for general expenditure	<u>\$ 13,229,331</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 5 – Concentrations of Credit Risk

The Organization maintains most of its cash balances at one financial institution. Cash accounts at this institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At September 30, 2020, the Organization’s cash balances held at financial institutions exceeded FDIC insured limits by \$2,125,835.

Credit risk for pledges receivable is concentrated as well because substantially all of the balances are receivable from individuals/companies located within the same geographic region. Additionally, campaign pledges received from one (1) donor comprised 16% of the total gross campaign contributions for the year ended September 30, 2020, and 56% of total pledges receivable at September 30, 2020.

The Organization receives most of its grant revenue from one (1) grantor. Grant revenue received from this grantor comprised 74% of total grant revenue for the year ended September 30, 2020, and 0% of total grants receivable at September 30, 2020.

Note 6 – Investments

The Organization’s investments at fair value are comprised of the following at September 30, 2020:

Mutual funds:	
TD Ameritrade Cash	\$ 48,152
Short-Term Government Portfolio	2,202,694
Short-Term Extended Quality Portfolio	2,208,783
Short Term Govt Inst	239,886
U.S. Core Equity I Portfolio	4,349,807
Global Real Estate Securities Portfolio	715,425
International Core Equity Portfolio	1,560,215
Emerging Markets Core Equity Portfolio	762,257
Total investments	<u>\$ 12,087,219</u>

Net investment return consists of the following for the year ended September 30, 2020:

Net investment return:	
Interest and dividends	\$ 326,095
Net realized and unrealized gains	357,928
Total net investment return	<u>\$ 684,023</u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

Note 7 – Pledges Receivable

Pledges receivable consist of the following at September 30, 2020:

Campaign pledges, undesignated	\$	1,666,039
Campaign pledges, designated		169,181
		<hr/>
		1,835,220
Less: allowance for uncollectible pledges		(599,490)
		<hr/>
Pledges receivable, net	\$	<u>1,235,730</u>

Note 8 – Beneficial Interest in Charitable Remainder Trust

The Organization has been named a remainder beneficiary of a charitable remainder annuity trust, which was created in 1987 upon the death of the trust settlor. Seven income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to a percentage of the initial fair market value of the trust assets. Upon the death of the last surviving individual beneficiary, twenty percent (20%) of the remaining principal is to be distributed to the Organization. The present value of the expected future cash flow payments to the beneficiaries, based on their estimated life expectancies and discounted at 3.5% for September 30, 2020, was deducted from the fair market value of the trust principal. A noncurrent asset of \$1,049,018 has been recognized, representing the Organization's share of the net fair market value of the trust principal at September 30, 2020. The change in the value of the trust is reported in the statement of activities and changes in net assets in net assets with donor restriction.

Note 9 – Beneficial Interest in Trust

The Organization has been named a remainder beneficiary of a revocable trust, which was created in 1999 upon the death of the grantor and grantor's spouse. Upon the death of the last surviving spouse, two and a half percent (2.5%) of remaining trust assets after specific gifts are made are to be distributed by the trustee to the Organization over a period not to exceed five (5) years from the death of the surviving spouse. On August 30, 2019, the surviving spouse passed triggering the Organization to become entitled to receipt for their portion of designated trust assets, at which time the Organization recorded the gift as bequest revenue with donor restriction. As the Organization receives payments from the trustee, expiring the time restriction, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the statement of activities and changes in net assets as net assets released from restriction. A noncurrent asset of \$424,447 has been recognized, representing the estimated amount management intends to collect for their share of the net fair market value of the trust's remaining assets at September 30, 2020.

Note 10 – Fair Value Measurements

At September 30, 2020, the fair value of assets recognized in the accompanying statement of financial position at fair value on a recurring basis and the level within the fair value hierarchy is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual funds	\$ 12,087,219	\$ -	\$ -	\$ 12,087,219
Total investments	<u>\$ 12,087,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,087,219</u>
Beneficial interest in split-interest agreements:				
Trust	\$ -	\$ -	\$ 424,447	\$ 424,447
Perpetual trust	-	-	29,637	29,637
Charitable remainder trust	-	-	1,049,018	1,049,018
Total beneficial interest in split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,503,102</u>	<u>\$ 1,503,102</u>

The following table summarizes the change in fair value of the Level 3 assets for which unobservable inputs were used to determine fair value:

	Beginning Balance September 30, 2019	Changes in Value Included in Net Assets	Ending Balance September 30, 2020
Beneficial interest in split-interest agreements:			
Trust	\$ 432,314	\$ (7,867)	\$ 424,447
Perpetual trust	27,561	2,076	29,637
Charitable remainder trust	974,659	74,359	1,049,018
Total beneficial interest in split-interest agreements	<u>\$ 1,434,534</u>	<u>\$ 68,568</u>	<u>\$ 1,503,102</u>

There were no transfers between Levels 1, 2 and 3 during the year ended September 30, 2020.

At September 30, 2020, there were no financial assets or liabilities measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

Level 1 fair value measurements using significant observable inputs include investments in mutual funds whose values are based on quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Note 10 – Fair Value Measurements, continued

Level 3 fair value measurements using significant unobservable inputs include the Organization's beneficial interest in split-interest agreements. The subject of the fair value measurement (unit of account) for a beneficial interest in a trust is each individual beneficial interest. As there is currently no market in which beneficial interests in charitable trusts trade, there is no observable exit price for a beneficial interest. The valuation technique and inputs used in determining fair value of the beneficial interest in split-interest agreements varies depending on the specific terms of the agreements, and is based on information furnished by the independent trustee. Refer to Note 2 for a description of the terms of the Organization's split-interest agreements. The fair value of the beneficial interest in perpetual trust is measured using the Organization's proportionate share of the fair value of the trust assets. The fair value of the beneficial interest in the trust is measured using the Organization's remainder share of the fair value of the trust assets. The fair market value of trust assets are obtained from the trustee. For the charitable remainder trust, the fair value of the beneficial interest is estimated based on the fair value of the assets (as obtained from the trustee) less the fair value of the payments to be made to other beneficiaries. The latter is calculated using an income approach in the form of a present value technique based on assumptions including a risk adjusted discount rate of 3.5% at September 30, 2020 and published life expectancy tables.

Financial Instruments Not Measured at Fair Value

The carrying amounts of cash and cash equivalents, pledges, and grants receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of allocations and designations payable, accounts payable and accrued liabilities approximate fair value because of the terms and relatively short maturity of these financial instruments. The carrying amount of annuity obligations approximates fair value because it is recorded at net present value.

Note 11 – Property and Equipment

Property and equipment consist of the following at September 30, 2020:

Leasehold improvements	\$	646,840
Furniture and equipment		247,998
		<u>894,838</u>
Less: accumulated depreciation		(457,021)
Property and equipment, net	\$	<u>437,817</u>

Depreciation expense for the year ended September 30, 2020 was \$98,563.

Note 12 – Net Assets

Net assets consist of the following at September 30, 2020:

Net assets without donor restriction:	
Expended for property and equipment	\$ 437,817
Board designated:	
Endowment	10,716,268
Undesignated	(2,511,219)
Total net assets without donor restriction	<u>\$ 8,642,866</u>
Net assets with donor restriction:	
Undesignated pledges receivable, net	\$ 1,067,472
Donor restricted endowment	173,885
Beneficial interest trust	424,447
Beneficial interest perpetual trust	29,637
Emergency needs/disaster assistance funds	511,231
Beneficial interest in charitable remainder trust	1,049,018
Programs	365,678
Total net assets with donor restriction	<u>\$ 3,621,368</u>

Endowment Net Assets

The Organization's endowments consist of funds established for a variety of purposes. Its endowments include funds designated by the board of directors to function as endowments (quasi-endowments). As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operating costs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. Actual results may vary.

Note 12 – Net Assets, continued

Endowment Net Assets, continued

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or law requires the Organization to retain as a fund of perpetual duration. Any such deficiencies of this nature would be reported in net assets with donor restriction. During the year ended September 30, 2020, there were no such deficiencies.

Endowment net assets consist of the following at September 30, 2020:

	<u>Without</u> <u>Donor Restriction</u>	<u>With</u> <u>Donor Restriction</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 173,885	\$ 173,885
Board designated endowment funds	10,716,268	-	10,716,268
Total	<u>\$ 10,716,268</u>	<u>\$ 173,885</u>	<u>\$ 10,890,153</u>

Changes to endowment net assets are as follows for the year ended September 30, 2020:

	<u>Without</u> <u>Donor Restriction</u>	<u>With</u> <u>Donor Restriction</u>	<u>Total</u>
Endowment net assets, September 30, 2019	\$ 9,974,970	\$ 165,532	\$ 10,140,502
Investment return	592,431	9,708	602,139
Receipts/contributions	256,003	-	256,003
Appropriated for operating expenditures	(107,136)	(1,355)	(108,491)
Endowment net assets, September 30, 2020	<u>\$ 10,716,268</u>	<u>\$ 173,885</u>	<u>\$ 10,890,153</u>

Note 13 – Contingency

The Organization receives grants from various sources to supplement its programs. Grant revenue represents 35% of total revenues for the year ended September 30, 2020. Any loss of funding could have a negative impact on community services provided by the Organization. These grants require the fulfillment of certain conditions as set forth in the instrument of a grant. Failure to fulfill the conditions, or failure to continue to fulfill them, could result in the return of the funds to grantors. Although this is a possibility, management believes that any potential loss would not have a material adverse effect on the financial statements.

Note 14 – Annuity Obligations

The Organization has established a planned giving program whereby donors may set up charitable gift annuities with the Organization. Under this program, donors can contribute cash, securities or property to the Organization, and in return receive a guaranteed fixed income for life. Contribution revenue is recognized as the difference between the fair value of the cash or property received and the annuity liability.

Liabilities were recognized for the life annuity payments at the present value of the expected future cash payments determined using actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift. The annuity liability is reduced as payments are made by the Organization to the donor. Upon death of the donor, any remaining annuity liability would be recognized as revenue in the current year.

The present value of future payment liabilities of charitable gift annuities is \$64,370 at September 30, 2020. The annuity obligations are adjusted each year to reflect changes in the life expectancy of the beneficiaries.

The Organization is licensed by the State of Florida to enter into annuity agreements with donors. Florida Statutes require entities with such a license to maintain assets equal to the sum of reserves on outstanding agreements and a surplus of 25% of such reserves. Assets shall be invested only in securities permitted under Part II of Chapter 625 of the Florida Statutes.

Note 15 – Retirement Plan

The Organization has a 401(k) plan which is available to all non-limited duration employees who have been with the Organization at least three months. After one year of service, the Organization contributes 5% of the employee's total compensation and 50% of the employee's contribution up to a limit of 6% of compensation. Contributions totaled \$86,061 for the year ended September 30, 2020.

Note 16 – Operating Leases

The Organization leases office space for its headquarters in West Palm Beach, Florida under a non-cancelable agreement extending through 2026. The following is a schedule of future minimum lease payments required under the above operating lease at September 30, 2020:

<u>Years Ending September 30,</u>			
2021	\$	151,350	
2022		155,136	
2023		159,012	
2024		163,020	
2025		167,115	
Thereafter		127,665	
Total minimum lease obligation	\$	<u>923,298</u>	

Rent expense on the lease for the year ended September 30, 2020 was \$180,858.

Note 17 – Line of Credit

On November 30, 2011, the Organization entered into a line of credit agreement with a bank in the amount of \$1,000,000. On January 28, 2014, there were modifications to the terms of the line of credit, which included an increase in the amount available for borrowing to \$1,500,000. The line of credit has a one year term, which is renewable annually, and is collateralized by all business assets of the Organization. Interest is payable monthly at Daily Libor plus 2.75% (2.91% at September 30, 2020).

Since execution, there were further extensions of the term. Currently, the line of credit is set to expire on April 30, 2021. All other terms and conditions of the note and other agreements and documents executed in connection with the original agreement remain in full force and effect.

Interest expense was \$0 for the year ended September 30, 2020. There was no outstanding balance on the line of credit at September 30, 2020.

Note 18 – Uncertainty of Risk

The COVID-19 pandemic (the “Pandemic”), whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the Pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of the Pandemic on the Organizations operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which the Pandemic may impact the Organization’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this Pandemic.

Note 19 – Subsequent Event

On November 30, 2020, the Organization received a cash contribution of \$10,000,000. The contribution is not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.