METROPOLITAN FAMILY SERVICE

FINANCIAL STATEMENTS

Year Ended June 30, 2020

(With Comparative Totals
for the Year Ended June 30, 2019)

MFS Metropolitan Family Service

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN FAMILY SERVICE

FINANCIAL STATEMENTS

Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Metropolitan Family Service
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Metropolitan Family Service (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Family Service as of June 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.

Kern & Thompson, LLC | 1800 SW First Avenue, Suite 410 | Portland, Oregon 97201 | Phone: (503) 222-3338 | www.kern-thompson.com

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Metropolitan Family Service

Other Reporting Requirement by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of Metropolitan Family Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Metropolitan Family Service'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 Metropolitan Family Service's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Metropolitan Family Service's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
December 1, 2020

METROPOLITAN FAMILY SERVICE

STATEMENT OF FINANCIAL POSITION

June 30, 2020
(With Comparative Totals as of June 30, 2019)

ASSETS

	2020	2019
Current assets		
Cash and cash equivalents	$ 1,356,624	$ 246,101
Government grants and contracts receivable	1,196,368	1,126,785
Prepaid expenses and other current assets	74,633	81,979
Total current assets	**2,627,625**	**1,454,865**
Property and equipment	**7,684**	**14,702**
Other assets		
Long-term investments	4,823,563	4,981,822
Beneficial interest in assets held by others	419,245	439,161
Total other assets	**5,242,808**	**5,420,983**
Total assets	**$ 7,878,117**	**$ 6,890,550**

LIABILITIES AND NET ASSETS

	2020	2019
Liabilities		
Accounts payable	$ 365,048	$ 431,931
Compensated absences payable	184,287	132,012
Payroll and related payables	242,863	277,936
Refundable advances	1,298,342	90,212
Total current liabilities	**2,090,540**	**932,091**
Net assets		
Without donor restrictions		
Other	689,909	727,835
Board-designated family endowment	4,832,219	4,998,995
Total without donor restrictions	**5,522,128**	**5,726,830**
With donor restrictions		
Other	122,886	82,294
Family endowment	142,563	149,335
Total with donor restrictions	**265,449**	**231,629**
Total net assets	**5,787,577**	**5,958,459**
Total liabilities and net assets	**$ 7,878,117**	**$ 6,890,550**

See notes to financial statements.

METROPOLITAN FAMILY SERVICE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Operating revenues, gains and other support:				
Government grants and contracts	$ 6,782,487	$ -	$ 6,782,487	$ 5,893,503
Other grants and contracts	1,123,306	-	1,123,306	1,152,552
Contributions	907,088	365,803	1,272,891	1,425,968
Special event	233,862	-	233,862	249,565
Less special event expenses	(120,911)	-	(120,911)	(114,333)
Interest & Dividends	151,508		151,508	175,219
Miscellaneous	42,354	-	42,354	38,481
Net assets released from restrictions	325,210	(325,210)	-	-
	9,444,904	40,593	9,485,497	8,820,955
Less pass-through revenue	(1,051,150)	-	(1,051,150)	(987,364)
Total operating revenues, gains, and other support	**8,393,754**	**40,593**	**8,434,347**	**7,833,591**
Expenses				
Program services	6,745,745	-	6,745,745	6,207,302
Management and general	1,536,623	-	1,536,623	1,518,422
Fund-raising	304,662	-	304,662	309,116
Total expenses	**8,587,030**	**-**	**8,587,030**	**8,034,840**
Increase (decrease) in net assets before non-operating activities	**(193,276)**	**40,593**	**(152,683)**	**(201,249)**
Non-operating activities:				
Gain/(Loss) on investments	(89,993)	-	(89,993)	66,290
Investment Fees	(21,571)	-	(21,571)	(22,086)
Net earnings from beneficial interest in assets held by others	(152)	(569)	(721)	26,565
Net assets released from restrictions	6,204	(6,204)	-	-
Total non-operating activities	**(105,512)**	**(6,773)**	**(112,285)**	**70,769**
Change in net assets	**(298,788)**	**33,820**	**(264,968)**	**(130,480)**
Addition to net assets related to merger (Note A)	**94,086**	**-**	**94,086**	**-**
Net assets, beginning of year	5,726,830	231,629	5,958,459	6,088,939
Net assets, ending of year	**$ 5,522,128**	**$ 265,449**	**$ 5,787,577**	**$ 5,958,459**

See notes to financial statements.

METROPOLITAN FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

		SUPPORTING SERVICES		Total	
	Program Services	Management and General	Fundraising	2020	2019
Salaries	$ 4,591,520	$ 979,452	$ 212,955	$ 5,783,927	$ 5,198,248
Employee benefits and taxes	858,587	201,691	41,919	1,102,197	1,034,254
Advertising	5,002	6,521	106	11,629	14,173
Depreciation and amortization	1,457	486	-	1,943	10,024
Client Assistance	139,134	-	-	139,134	14,580
In-kind food and supplies	339,232	-	-	339,232	439,824
Insurance	396	33,591	-	33,987	37,156
Local travel	182,041	3,441	309	185,791	182,054
Minor equipment and furniture purchase, rent and repair	95,277	46,576	17,422	159,275	175,894
Occupancy	162,867	20,574	4,530	187,971	167,200
Professional fees and contract service payments	78,161	175,472	2,143	255,776	327,040
Staff training and conferences	35,210	12,207	-	47,417	76,399
Supplies and miscellaneous	205,859	25,207	21,786	252,852	279,200
Telephone	51,002	31,405	3,492	85,899	78,794
	$ 6,745,745	**$ 1,536,623**	**$ 304,662**	**$ 8,587,030**	**$ 8,034,840**

See notes to financial statements.

METROPOLITAN FAMILY SERVICE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (264,968)	$ (130,480)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in value of beneficial interest in assets held by others	721	(26,565)
(Gain)/loss, interest and dividends from investments, net of fees	(39,921)	(219,423)
Depreciation and amortization	1,943	10,024
Loss on disposal of property and equipment	5,075	-
Changes in assets and liabilities:		
Government grants and contracts receivable	(69,582)	(84,663)
Prepaid expenses and other current assets	7,346	3,946
Accounts payable	(66,884)	49,100
Refundable advances	1,208,130	(74,350)
Other current liabilities	17,202	64,181
Net cash provided by (used in) operating activities	**799,062**	**(408,230)**
Cash flows from investing activities:		
Net proceeds (purchases) of investments	217,375	371,665
Net cash provided by (used in) investing activities	**217,375**	**371,665**
Cash flows from financing activities:		
Proceeds from merger	94,086	-
Cash provided (used) by financing activities	**94,086**	**-**
Net change in cash and cash equivalents	**1,110,523**	**(36,565)**
Cash and cash equivalents, beginning of year	246,101	282,666
Cash and cash equivalents, end of year	**$ 1,356,624**	**$ 246,101**

See notes to financial statements.

NOTE A – DESCRIPTION OF AGENCY

Metropolitan Family Service (the Agency) is an independent not-for-profit agency, established to help people move from poverty to prosperity, from inequity to social justice, and from social isolation to connectedness.

The Agency focuses its efforts on three key community initiatives: 1. Strengthening early childhood development and building youth success through collaboration and innovation. 2. Developing and promoting effective approaches to community-based health and wellness throughout the lifespan. 3. Advancing individual and family economic well-being. Additionally, collaboration and partnership with other organizations is necessary and vital. On a programmatic level, the Agency partners with hundreds of organizations at 30+ service sites. It is the Agency's deep commitment to collaboration and partnership that is helping us work toward truly transforming the programming and systems that we need to create long-term, larger-scale change in our community.

Since 1950, we've joined forces with key community partners from education, healthcare, business and government to create opportunities that change lives and make communities stronger. Our commitment to low-income children, families and older adults encourages people across the lifespan to realize their full potential. We develop lasting solutions that bridge gaps, create equity and demonstrate respect and value for every person. The Agency works within the community to deliver culturally responsive programs that help people succeed – whether it is at a school, community center or in someone's home – we meet people where they are. By supporting the Agency you are helping to create a world where children never go hungry, young people are always educated, families are financially stable, older adults remain connected and everyone is healthy, happy, and cared for.

In 2020 the Agency served 25,000 clients. Seventy-three percent are clients of color. The Agency:

- Helps youth and families living in low resourced communities via Community School programs, school-based intergenerational tutoring/mentoring & family engagement activities. The Agency has created stable partnerships with over 25 schools across 7 districts over the past 19 years and provided services to almost 4,000 children and parents this year.

- Supports families via early childhood learning/kindergarten-readiness programs; parenting, health and economic empowerment programs. This year approximately 200 families were served.

- Results of our early childhood learning program: Last year, 87% of children showed improvement in developing social emotional skills (as measured by the Child Behavior Rating Scale) that predict 3rd grade reading proficiency and future success in school.

NOTE A – DESCRIPTION OF AGENCY (CONTINUED)

- Results of our economic empowerment program: Services are integrated across core programs to enhance results for financial stability & other social service programs. The Agency helped boost family income by an average of $1,242 last year by connecting families to Earned Income Tax Credits. This year, 450 people were served through economic empowerment services, including group and 1:1 financial coaching, budgeting, asset building (low cost auto loans and Individual Development Accounts), debt management and credit information. In September 2019, MFS expanded Economic Empowerment services through a merger with CASH Oregon, a 501(c)3 that has been singularly focused on helping people with free tax preparation. MFS merged with CASH Oregon in order to add to the Economic Empowerment set of services at MFS through adding capacity to help people who are not required to file taxes, but who are eligible for returns through Earned Income Tax Credits and Child Tax Credits. The merger added 11,489 service users who are now supported around their tax prep needs.

- Offers services for older adults including transportation and in-home supports to help maintain independence; this year, 5,500 older adults have been helped. Last year, almost 27,000 rides to medical appointments, the grocery store or social outings were provided for around 1,000 isolated older and disabled adults.

- Distributed over 1.6 million pounds of food to 8,500 people at our school-based food pantries and markets last year.

The Agency uses a results-based accountability framework to track results and continuous improvement processes. Key indicators include: (1) increases in overall financial health as evidenced by improved credit scores, increased savings, increased assets and decreased debt burden and improved employment (2) increases in 3rd grade reading proficiency scores, attendance, credit attainment and graduation (3) increases in social emotional readiness for children entering kindergarten (4) increased access to adequate nutrition (5) decreased social isolation for older adults.

In 2014, the Agency began to analyze its capacity to advance racial equity using the Protocol for Culturally Responsive Organizations. The Agency used the results of the Protocol to deepen commitment to advancing equity at all levels. In 2015, the Agency invested in the Efforts to Outcomes database to advance its capacity to disaggregate results by race & ethnicity, designed a Racial Equity Lens to evaluate programmatic work, and finalized an Equity and Cultural Responsiveness Plan as well as a board/leadership DEI Cultural Responsiveness principles/commitments, both of which are reviewed each year. A Diversity and Equity Committee made up of staff from all levels and programs at the Agency helps guide our thinking about programmatic equity considerations, training, and other internal processes.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended June 30, 2020, one new accounting pronouncement became effective for the Organization: *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”).*

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This guidance clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in the year ended June 30, 2020. There was no resulting cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of June 30, 2019.

Financial Statement Presentation

The Agency reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.

- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on FTE of regular benefited staff in the approved budget.

Interpretation of Relevant Law Over Endowments

The Agency has interpreted Oregon's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Agency to adopt investment and spending policies that preserve the fair value of the original endowed gift as of the date of the gift, absent explicit donor restrictions to the contrary. Although the Agency has a long-term fiduciary duty to the donor (and others) for a fund of perpetual duration, the preservation of an endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of an endowment's historic dollar value may be appropriated for expenditure in support of the designated purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA. As a result of this interpretation, the Agency classifies as restricted in perpetuity net assets the original value of gifts donated to the permanent endowment.

In general, investment returns on the Agency's endowment are available for retention or appropriation based on the same prudent standards and policies established by the Board of Directors and, therefore, are classified as restricted net assets until the returns are appropriated for expenditure by the Board of Directors and, if the use of the investment return is restricted by the donor, until the restriction has also been satisfied. Any investment return classified as restricted in perpetuity net assets represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of these financial statements, all short-term, highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents held for long-term investment purposes are excluded from cash and cash equivalents and are included in investments.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

- Receivables consist primarily of uncollateralized fees from government grants and contracts. Grantors are primarily from the greater Portland, Oregon metropolitan area. The government grants and contracts are from a combination of local, state and federal governments. No allowance for doubtful accounts has been recorded, as management believes all accounts are collectible, based on historical experience and knowledge of current circumstances.

- The Agency has cash and cash equivalents which may exceed FDIC depository insurance limits. The Agency makes such deposits with high credit quality entities and has not incurred any credit related losses. Amounts exceeding FDIC limits were $1,048,981 at June 30, 2020.

- Investments are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Net appreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is also shown in the statement of activities. Interest income is accrued as earned. Included in investments is the Agency's Operating Reserve of $268,545 at June 30, 2020. See Note C for a discussion of fair value measurements.

Accounts Receivable

Generally accounts receivable are due 30 days after the issuance of the invoice. Receivables past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the grantor. There were immaterial amounts older than 90 days at June 30, 2020.

Endowment Investment and Spending Policies

The goal of the Agency's investment program for funds held as permanent endowment is to achieve a total rate of return that will allow the Agency to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective for endowed funds is to retain (at a minimum) when possible an increase in the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Agency follows a total return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Agency endowment assets are invested in The Oregon Community Foundation (OCF) as an endowment partner, or at Ferguson Wellman Capital Management.

For the OCF funds, the Agency has adopted a spending policy based on the policies of its endowment partner, OCF, to determine the annual amount available for distributions from funds held as permanent endowment. Each year OCF sets an annual payout rate for the coming year based on a 10-year projection of investment return. Currently, if the projected 10-year return is 9% or above, the payout for grants will be 5% of market value; if the projected 10-year return is below 9%, the payout for grants will be 4-1/2% of market value. Market value is determined using a 13-quarter trailing average of fund market value.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies (Continued)

For the remaining funds, the Agency distributes up to 5% of the value of the endowment assets as of December 31 each year as needed during the following fiscal year.

The Agency's investment objective for funds held as permanent endowment funds is to grow the portfolio to support operations and provide strategic capital for the Agency. To meet this objective, assets of individual funds are invested in a mixture of cash, bonds, stocks, and exchange-traded and mutual funds that will produce a reasonable return over a reasonable period, consistent with the payout schedule and program objective of the fund.

Property and Equipment

Property and equipment individually in excess of $5,000 are stated at cost for items purchased and for donated items, at their fair market value at time of receipt. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the net assets.

Refundable Advances

- **Conditional Grants**

  Refundable advances result primarily from a 3-year conditional contribution grant ending in December 2021. The award must be used to provide financial empowerment services and is conditioned on required specific levels of service. The Organization receives an annual amount each calendar year, approximately half of the payment made in 2020, $66,500, remains as a refundable advance at June 30, 2020. Also included are other immaterial conditional grant payments received prior to the incurrence of allowable grant expenditures, and are refundable to the grantor if not used for grant purposes.

- **Paycheck Protection Program Loan**

  In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) "forgivable loan" to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received a PPP loan for $1,226,900 on May 6, 2020. The terms of the PPP loan include interest at 1% and maturity on May 6, 2022.

  The Organization has concluded that although the legal form of the PPP is a loan, it believes the conditional criteria will be met and the SBA will approve its forgiveness application within the next fiscal year. Accordingly, the PPP loan represents, in substance, a conditional grant and has therefore been recorded as a refundable advance under the accounting guidance of ASC 958-605.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

Donated goods and services are provided in a number of ways by volunteers and other friends of the Agency. Valuation of donated goods is based on an estimate of fair market value of the goods. No amounts have been reflected in the financial statements for donated services by the Board members involved in Board activities or for unpaid volunteers because criteria for recognition has not been met.

Donated food and supplies of approximately $339,000 are included in the Agency's Statement of Functional Expenses.

Income Taxes

The Agency operates as a nonprofit Agency and has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Agency does not believe it has unrelated trade or business income in excess of $1,000.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Metropolitan Family Service financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE C – FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities and bonds, mutual fund investments, exchange traded funds, and cash equivalents.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data. Assets in this level include beneficial interest in assets held by others.

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of the beneficial interest in assets held by others is determined by the Agency's endowment partner, OCF, and is based upon the Agency's proportionate interest in OCF's endowment partner fund liability after adjustments for contributions and distributions made during the year. OCF's endowment partner fund liability is stated at fair value, which is generally equivalent to the present value of future payments expected to be made to the endowment partners.

Realized and unrealized gains and losses from investments are reported in the Statement of Activities as they occur. There have been no changes in valuation techniques and related inputs.

Fair values of assets measured on a recurring basis at June 30 were as follows:

	Level 1	Level 3	Fair Value Total
Cash and cash equivalents	$ 359,423	$ -	$ 359,423
Corporate bonds and notes	811,492	-	811,492
U.S. Government bonds	957,917	-	957,917
Equity investments	2,028,767	-	2,028,767
Equity mutual funds	665,964	-	665,964
Beneficial interest in assets held by others	-	419,245	419,245
	$ 4,823,563	$ 419,245	$ 5,242,808

For the year ended June 30, 2020, the change in investments classified as Level 3 is as follows:

Balance, June 30, 2019	$ 439,161
Total gains, losses, and interest included on the Statement of Activities	(721)
Transfers to other investments	(19,195)
Balance, June 30, 2020	$ 419,245

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

On July 31, 1998, $341,710 was transferred to the Oregon Community Foundation (OCF) in conjunction with the dissolution of Metropolitan Family Service Foundation. Variance power was not granted to OCF unless the Agency ceases to exist or loses its tax-exempt status, and distributions in the amount of a reasonable rate of return determined by OCF will be distributed to the Agency each year.

NOTE E – RECONCILIATION OF ENDOWMENT NET ASSETS

	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,998,994	$ 149,336	$ 5,148,330
Interest and dividend income	141,879	1,015	142,894
Investment gains/(losses) (realized and unrealized)	(105,596)	(1,584)	(107,180)
Total investment return	36,283	(569)	35,714
Other changes: Withdrawals	(203,058)	(6,204)	(209,262)
Endowment net assets, end of year	$ 4,832,219	$ 142,563	$ 4,974,782

Of the donor restricted endowment net assets, $116,831 is not subject to expiration.

NOTE F – PENSION PLAN

The Agency provides retirement benefits for all eligible employees through either a 401(k) profit sharing plan or a 457(b) deferred compensation plan under which it contributes a discretionary amount of participating employees' annual salaries to the plans. The percentage of employees' annual salaries to be contributed is reviewed annually. Contributions for 2020 were $117,952.

NOTE G – COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

The Agency leases certain facilities under three operating leases which expire in September 2024. The Agency is responsible for utilities, taxes and insurance. Minimum rental commitments for the years ending after June 30, 2020 are as follows:

Year Ending June 30,		
2021	$	165,576
2022		34,885
2023		35,931
2024		37,010
2025		9,320
	$	282,722

Rental expense for the year ended June 30, 2020 was $152,094.

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

NOTE H – NET ASSETS

The Board designated Family endowment included in net assets without donor restrictions represents an endowment fund created by the Board of Directors with the goal of supporting operations now and into the future. Up to 5% of the Family endowment may be used each year for such purposes as determined annually by the Board. This fund can, in addition to the annual distribution, help fund strategic initiatives. A proposal must be submitted by staff and full approval by the board is required for these requests.

Net assets with donor restrictions consist of:

Principal restricted in perpetuity	$	116,831
Unappropriated endowment earnings		25,732
Total endowment restricted net assets		142,563
Purpose restricted by grantors		122,886
Total net assets with donor restrictions	$	265,449

NOTE I – CLASSIC WINE AUCTION

As of June 30, 2004, the operation of the Classic Wine Auction (CWA) and related events was transferred to a separate nonprofit entity, First Growth Children & Family Charities, Inc. The Agency is entitled to appoint 25 percent of all voting directors of First Growth Children & Family Charities, Inc.

First Growth Children & Family Charities, Inc. organizes and sponsors the CWA annually and distributes net proceeds to the Agency and other participating charitable organizations. Provisions of the First Growth Children & Family Charities, Inc. bylaws allow either party to discontinue its relationship under certain conditions. For the year ended June 30, 2020, the Agency was pledged $219,000 from First Growth Children & Family Charities, Inc., of which $69,000 is included in receivables as of the report date.

NOTE J – LIQUIDITY

The following represents the Agency's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020:

Financial assets at year-end*	
Cash and cash equivalents	$ 1,356,624
Receivables	1,196,368
Investments and beneficial interest	5,242,808
Total financial assets	7,795,800
Less amounts unavailable for general expenditure within one year:	
Contractual or donor-imposed restrictions:	
Restricted by donor for family endowment	142,563
Restricted by donor with purpose restriction	122,886
Board designations:	
Board-designated endowment fund	4,832,219
Less appropriated for expenditure in fiscal year 2021	(255,607)
Total unavailable financial assets	4,842,061
Financial assets available to meet cash needs for general expenditures within one year	$ 2,953,739

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

The Agency’s endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments is not available for general expenditure until appropriated. The Agency appropriates endowment funds according to the spending policy in Note B on an annual basis as part of the budgeting process. Appropriations of $255,607 from the endowment funds will be available within the next 12 months.

NOTE J – LIQUIDITY (CONTINUED)

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Agency invests cash in excess of current requirements in short-term investments. Although the Agency does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary to manage unanticipated liquidity needs.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 1, 2020, which is the date the financial statements were available to be issued.