METROPOLITAN FAMILY SERVICE

FINANCIAL STATEMENTS

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

MFS Metropolitan Family Service

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN FAMILY SERVICE

FINANCIAL STATEMENTS

Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Metropolitan Family Service
Portland, Oregon

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metropolitan Family Service as of June 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 Metropolitan Family Service 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 the 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 Metropolitan Family Service's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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.

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Metropolitan Family Service

In performing an audit in accordance with generally accepted auditing standards 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 Metropolitan Family Service'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 Metropolitan Family Service'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on our consideration of the 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 the 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 the 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
November 17, 2023

METROPOLITAN FAMILY SERVICE

STATEMENT OF FINANCIAL POSITION

June 30, 2023
(With Comparative Totals as of June 30, 2022)

ASSETS

	2023	2022
Assets		
Cash and cash equivalents	$ 324,736	$ 599,795
Government grants and contracts receivable	1,521,492	1,505,681
Prepaid expenses and other current assets	90,320	81,705
Property and equipment	44,071	29,083
Operating lease right of use asset	169,311	-
Long-term investments	4,718,113	4,683,916
Beneficial interest in assets held by others	514,191	505,438
Total assets	**$ 7,382,234**	**$ 7,405,618**

LIABILITIES AND NET ASSETS

	2023	2022
Liabilities		
Accounts payable	$ 373,828	$ 400,526
Compensated absences payable	209,923	178,616
Payroll and related payables	313,028	285,855
Operating lease liability	178,602	-
Refundable advances	263,209	157,793
Total liabilities	**1,338,590**	**1,022,790**
Net assets		
Without donor restrictions		
Other	682,832	892,857
Board-designated family endowment	4,794,727	4,725,047
Total without donor restrictions	**5,477,559**	**5,617,904**
With donor restrictions		
Other	391,234	593,050
Family endowment	174,851	171,874
Total with donor restrictions	**566,085**	**764,924**
Total net assets	**6,043,644**	**6,382,828**
Total liabilities and net assets	**$ 7,382,234**	**$ 7,405,618**

See notes to financial statements.

METROPOLITAN FAMILY SERVICE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Operating revenues, gains and other support:				
Government grants and contracts	$ 10,811,791	$ -	$ 10,811,791	$ 8,481,139
Other grants and contracts	862,703	-	862,703	912,312
Contributions	370,427	232,223	602,650	1,011,075
Special event	141,577	-	141,577	141,472
Less special event expenses	(63,956)	-	(63,956)	(65,463)
Interest and dividends	119,624	-	119,624	183,250
In-kind contributions	1,563,338	-	1,563,338	1,188,117
Miscellaneous	41,401	-	41,401	53,692
Net assets released from restrictions	434,039	(434,039)	-	-
	14,280,944	(201,816)	14,079,128	11,905,594
Less pass-through revenue and in-kind contributions	(2,171,912)	-	(2,171,912)	(1,910,826)
Total operating revenues, gains, and other support	**12,109,032**	**(201,816)**	**11,907,216**	**9,994,768**
Expenses				
Program services	10,136,275	-	10,136,275	8,416,703
Management and general	2,056,641	-	2,056,641	1,854,337
Fund-raising	369,670	-	369,670	231,883
Total expenses	**12,562,586**	**-**	**12,562,586**	**10,502,923**
Increase (decrease) in net assets before non-operating activities	**(453,554)**	**(201,816)**	**(655,370)**	**(508,155)**
Non-operating activities:				
Gain/(Loss) on investments	307,863	-	307,863	(700,057)
Investment fees	(22,049)	-	(22,049)	(25,195)
Net earnings from beneficial interest in assets held by others	20,540	9,832	30,372	(28,756)
Net assets released from restrictions	6,855	(6,855)	-	-
Total non-operating activities	**313,209**	**2,977**	**316,186**	**(754,008)**
Change in net assets	**(140,345)**	**(198,839)**	**(339,184)**	**(1,262,163)**
Net assets, beginning of year	5,617,904	764,924	6,382,828	7,644,991
Net assets, ending of year	**$ 5,477,559**	**$ 566,085**	**$ 6,043,644**	**$ 6,382,828**

See notes to financial statements.

METROPOLITAN FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

		SUPPORTING SERVICES		Total	
	Program Services	Management and General	Fundraising	2023	2022
Salaries	$ 6,194,893	$ 1,328,981	$ 223,885	$ 7,747,759	$ 6,274,618
Employee benefits and taxes	1,165,781	260,922	43,959	1,470,662	1,286,520
Advertising	27,802	19,081	638	47,521	32,879
Depreciation and amortization	8,205	-	-	8,205	7,483
Client Assistance	567,357	-	23,614	590,971	886,196
In-kind food and supplies	324,992	-	1,996	326,988	207,532
Insurance	1,076	38,184	-	39,260	36,331
Local travel	210,795	1,333	19	212,147	150,636
Minor equipment and furniture purchase, rent and repair	207,773	57,902	6,690	272,365	235,012
Occupancy	256,882	24,256	4,411	285,549	246,451
Professional fees and contract service payments	320,069	271,806	38,498	630,373	394,101
Staff training and conferences	102,648	2,451	130	105,229	50,434
Supplies and miscellaneous	657,607	29,362	24,997	711,966	572,491
Telephone	90,395	22,363	833	113,591	122,239
	$ 10,136,275	**$ 2,056,641**	**$ 369,670**	**$ 12,562,586**	**$ 10,502,923**

See notes to financial statements.

METROPOLITAN FAMILY SERVICE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (339,184)	$ (1,262,163)
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	(30,719)	28,756
(Gain)/loss, interest and dividends from investments, net of fees	(405,091)	542,107
Depreciation and amortization	8,205	7,483
Changes in assets and liabilities:		
Government grants and contracts receivable	(15,811)	50,195
Prepaid expenses and other current assets	(8,615)	(11,484)
Operating right of use asset	(169,311)	-
Accounts payable	(26,699)	35,838
Refundable advances	105,416	(25,612)
Compensated absences and payroll payables	58,482	16,302
Operating lease liability	178,602	-
Net cash provided by (used in) operating activities	**(644,725)**	**(618,578)**
Cash flows from investing activities:		
Purchases of property and equipment	(24,214)	(8,907)
Net proceeds (purchases) of investments	393,880	542,086
Net cash provided by (used in) investing activities	**369,666**	**533,179**
Net change in cash and cash equivalents	**(275,059)**	**(85,399)**
Cash and cash equivalents, beginning of year	599,795	685,194
Cash and cash equivalents, end of year	**$ 324,736**	**$ 599,795**
Supplemental disclosure of cash flow information		
Right of use asset obtained in exchange for new operating lease liabilities	**$ 348,187**	
Cash paid for amount included in the measurement of lease liabilities Operating cash flows from operating lease	**$ (176,282)**	

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. 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 people of all ages who face limitations of income and access to needed resources, provides short term solutions and opportunities for life long success. 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.

During Fiscal Year 2023 the Agency served 18,000 clients. Seventy-two 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, and family engagement activities. The Agency has created stable partnerships with over 25 schools across 7 districts over the past 19 years.

- Supports families via early childhood learning/kindergarten-readiness programs; parenting, health and economic empowerment programs. This year approximately 250 families were served.

- Collaborates with culturally-specific partners to provide in-depth wraparound services to families via the Albina-Rockwood Promise Neighborhood Initiative. This year approximately 90 families were served.

- Provided almost 22,000 rides to older and disabled adults

NOTE A – DESCRIPTION OF AGENCY (CONTINUED)

- Results of our economic empowerment program: Services are integrated across core programs to enhance results for financial stability and other social service programs. The Agency helped boost family income by an average of $1,519 last year by connecting families to Earned Income Tax Credits. This year, 300people 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 organization 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. Last year, almost 22,000 rides to medical appointments, the grocery store or social outings were provided for around 877 isolated older and disabled adults.

- Distributed almost 1 million pounds of food across 33,000 pantry visits 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.

From 2009 – 2012 MFS focused on cultural awareness and developed a cultural competency plan and created a Diversity Action Team who identified and made service adaptations in order to increase cultural competency. From 2013 – 2017 MFS completed an organizational self-assessment for racial equity and began applying an equity lens to decision making processes. From 2018 – 2020 MFS created a Culturally Responsive Community Liaison position to enhance partnerships with culturally specific partners and strengthen relationships and engage with program participants from BIPOC communities. In addition, a DEI training plan was also created and implemented in addition to an organizational DEI statement. From 2020 – 2023 MFS created a Chief Advocacy and Equity Officer position and made a commitment to become an anti-racist organization. During this time MFS adopted a culturally responsive learning culture and framework. An internal DEI survey was conducted, the results of which guided a DEI work plan. MFS Created a Justice, Equity, Diversity, and Inclusion (JEDI) steering committee, and key committees in the areas of communications, inclusive work environments, & training and education, to drive strategic goals identified. A robust ongoing training plan was initiated and included management team learning sessions to support inclusive supervision and JEDI principles, and required foundational DEIJ for staff and volunteers. In addition, program participant voice work was initiated to learn more about program participant needs to direct programs and service delivery and identify advocacy priorities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended June 30, 2023, the Agency elected to adopt *Accounting Standards Update No. 2016-02, Leases Topic 842 ("ASC 842")*. 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. The Agency elected to adopt ASC 842, effective July 1, 2022, using the optional transition method to apply the transition provisions from the date of adoption, which requires the Agency to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances. Pursuant to the practical expedients, the Agency elected not to reassess: (i) whether expired or existing contracts are or contain leases (ii) the lease classification for any expired or existing leases, or (iii) initial direct cost for any existing leases.

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 Agency 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 $129,049 at June 30, 2023.
- 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 $262,726 at June 30, 2023. 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, 2023.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically for the exercise of the right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to contract and direct the use of the identified asset.

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as fixed common area and other fixed maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses a risk free discount rate for all asset classes.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has no leases with an initial term of 12 months or less.

Endowment Investment and Spending Policies

The goal of the Agency's investment program for funds held as 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.

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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundable Advances

Refundable advances result primarily from conditional grant payments received prior to the incurrence of allowable grant expenditures, and are refundable to the grantors if not used for grant purposes.

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, 2022, 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.

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.

NOTE C – FAIR VALUE MEASUREMENTS (CONTINUED)

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	$ 422,169	$ -	$ 422,169
Corporate bonds and notes	677,079	-	677,079
U.S. Government bonds	413,699	-	413,699
Equity investments	2,293,173	-	2,293,173
Equity ETFs and mutual funds	874,092	-	874,092
Other	37,901	-	37,901
Beneficial interest in assets held by others	-	514,191	514,191
	$ 4,718,113	$ 514,191	$ 5,232,304

For the year ended June 30, 2023, the change in investments classified as Level 3 is as follows:

Balance, June 30, 2022	$ 505,438
Total gains, losses, fees, and interest included on the Statement of Activities	28,913
Transfers to other investments	(20,160)
Balance, June 30, 2023	$ 514,191

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 1998, $341,710 was transferred to the Oregon Community Foundation (OCF). 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	$ 4,725,047	$ 171,874	$ 4,896,921
Interest and dividend income	112,716	1,124	113,840
Investment gains/(losses) (realized and unrealized)	293,490	8,708	302,198
Total investment return	406,206	9,832	416,038
Other changes: Withdrawals	(336,526)	(6,855)	(343,381)
Endowment net assets, end of year	$ 4,794,727	$ 174,851	$ 4,969,578

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

NOTE F – IN-KIND CONTRIBUTIONS

In-kind contributions are provided in a number of ways by volunteers, funders, and other friends of the Agency. Valuation of donated goods is based on an estimate of fair market value of the goods. Donated food is valued based on the Oregon Department of Education meal cost reimbursement rate. In-kind assistance of $1,236,350 was passed through to another organization and is included in gross in-kind contributions but is removed from net revenue as the Agency has no variance power. 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. No in-kind contributions were monetized.

Utility bill assistance	$ 1,236,250
Meals	254,737
Supplies	72,251
	1,563,238
Less pass-through in-kind assistance	(1,236,250)
In-kind contribution revenue, net of pass-through	$ 326,988

In-kind food and supplies of approximately $326,988 are included in the Agency's Statement of Functional Expenses.

NOTE G – 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 determined annually. Contributions for 2023 were $152,402.

NOTE H – OPERATING LEASES

The Agency leases certain facilities under operating leases which expire in various periods from 1 to 3 years. The Agency is responsible for utilities, taxes and insurance. The Agency includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. All operating leases include escalating fee schedules, which range from a 3 to 4 percent increase for specific years.

Lease cost		
Operating lease cost	$	185,572
Other information		
Weighted-average remaining lease term		
Operating leases		1.68
Weighted-average discount rate		
Operating leases		3.11%

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2023, are as follows:

Year Ending June 30,		**Operating Leases**
2024		121,976
2025		36,580
2026		25,674
Total future lease payments		184,230
Less interest		(5,628)
Present value of lease liabilities	$	178,602

NOTE I – 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	58,020
Total endowment restricted net assets	174,851
Purpose restricted by grantors	391,234
Total net assets with donor restrictions	$ 566,085

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, 2023:

Financial assets at year-end*	
Cash and cash equivalents	$ 324,736
Receivables	1,521,492
Investments and beneficial interest	5,232,304
Total financial assets	7,078,532
Less amounts unavailable for general expenditure within one year:	
Contractual or donor-imposed restrictions:	
Restricted by donors for family endowment	174,851
Restricted by donors with purpose restriction	391,234
Board designations:	
Board-designated endowment fund	4,794,727
Less appropriated for expenditure in fiscal year 2024	(309,235)
Total unavailable financial assets	5,051,577
Financial assets available to meet cash needs for general expenditures within one year	$ 2,026,955

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

NOTE J – LIQUIDITY (CONTINUED)

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 $309,235 from the endowment funds will be available within the next 12 months.

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 November 17, 2023, which is the date the financial statements were available to be issued.