

United Way of Lancaster County

Year Ended June 30, 2018 with Comparative Totals for 2017



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United Way of Lancaster County

Financial Statements

Year Ended June 30, 2018 with Comparative Totals for 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Lancaster County
Lancaster, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of **United Way of Lancaster County** (a nonprofit organization), which comprise of the statement of financial position as of June 30, 2018, 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United Way of Lancaster County** as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the **United Way of Lancaster County's** 2017 financial statements, and our report dated October 12, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated MONTH DD, YYYY on our consideration of **United Way of Lancaster County's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **United Way of Lancaster County'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 **United Way of Lancaster County's** internal control over financial reporting and compliance.

September 26, 2018
Lancaster, Pennsylvania

Trout, Ebersole + Groff, LLP
TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

United Way of Lancaster County
STATEMENT of FINANCIAL POSITION
June 30, 2018 with Comparative Totals for 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 716,819	\$ 1,353,539
Cash and Cash Equivalents - Temporarily Restricted	281,606	344,218
Cash and Cash Equivalents - Pension Reversion Account	183,220	-0-
Pledges Receivable, less Allowance for Uncollectible Pledges of \$416,400 and \$388,000 for June 30, 2018 and 2017, Respectively	1,454,502	1,925,159
Accounts Receivable	24,650	26,923
Grants Receivable	140,077	136,783
Investment Income Receivable	13,966	13,263
Prepaid Expenses/Other	36,556	28,522
Total Current Assets	2,851,396	3,828,407
OTHER ASSETS		
Investments - Unrestricted	3,358,366	3,411,902
Investments - Temporarily Restricted	449,003	412,624
Investments - Permanently Restricted	245,248	245,248
Investments - Certificates of Participation	224,192	224,192
Total Other Assets	4,276,809	4,293,966
EQUIPMENT, net of Accumulated Depreciation	41,356	43,938
BENEFICIAL INTEREST in PERPETUAL TRUST	594,369	577,154
TOTAL ASSETS	7,763,930	8,743,465
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Partnership Allocations Payable	2,425,138	2,199,617
Accounts Payable - Trade	121,326	92,202
Due to Designated Agencies	232,036	315,369
Due to Other Organizations and Grantors	396,974	331,069
Pension Reversion Custodial Liability	183,220	-0-
Accrued Expenses	51,814	56,633
Accrued Salaries and Wages	75,807	54,007
Total Current Liabilities	3,486,315	3,048,897
LONG-TERM LIABILITIES		
Pension Contribution Payable	-0-	369,969
TOTAL LIABILITIES	3,486,315	3,418,866
NET ASSETS		
Unrestricted - Undesignated	1,145,764	1,944,865
Unrestricted - Board Designated	113,433	166,088
Total Unrestricted	1,259,197	2,110,953
Temporarily Restricted	2,178,801	2,391,244
Permanently Restricted	839,617	822,402
TOTAL NET ASSETS	4,277,615	5,324,599
TOTAL LIABILITIES and NET ASSETS	\$ 7,763,930	\$ 8,743,465

See notes to financial statements.

United Way of Lancaster County

STATEMENT of ACTIVITIES and CHANGES in NET ASSETS
Year Ended June 30, 2018 with Comparative Totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2018	Year Ended June 30, 2017
PUBLIC SUPPORT					
Campaign Applicable to Current Period:					
Contributions, net of Uncollectable	\$ 2,428,420	\$ 1,524,126		\$ 3,952,546	\$ 4,757,409
Contributions Released from Restriction	<u>1,700,626</u>	<u>(1,700,626)</u>		<u>-0-</u>	<u>-0-</u>
Gross Campaign Results	4,129,046	(176,500)	-0-	3,952,546	4,757,409
Donor Designations	<u>(753,757)</u>			<u>(753,757)</u>	<u>(956,382)</u>
Total Campaign Applicable to Current Period	3,375,289	(176,500)	-0-	3,198,789	3,801,027
Campaign Revenue Designated for Future Allocation Periods		10,000		10,000	10,000
Corporate Sponsorships	65,250			65,250	72,283
Contributions - Gifts In-Kind	103,995			103,995	111,016
Contributions - Other United Ways	119,092			119,092	138,920
Donations, Bequests, and Amortization of Pledge Discount	<u>181,042</u>			<u>181,042</u>	<u>4,902</u>
Total Public Support	3,844,668	(166,500)	-0-	3,678,168	4,138,148
REVENUES					
Interest and Dividend Income, net of Investment Expenses of \$29,611 and \$29,275 for the Years Ended June 30, 2018 and 2017, Respectively	134,813			134,813	85,934
Distributions Received from Perpetual Trust	31,548			31,548	27,847
Management Fees	248,106			248,106	215,856
Fees and Grants	1,025,515			1,025,515	929,964
Fees and Grants Released from Restriction	<u>\$ 51,761</u>	<u>\$ (51,761)</u>		<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of ACTIVITIES and CHANGES in NET ASSETS

(Continued)

Year Ended June 30, 2018 with Comparative Totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2018	Year Ended June 30, 2017
REVENUES (Continued)					
Administrative Fee - Donor Choice Program	\$ 66,759			\$ 66,759	\$ 64,599
Miscellaneous	38,401			38,401	54,667
Total Revenues	<u>1,596,903</u>	<u>(51,761)</u>	<u>-0-</u>	<u>1,545,142</u>	<u>1,378,867</u>
TOTAL PUBLIC SUPPORT and REVENUES	5,441,571	(218,261)	-0-	5,223,310	5,517,015
EXPENSES					
Program Services:					
Gross Funds Awarded/Distributed	3,758,964			3,758,964	3,892,589
Donor Designations	(753,757)			(753,757)	(956,382)
Net Funds Awarded/Distributed	3,005,207	-0-	-0-	3,005,207	2,936,207
Other Allocations and Program Expenses	128,211			128,211	162,482
Total Program Funds Awarded	<u>3,133,418</u>	<u>-0-</u>	<u>-0-</u>	<u>3,133,418</u>	<u>3,098,689</u>
Communications	125,699			125,699	130,967
211 Call Center	464,980			464,980	383,411
Volunteer Center	89,155			89,155	84,677
VITA	270,146			270,146	226,350
Community Impact	531,855			531,855	526,820
Total Program Services	<u>\$ 4,615,253</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,615,253</u>	<u>\$ 4,450,914</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of ACTIVITIES and CHANGES in NET ASSETS

(Continued)

Year Ended June 30, 2018 with Comparative Totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2018	Year Ended June 30, 2017
EXPENSES (Continued)					
Supporting Services:					
Administrative and General	\$ 457,282			\$ 457,282	\$ 434,576
Fund Raising	754,922			754,922	858,045
Total Supporting Services	<u>1,212,204</u>	<u>-0-</u>	<u>-0-</u>	<u>1,212,204</u>	<u>1,292,621</u>
TOTAL EXPENSES	<u>5,827,457</u>	<u>-0-</u>	<u>-0-</u>	<u>5,827,457</u>	<u>5,743,535</u>
CHANGES in NET ASSETS BEFORE EFFECTS of OTHER ITEMS					
	(385,886)	(218,261)	-0-	(604,147)	(226,520)
Loss on Disposal of Equipment	(2,401)			(2,401)	-0-
Change in Value of Beneficial Interest in Perpetual Trusts			17,215	17,215	41,530
Realized and Unrealized Gain on Investments	57,022	5,818		62,840	336,137
Pension-Related Changes Other than Net Periodic Pension Cost	<u>(520,491)</u>			<u>(520,491)</u>	<u>33,311</u>
CHANGES in NET ASSETS	(851,756)	(212,443)	17,215	(1,046,984)	184,458
NET ASSETS					
Beginning of Year	<u>2,110,953</u>	<u>2,391,244</u>	<u>822,402</u>	<u>5,324,599</u>	<u>5,140,141</u>
End of Year	<u>\$ 1,259,197</u>	<u>\$ 2,178,801</u>	<u>\$ 839,617</u>	<u>\$ 4,277,615</u>	<u>\$ 5,324,599</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

Year Ended June 30, 2018 with Comparative Totals for 2017

PROGRAM SERVICES

	Total Program Funds Awarded	Marketing and Communications	211 Call Center	Volunteer Center	VITA	Community Impact	Year Ended June 30, 2018	Year Ended June 30, 2017
EXPENSES								
FUNDS AWARDED/DISTRIBUTED								
Gross Funds Awarded/Distributed	\$ 3,758,964						\$ 3,758,964	\$ 3,892,589
Donor Designations	(753,757)						(753,757)	(956,382)
Net Funds Awarded/Distributed	3,005,207	-0-	-0-	-0-	-0-	-0-	3,005,207	2,936,207
Other Allocations and Program Expenses	128,211						128,211	162,482
Total Program Funds Awarded	3,133,418	-0-	-0-	-0-	-0-	-0-	3,133,418	3,098,689
SALARIES and RELATED EXPENSES								
Salaries	-0-	70,214	259,756	44,199	170,724	281,743	826,636	749,805
Employee Benefits	-0-	13,611	42,125	8,518	23,780	52,335	140,369	130,498
Payroll Taxes	-0-	6,210	19,577	3,886	11,736	24,058	65,467	66,351
Total Salaries and Related Expenses	-0-	90,035	321,458	56,603	206,240	358,136	1,032,472	946,654
OTHER FUNCTIONAL EXPENSES								
Supplies	-0-	639	1,546	1,164	3,491	1,105	7,945	11,789
Telephone	-0-	1,094	19,805	578	763	4,265	26,505	21,979
Postage	-0-	590	1,453	333	66	2,492	4,934	5,580
Occupancy - Rent	-0-	7,565	18,886	1,574	3,000	22,866	53,891	52,550
Conferences, Events, and Training	-0-	471	4,829	11,380	12,357	23,446	52,483	61,246
Equipment Rental and Maintenance	-0-	2,975	11,408	4,198	10,131	17,260	45,972	53,233
Printing/Promotion	-0-	9,215	25,503	5,374	24,837	38,063	102,992	58,582
Local Transportation	-0-	581	623	908	4,783	3,628	10,523	16,861
Professional Fees/Subcontract	-0-	5,333	27,766	3,056	828	31,060	68,043	50,336
Insurance	-0-	942	7,357	370	325	2,647	11,641	11,092
Dues - United Way of PA/America	-0-	5,136	12,648	2,899		20,760	41,443	44,393
Depreciation	-0-	887	2,793	559		5,070	9,309	14,704
Miscellaneous	-0-	236	8,905	159	3,325	1,057	13,682	3,226
Total Other Functional Expenses	-0-	35,664	143,522	32,552	63,906	173,719	449,363	405,571
Total Program Services	\$ 3,133,418	\$ 125,699	\$ 464,980	\$ 89,155	\$ 270,146	\$ 531,855	\$ 4,615,253	\$ 4,450,914

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2018 with Comparative Totals for 2017

	SUPPORTING SERVICES			
	Administrative and General	Fund Raising	Year Ended June 30, 2018	Year Ended June 30, 2017
SALARIES and RELATED EXPENSES				
Salaries	\$ 263,259	\$ 397,809	\$ 661,068	\$ 674,024
Employee Benefits	47,845	78,152	125,997	118,156
Payroll Taxes	22,077	33,836	55,913	60,215
Total Salaries and Related Expenses	333,181	509,797	842,978	852,395
OTHER FUNCTIONAL EXPENSES				
Supplies	2,307	5,330	7,637	7,966
Telephone	3,263	4,358	7,621	6,458
Postage	1,536	3,044	4,580	4,803
Occupancy - Rent	26,838	24,124	50,962	41,532
Conferences, Events, and Training	9,886	31,341	41,227	38,137
Equipment Rental and Maintenance	13,303	12,454	25,757	34,941
Printing/Promotion	26,273	12,869	39,142	28,492
Local Transportation	2,633	5,826	8,459	12,773
Professional Fees	16,594	22,304	38,898	123,918
Advertising/Marketing		93,784	93,784	76,206
Insurance	1,575	2,682	4,257	4,805
Dues - UW of PA and UWW	15,553	21,033	36,586	38,857
Depreciation	3,161	4,857	8,018	13,340
Miscellaneous	1,179	1,119	2,298	7,998
Total Other Functional Expenses	124,101	245,125	369,226	440,226
Total Supporting Services	\$ 457,282	\$ 754,922	\$ 1,212,204	\$ 1,292,621

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2018 with Comparative Totals for 2017

	<u>Program Expenses</u>		<u>Supporting Services</u>		<u>Total Functional Expenses</u>	
	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>
EXPENSES						
FUNDS AWARDED/DISTRIBUTED						
Gross Funds Awarded/Distributed	\$ 3,758,964	\$ 3,892,589	\$ -0-	\$ -0-	\$ 3,758,964	\$ 3,892,589
Donor Designations	(753,757)	(956,382)	-0-	-0-	(753,757)	(956,382)
Net Funds Awarded/Distributed	3,005,207	2,936,207	-0-	-0-	3,005,207	2,936,207
Other Allocations and Program Expenses	128,211	162,482	-0-	-0-	128,211	162,482
Total Program Funds Awarded	3,133,418	3,098,689	-0-	-0-	3,133,418	3,098,689
SALARIES and RELATED EXPENSES						
Salaries	826,636	749,805	661,068	674,024	1,487,704	1,423,829
Employee Benefits	140,369	130,498	125,997	118,156	266,366	248,654
Payroll Taxes	65,467	66,351	55,913	60,215	121,380	126,566
Total Salaries and Related Expenses	1,032,472	946,654	842,978	852,395	1,875,450	1,799,049
OTHER FUNCTIONAL EXPENSES						
Supplies	7,945	11,789	7,637	7,966	15,582	19,755
Telephone	26,505	21,979	7,621	6,458	34,126	28,437
Postage	4,934	5,580	4,580	4,803	9,514	10,383
Occupancy - Rent	53,891	52,550	50,962	41,532	104,853	94,082
Conferences, Events, and Training	52,483	61,246	41,227	38,137	93,710	99,383
Equipment Rental and Maintenance	45,972	53,233	25,757	34,941	71,729	88,174
Printing/Promotion	102,992	58,582	39,142	28,492	142,134	87,074
Local Transportation	10,523	16,861	8,459	12,773	18,982	29,634
Professional Fees/Subcontract	68,043	50,336	38,898	123,918	106,941	174,254
Advertising/Marketing	-0-	-0-	93,784	76,206	93,784	76,206
Insurance	11,641	11,092	4,257	4,805	15,898	15,897
Dues - United Way of PA/America	41,443	44,393	36,586	38,857	78,029	83,250
Depreciation	9,309	14,704	8,018	13,340	17,327	28,044
Miscellaneous	13,682	3,226	2,298	7,998	15,980	11,224
Total Other Functional Expenses	449,363	405,571	369,226	440,226	818,589	845,797
Total	\$ 4,615,253	\$ 4,450,914	\$ 1,212,204	\$ 1,292,621	\$ 5,827,457	\$ 5,743,535

See notes to financial statements.

United Way of Lancaster County
 STATEMENT of CASH FLOWS
 Year Ended June 30, 2018 with Comparative Totals for 2017

	2018	2017
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ (1,046,984)	\$ 184,458
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Provision for Uncollected Pledges	28,377	105,723
Depreciation	17,327	28,044
Loss on Disposal of Equipment	2,401	-0-
Contributed Property and Equipment	-0-	(2,794)
Realized and Unrealized (Gain) on Investments	(62,840)	(336,137)
Change in Value of Beneficial Interest in Perpetual Trusts	(17,215)	(41,530)
(Increase) Decrease in:		
Pledges Receivable	442,280	(47,729)
Accounts and Investment Income Receivable	1,570	684
Grants Receivable	(3,294)	(22,904)
Prepaid Expenses/Other	(8,034)	24,308
Increase (Decrease) in:		
Accounts Payable, Allocations, Agency, and Other Payables	237,217	(326,652)
Accrued Pension Cost	(369,969)	(107,904)
Accrued Expenses	(4,819)	10,750
Accrued Salaries and Wages	21,800	1,054
Net Cash Used by Operating Activities	(762,183)	(530,629)
 CASH FLOWS from INVESTING ACTIVITIES		
Capital Expenditures	(17,146)	(14,535)
Purchase of Investments	(1,914,780)	(1,710,314)
Sale of Investments	1,994,777	1,892,446
Net Cash Provided by Investing Activities	62,851	167,597
 CASH FLOWS from FINANCING ACTIVITIES		
Funds Received in Custody for Pension Reversion Liability	<u>183,220</u>	<u>-0-</u>
 DECREASE in CASH and CASH EQUIVALENTS	(516,112)	(363,032)
 CASH and CASH EQUIVALENTS		
Beginning of Year	<u>1,697,757</u>	<u>2,060,789</u>
End of Year	<u>\$ 1,181,645</u>	<u>\$ 1,697,757</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of CASH FLOWS

(Continued)

Year Ended June 30, 2018 with Comparative Totals for 2017

	2018	2017
CASH and CASH EQUIVALENTS on the STATEMENT of FINANCIAL POSITION is COMPRISED of the FOLLOWING:		
Cash and Cash Equivalents:		
Unrestricted	\$ 716,819	\$ 1,353,539
Temporarily Restricted	281,606	344,218
Pension Reversion Account	183,220	-0-
	<u>\$ 1,181,645</u>	<u>\$ 1,697,757</u>
 SUPPLEMENTAL DISCLOSURES of NONCASH INVESTING and FINANCING ACTIVITIES		
Collection of Contributions in Form of Securities that were Immediately Sold	108,201	111,206
Contributed Property and Equipment	-0-	2,794

See notes to financial statements.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

NOTE 1 - NATURE of ACTIVITIES and SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

United Way of Lancaster County (the United Way) is a not-for-profit voluntary health and welfare agency established to achieve impactful systematic social change within Lancaster County by mobilizing the caring power of our community. To accomplish its mission, the United Way identifies community needs, raises resources, and invests in solutions which effectively address human service needs throughout Lancaster County. The United Way's primary funding source is donor contributions from donors who live in Lancaster County and businesses located in Lancaster County. The United Way is governed by a volunteer Board of Directors and has membership with both United Way Worldwide and United Way of Pennsylvania.

Basis of Accounting

The accounting records of the **United Way of Lancaster County** are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Current US GAAP standards are contained in the Accounting Standards Codification (ASC), as set forth by the Financial Accounting Standards Board (FASB).

Net Asset Classification

Financial statement presentation follows the recommendations of the FASB ASC Topic 958, *Not-for-Profit Entities*. Under this topic, the United Way is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Financial Statement Presentation

Information for the year ended June 30, 2017, is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America and is presented for comparative purposes only.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the United Way considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Cash and cash equivalents - temporarily and permanently restricted, that is shown separately on the statement of financial position, consists of funds on hand committed for temporarily and permanently restricted purposes.

Contributions

Contributions are recorded when the United Way is notified of the promise to give. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as temporarily restricted support and as net assets released from restrictions. In certain situations, the United Way functions as custodian for funds, the expenditures of which are directed by other parties. Custodial funds remaining at year end are not included in the United Way's net assets and are accounted for as part of a liability on the statement of financial position.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - NATURE of ACTIVITIES and SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give (Pledges Receivable)

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable are not discounted since collection is expected within one year. Conditional promises to give are not included as support until such time as the conditions are substantially met. The United Way maintains a reserve for potential uncollectible pledges. The allowance for uncollectible pledges is based on historical averages.

Receivables

Receivables principally represent accounts and amounts under grant contracts. Receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the outstanding principal adjusted for allowance for doubtful accounts. Account balances generally are written off when management judges such balances uncollectible, such as an account in bankruptcy. Management continually monitors and reviews receivable balances.

The United Way considers various factors as of the date of the financial statements in evaluating the credit quality of receivables, including the value of collateral, if any, historical collection experience, and the United Way's assessment of the counterparties' ability to repay their obligation. To date, the United Way has not experienced any losses with respect to accounts not considered trade receivables and believes that these receivables would be recovered: therefore, an allowance for uncollectible amounts has not been recorded.

Investments

Investments are carried at fair value. Unrealized gains and losses are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation, by law, or by the passage of time. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. Donated securities received by the United Way are recorded at their fair value at the time of receipt. Donated securities received are typically sold immediately upon receipt.

Investments - Certificates of participation are carried at cost. The fair value of these certificates was not readily determinable. See Notes 7 and 18 for further information on these certificates.

Equipment

Equipment is stated at cost or at fair value at the date of donation. Depreciation is calculated on an annual straight-line basis over the estimated useful lives ranging from 5 to 10 years. The United Way does not imply time restrictions on gifts of long-lived assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred; expenditures for renewals and betterments exceeding \$1,000 are capitalized.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - NATURE of ACTIVITIES and SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain types of assets, liabilities, income, and expenses. Such estimates relate primarily to fair value measurements, the valuation for promises to give, and the allocation of functional expenses. Accordingly, actual results may differ from estimated amounts.

Annual Campaign Revenue and Allocation Expense

Annual campaigns are conducted to raise support for allocations to funded community impact partnerships. Contributions are recognized as income in the period that an unconditional promise was deemed made and received.

Allocations are distributed to community impact partnerships based on a July 1st to June 30th allocation cycle. Allocation expense is recognized in the period the allocation is unconditionally committed to community impact partnerships. At June 30, 2018, the United Way had committed to pay community impact partnership allocations through June 30, 2019, and program expenses for the year ended June 30, 2018 included community impact partnership allocations for the period July 1, 2018 through June 30, 2019.

Functional Expense Classification

The cost of providing the various programs and other activities is summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of administrative and general expenses, fund raising expenses, and United Way of America dues. Total program costs were \$4,615,253 and \$4,450,914 for the years ended June 30, 2018 and 2017, respectively.

Donated Services, Materials, and Equipment

Donated services, materials, and equipment are recognized as contributions when received if there is an objective basis for valuation.

The United Way receives donated materials through its gifts in-kind program. These materials are then distributed to participating agencies. There were no materials received for the years ended June 30, 2018 and 2017.

The United Way also receives donated services from various volunteers and organizations. These services are donated to the United Way to aid the annual campaign and various special events held by the United Way throughout the year. The value of the donated services received amounted to \$103,995 and \$111,016 for the years ended June 30, 2018 and 2017, respectively.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - NATURE of ACTIVITIES and SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The United Way is exempt from taxation as provided by Code Section 501(c)(3) of the Internal Revenue Code (the Code). Section 501(c)(3) defines the exempt organization as being “organized and operated for religious, charitable, scientific, testing for public safety, literacy or educational purposes, or the prevention of cruelty to children or animals.” In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation, within the meaning of Section 509(a) of the Code.

The Organization is not aware of any unrelated business income that would be subject to taxation. Accordingly, the Internal Revenue Service Form 990-T will not be filed. The Organization follows the provisions of ASC Topic 740, *Income Taxes*, and is not aware of any uncertain tax positions, and accordingly, no corresponding liability, including penalties and interest, has been recorded in the accompanying financial statements.

Deferred Revenue

The United Way recognizes deferred revenue which consists of miscellaneous program revenue received in advance of the year in which the program is conducted. There was no deferred revenue as of June 30, 2018 and 2017.

Advertising

The United Way expenses advertising costs as they are incurred. Advertising expense was \$93,784 and \$76,206 for the years ended June 30, 2018 and 2017, respectively.

Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires entities to recognize revenue when a customer obtains control rather than when entities have transferred substantially all risks and rewards of a good or service. This update is effective for fiscal year ending June 30, 2020. The Organization is currently assessing the impact the adoption of ASU 2014-09 will have on its financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (ASU 2016-14), which improves current reporting requirements for not-for-profit entities. The most significant provisions of the ASU will require not-for-profit entities to: 1) report only two classes of net assets, 2) change the cash flow presentation or disclosure requirements for entities using the direct method of presenting cash flows, and 3) provide enhanced disclosure related to liquidity, underwater endowments, board designated net assets, and time-restricted net assets. This update is effective for fiscal year ending June 30, 2019. The Organization is currently assessing the impact the adoption of ASU 2016-14 will have on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02), which will require lessees to recognize most leases on their balance sheet, increasing their reported assets and liabilities. This update was developed to provide financial statement users with more information about an entity’s leasing activities, and will require changes in processes and internal controls. This update is effective for fiscal year ending June 30, 2021. The Organization is currently assessing the impact the adoption of ASU 2016-02 will have on its financial statements.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - NATURE of ACTIVITIES and SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Not Yet Adopted (Continued)

In June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions. This update is effective for fiscal year ending June 30, 2021, and will require application of the new guidance on a modified prospective basis. The Organization is currently assessing the impact the adoption of ASU 2018-08 will have on its financial statements.

NOTE 2 - CONCENTRATION of CREDIT RISK

Certain financial instruments potentially subject the United Way to concentrations of credit risk. These financial instruments consist primarily of pledges receivable, cash, and investments. The United Way maintains its cash and investments with various financial institutions where the account balances may at times exceed FDIC and SIPC insured limits. Allowances are provided for pledges estimated to be uncollectible. The allowance is based on prior years' experience and management's analysis of specific promises made.

NOTE 3 - PROGRAM SERVICES/FUNCTIONAL EXPENSES CLASSIFICATIONS

The following summarizes the United Way program services provided to the community and general public:

Marketing and Communications - Educates the community about the United Way mission, goals, programs, and activities to increase involvement and support through giving, advocating, and volunteering.

211 Call Center - Provides comprehensive health and human services information and referral assistance to connect people with appropriate resources that include food, housing, healthcare, employment assistance, and other areas of need.

Volunteer Center - Mobilizes volunteer resources from companies and the community-at-large, connecting them with health and human service agencies and other organizations seeking donated talent. Provides consultative and technical assistance to organizations for volunteer programs.

Volunteer Income Tax Assistance program (VITA) - Provides free tax preparation services to low-to-moderate income individuals and families in Lancaster County. VITA has a team of roughly 200 volunteers who complete a vigorous training and certification process to become qualified to prepare tax returns through the VITA program. VITA does not charge anything for the service and usually a tax refund is issued, based on the current situation of each client. The money being saved by VITA clients would otherwise be paid to a for-profit tax preparer. The VITA program ensures that clients claim all of the credits available to them, such as the Earned Income Tax Credit (EIC) which is an economic stimulus to low-income wage earners. Volunteer tax preparers have the highest accuracy rate in the country. By providing free tax preparation, VITA helps to increase the financial stability of lower-income taxpayers in Lancaster County. VITA is implemented locally by **United Way of Lancaster County**.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - PROGRAM SERVICES/FUNCTIONAL EXPENSES CLASSIFICATIONS (Continued)

Community Impact - Responsible for the allocation of funds to, hands-on support of, and qualitative/quantitative monitoring of the 17 Community Impact Partnerships who are working throughout Lancaster County to achieve United Way's four Bold Goals - addressing child school readiness, post-secondary educational credentials, poverty reduction, and access to healthcare options. This new Collective Impact model emphasizes collaboration among multiple agencies within a unique partnership all working towards at least one of the Bold Goals to achieve systemic community change. Community Impact also includes advocacy efforts to further advance these particular issues.

The following summarizes the United Way supporting services:

Resource Development/Fund Raising - Generates the financial support required to improve lives in Lancaster County through annual and supplemental campaigns.

Administrative and General - Supports the day-to-day administrative operations of the **United Way of Lancaster County**, serves as a key partner in community change and provides leadership and support to the local nonprofit community.

NOTE 4 - PLEDGES and GRANTS RECEIVABLE

Pledges and grants receivable at June 30, 2018 and 2017, are as follows:

	2018		2017	
	Grants	Pledges	Grants	Pledges
Receivable in Less Than One Year	140,077	1,870,902	136,783	2,313,159
Receivable in One to Five Years	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	140,077	1,870,902	136,783	2,313,159
Allowance for Uncollectible Pledges	<u>-0-</u>	<u>(416,400)</u>	<u>-0-</u>	<u>(388,000)</u>
	140,077	1,454,502	136,783	1,925,159
Receivable Due In:				
Less Than One Year	140,077	1,454,502	136,783	1,925,159

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS

Details of investments held at June 30, 2018 and 2017, are as follows:

2018	Cost	Market Value	Unrealized Gain (Loss)
Money Market Funds, Other	51,147	51,147	-0-
Certificates of Deposit	58,334	58,334	-0-
Certificates of Participation	224,192	224,192	-0-
Municipal Bonds	568,601	564,842	(3,759)
Corporate Bonds	562,029	552,311	(9,718)
U.S. Government Bonds	44,395	44,084	(311)
Common Stocks	213,570	294,504	80,934
Registered Investment Companies	1,990,372	2,165,955	175,583
Exchange-Traded Fund	<u>248,498</u>	<u>321,440</u>	<u>72,942</u>
	3,961,138	4,276,809	315,671

2017	Cost	Market Value	Unrealized Gain (Loss)
Money Market Funds, Other	51,997	51,997	-0-
Certificates of Participation	224,192	224,192	-0-
Municipal Bonds	664,423	674,345	9,922
Corporate Bonds	438,667	450,079	11,412
U.S. Government Bonds	44,395	44,433	38
Common Stocks	204,488	275,637	71,149
Registered Investment Companies	2,115,923	2,245,618	129,695
Exchange-Traded Fund	<u>264,551</u>	<u>327,665</u>	<u>63,114</u>
	4,008,636	4,293,966	285,330

The following schedule summarizes the investment income and its classifications in the statement of activities and changes in net assets for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and Dividends	164,424	115,209
Realized Gain on Sale of Investments	32,499	120,835
Unrealized Gain on Investments	30,341	215,302
Fees	<u>(29,611)</u>	<u>(29,275)</u>
	197,653	422,071

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS (Continued)

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the United Way has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset and liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies at June 30, 2018 and 2017.

Certificates of Participation

Valued based on cost. The fair value of these certificates was not readily determinable. See Notes 7 and 18 for further information on these certificates.

Common Stock and Preferred Stock

Corporate stocks which are traded in active markets for identical assets are valued based on quoted prices.

Corporate stocks which are not exchange traded are valued by a recognized pricing service based on observable inputs for the asset, either directly or indirectly.

Corporate, Municipal and United States Government Bonds

Fixed income securities held by the United Way are valued by a recognized pricing service using observable inputs. Among the most commonly used pricing methods are utilization of benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. United States Corporate and Government Bonds are evaluated using the following methodology: security set-up, defined sector break-down, benchmark yields, applying base spread, and yield to maturity (bullet structures).

Registered Investment Companies/Money Market Funds

Valued at the daily closing price as reported by the fund. Mutual funds held by the United Way are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the United Way are deemed to be actively traded.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS (Continued)

Beneficial Interest in Perpetual Trust

Valued based on value of the underlying assets which is deemed to approximate the present value of estimated future cash flows (Note 6).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the United Way believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the United Way's investment assets that are measured at fair value on a recurring basis as of June 30, 2018 and 2017:

2018	Level 1	Level 2	Level 3	Total Fair Value
Equities - Common Stock				
Basic Materials	11,096	-0-	-0-	11,096
Consumer Goods	51,191	-0-	-0-	51,191
Consumer Staples	7,336	-0-	-0-	7,336
Energy	23,510	-0-	-0-	23,510
Financial	46,874	-0-	-0-	46,874
Health Care	44,106	-0-	-0-	44,106
Industrial Goods	35,664	-0-	-0-	35,664
Technology	74,727	-0-	-0-	74,727
Fixed Income - Municipal Bonds				
Short (Less Than 5 Years)	-0-	339,649	-0-	339,649
Intermediate (5 - 10 Years)	-0-	225,193	-0-	225,193
Fixed Income - Corporate Bonds				
Short (Less Than 5 Years)	-0-	397,069	-0-	397,069
Intermediate (5 - 10 Years)	-0-	155,242	-0-	155,242
Registered Investment Companies/Money Market Funds				
Money Market Funds	51,147	-0-	-0-	51,147
International	612,184	-0-	-0-	612,184
Small Cap	152,581	-0-	-0-	152,581
Large Cap	1,191,417	-0-	-0-	1,191,417
Emerging Market Fund	209,773	-0-	-0-	209,773
Exchange-Traded Funds	321,440	-0-	-0-	321,440

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS (Continued)

2018 (Continued)	Level 1	Level 2	Level 3	Total Fair Value
Agency Bonds	-0-	44,084	-0-	44,084
Certificates of Deposit	58,334	-0-	-0-	58,334
Certificates of Participation	<u>-0-</u>	<u>-0-</u>	<u>224,192</u>	<u>224,192</u>
	2,891,380	1,161,237	224,192	4,276,809
2017	Level 1	Level 2	Level 3	Total Fair Value
Equities - Common Stock				
Basic Materials	9,323	-0-	-0-	9,323
Consumer Goods	35,751	-0-	-0-	35,751
Consumer Staples	15,446	-0-	-0-	15,446
Energy	17,530	-0-	-0-	17,530
Financial	45,637	-0-	-0-	45,637
Health Care	52,653	-0-	-0-	52,653
Industrial Goods	33,299	-0-	-0-	33,299
Technology	65,999	-0-	-0-	65,999
Fixed Income - Municipal Bonds				
Short (Less Than 5 Years)	-0-	460,963	-0-	460,963
Intermediate (5 - 10 Years)	-0-	213,382	-0-	213,382
Fixed Income - Corporate Bonds				
Short (Less Than 5 Years)	-0-	316,175	-0-	316,175
Intermediate (5 - 10 Years)	-0-	133,904	-0-	133,904
Registered Investment Companies/Money Market Funds				
Money Market Funds	51,997	-0-	-0-	51,997
International	615,348	-0-	-0-	615,348
Small Cap	136,071	-0-	-0-	136,071
Mid Cap	260,511	-0-	-0-	260,511
Large Cap	983,119	-0-	-0-	983,119
Short-Term Bond	39,576	-0-	-0-	39,576
Emerging Market Fund	210,993	-0-	-0-	210,993
Exchange-Traded Funds				
Claymore Exchange - Mid Cap Blend	327,665	-0-	-0-	327,665
Agency Bonds	-0-	44,432	-0-	44,432
Certificates of Participation	<u>-0-</u>	<u>-0-</u>	<u>224,192</u>	<u>224,192</u>
	2,900,918	1,168,856	224,192	4,293,966

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS (Continued)

The United Way invests in various investment securities. 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 those changes could materially affect the amounts reported in the statement of financial position.

NOTE 6 - BENEFICIAL INTEREST in PERPETUAL TRUST

The United Way is a 50% income beneficiary of a perpetual trust. The principal amount is restricted to investments in perpetuity. The United Way's portion of the value of the trust at inception was \$561,476 and was shown as a permanently restricted contribution on the statement of activities and changes in net assets for the year in which the United Way became an income beneficiary.

The detail of the values of the perpetual trust is as follows:

	Level 3	
	2018	2017
Fair Value as of June 30	594,369	577,154

The following table sets forth a summary of the changes in fair value of the United Way's level 3 assets for the years ended June 30, 2018 and 2017 (Note 5):

Balance - June 30, 2016	535,624
Additions	2,144
Distributions	(27,847)
Investment Income, net Fees	<u>67,233</u>
Balance - June 30, 2017	577,154
Additions	15
Distributions	(31,548)
Investment Income, net Fees	<u>48,748</u>
Balance - June 30, 2018	594,369

In accordance with accounting principles generally accepted in the United States of America, the United Way recognizes its beneficial interests in these perpetual trusts as a permanently restricted net asset and any change in market value of trust assets from year to year on the statement of activities and changes in net assets. The assets held in trust are recorded at their fair value which is deemed to approximate the present value of estimated future cash receipts. The change in value of beneficial interest in perpetual trusts for the years ended June 30, 2018 and 2017, was \$17,215 and \$41,530, respectively.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - CERTIFICATES of PARTICIPATION/RENT EXPENSE

The United Way has an 80% financial ownership stake in the Lancaster County Health and Welfare Foundation (LCHWF), a 501(c)(3) organization. However it controls only a 25% voting stake, along with 3 other not-for-profit tenant/owners.

The United Way occupies premises which were owned by the LCH&WF. This Foundation sold certificates of participation to occupants of its facility based on the proportionate share of space occupied. Ownership of the certificates gave the holder certain reduced rental rates. Rent expense for the years ended June 30, 2018 and 2017, was \$104,853 and \$94,082, respectively. The United Way has paid a total of \$224,192 for such certificates. These certificates are redeemable at face value at the option of the Foundation, or they may be sold to a qualified health and welfare agency. The Lancaster County Health and Welfare Foundation sold the building in July 2018. It is anticipated that the United Way will receive a return of its investment during the fiscal year ending June 30, 2019, however distribution of the funds will be decided upon by vote of the board of directors of the LCH&WF. See Note 18.

NOTE 8 - EQUIPMENT

Equipment consists of the following at June 30, 2018 and 2017:

	2018	2017
Leasehold Improvements	66,300	66,300
Office Equipment and Fixtures	<u>245,946</u>	<u>345,214</u>
	312,246	411,514
Accumulated Depreciation	<u>(270,890)</u>	<u>(367,576)</u>
	41,356	43,938

Depreciation expense totaled \$17,327 and \$28,044 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 - LINE of CREDIT

The United Way has available a \$750,000 line of credit with a bank, which is due on demand. The credit line is unsecured with interest at prime minus .60%. There were no amounts outstanding under this line of credit at June 30, 2018 and 2017. The line of credit expires July 2019.

NOTE 10 - UNRESTRICTED NET ASSETS - BOARD DESIGNATED

The Board designated unrestricted net assets for training and pension reserve. Unrestricted net assets - Board designated have the following balances at June 30, 2018 and 2017:

	2018	2017
Board Designated - Training	113,443	116,088
Board Designated - Pension Reserve	<u>-0-</u>	<u>50,000</u>
	113,433	166,088

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	2018	2017
Time Restrictions:		
Net Campaign Pledges Received for Future Periods	1,448,193	1,624,402
Purpose Restrictions:		
Support Leadership Development of the Human Service Community	114,646	118,827
Support Women’s Leadership Council	488,790	470,460
Support Emergency Shelter	5,113	5,113
Support Education	39,321	79,905
Support Youth Venture	26,815	26,935
Support Bank On	42,328	42,328
Support Literacy	322	-0-
Support 211 Call Center	13,273	13,274
Support VITA	<u>-0-</u>	<u>10,000</u>
Total Temporary Restricted Net Assets	<u>2,178,801</u>	<u>2,391,244</u>

Temporarily restricted net assets consists of the following as of June 30, 2018 and 2017:

	2018	2017
Cash and Cash Equivalents	281,606	344,218
Pledges and Grants Receivable	1,448,192	1,634,402
Investments	<u>449,003</u>	<u>412,624</u>
	<u>2,178,801</u>	<u>2,391,244</u>

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS and ENDOWMENTS

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support general purposes.

Permanently restricted net assets consists of the following as of June 30, 2018 and 2017:

	2018	2017
Beneficial Interest in Perpetual Trust	594,369	577,154
Investments	<u>245,248</u>	<u>245,248</u>
	<u>839,617</u>	<u>822,402</u>

FASB ASC Topic 958, *Not-for-Profit Entities*, requires enhanced disclosures for all endowment funds. The United Way has interpreted laws related to the management of endowment funds, specifically Pennsylvania Act 141, to intend for the United Way to select a principal and income or a total return investment policy in the absence of specific donor stipulations. Act 141 seeks to preserve the value of the original gift as of the gift date of the donor restricted endowment funds and provides a framework for the prudent use of endowment earnings to

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS and ENDOWMENTS (Continued)

support the United Way's operations or specified purpose. In accordance with Act 141, the United Way elects the total return investment policy in the absence of specific donor stipulations. The return objective is to earn an average annual total rate of return of six to eight percent, as measured over a three-year to eight-year market period. As a result of this interpretation, the United Way classifies the original value of the gift and all subsequent gifts as permanently restricted net assets. Income derived from the endowments is used to support operations (unrestricted) and programs for girls and women and training (temporarily restricted) and are classified as unrestricted and temporarily restricted income, respectively until monies are released from restrictions.

The Board has approved an investment policy for the United Way's endowments that assigns responsibilities to an investment manager and establishes investment principles to achieve prudent investment strategies. The policy underlines the need for diversification, preservation of capital, and risk awareness with the goal of providing endowment growth and income in perpetuity.

The United Way's endowment assets consist of funds, the earnings of which are unrestricted for general operations and restricted for use for girls' and women's programs and training. These endowment funds are composed of assets permanently restricted by donor designations.

The following summarizes the changes in endowment net assets for the years ended June 30, 2018 and 2017, and presents the endowment net assets as of June 30, 2018 and 2017:

	Permanently Restricted	
	2018	2017
Endowment Net Assets, Beginning of Year	245,248	245,248
Investment Return:		
Investment Income	2,232	15,188
Appropriation of Endowment Assets for Expenditure/Transfer to Restore Value of Endowment Fund	<u>(2,232)</u>	<u>(15,188)</u>
Endowment Net Assets, End of Year	245,248	245,248

NOTE 13 - DEFINED BENEFIT PENSION PLAN

The United Way sponsored a multiple-employer, non-contributory defined benefit pension plan that covered eligible full-time employees. The multiple-employer plan covered the United Way and other affiliated agencies. The actuarial data and calculations disclosed in this note pertain only to the covered employees of the United Way. The measurement dates are as of June 30 for each fiscal year. The plan provided for benefits to be paid to eligible employees at retirement based primarily upon years of service and compensation rates. Contributions to the plan reflect benefits attributed to employees' services through December 31, 2006.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLAN (Continued)

In accordance with actions taken by the plan sponsors, effective December 31, 2006, employees had their benefits frozen at the benefit earned through that date. Also, effective December 31, 2006, the disability provision was removed from the plan. As the result, there are no more benefit accruals or new members after that date. The only change in actuarial assumptions is the change in the current liability interest rate and mortality as required by the IRS. The cost method was changed because the plan was frozen, also as required by the IRS.

The Plan has been subsequently terminated in its entirety. At the time of liquidation (March 2018), assets of the trust were completely liquidated and participants received the value of their estimated benefits. These benefits were actuarially determined. The United Way paid \$890,460 during the fiscal year ended June 30, 2018 to provide for full and final payment of all benefits due plan participants.

At June 30, 2018, the United Way is holding \$183,220 in cash reserved for payment of all pension administrative fees yet to be incurred for the termination of the Plan. Any remaining cash, after all fees are paid, will be distributed to contributing agencies in a final reversion payment. Therefore, a \$183,220 corresponding pension reversion liability is reflected at June 30, 2018. Management believes that these matters should be resolved in the near future and are reflected in the current assets and liabilities as a result. After the time all administrative fees have been paid, the United Way will recognize their proportionate share of the reversion payment in the statement of activities.

The United Way follows the provisions of FASB ASC Topic 715, *Compensation - Retirement Benefits*, which require that the funded status of defined benefit pension and other postretirement plans be fully recognized in the statement of financial position.

The funded status as of June 30, 2018 and 2017, is as follows:

	2018	2017
Funded Status, Beginning of Year	(369,969)	(477,873)
Employer Contributions and Funding	902,050	69,414
Other Changes	<u>(532,081)</u>	<u>38,490</u>
Funded Status, End of Year	-0-	(369,969)
Projected Benefit Obligations at June 30	NA	(1,821,440)
Fair Value of Plan Assets at June 30	NA	<u>1,451,471</u>
Funded Status at June 30 Recognized on the Statement of Financial Position	-0-	(369,969)

NOTE 14 - 401(k) SAVING PLANS

On January 1, 2007, the United Way established a 401(k) Retirement Plan covering substantially all of its employees. The plan is a "Safe Harbor Plan" whereby the United Way shall make a contribution equal to 3.00% of employee's compensation. In addition, the United Way will match 100% of an employee's deferral up to a maximum of 2%. The United Way's contribution to the plan was \$53,789 and \$56,769 for the years ended June 30, 2018 and 2017, respectively and includes a 3% safe harbor contribution and a 2% deferral match.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 15 - OPERATING LEASES

The United Way leases computer equipment under operating lease agreements expiring at various times through the fiscal year ending 2022. Total lease rental expenses for the years ended June 30, 2018 and 2017, were \$5,197 and \$3,737, respectively. Minimum annual rental commitments under non-cancelable leases are as follows at June 30, 2018:

2019	5,197
2020	5,003
2021	2,863
2022	954

The United Way also leased its facility under an annual operating agreement which expires November 30, 2018. Total lease expense for the years ended June 30, 2018 and 2017, was \$104,853 and \$94,082, respectively. The total rental commitment under this lease agreement is \$41,739 at June 30, 2018.

NOTE 16 - DONOR CHOICE PROGRAM

The United Way offers a Donor Choice Program as an option for contributors. This program allows donors to designate their contributions to specific qualifying organizations. The organizations specified can be both member and non-member agencies of the United Way, and to qualify must meet certain requirements detailed by the program (e.g. must be a 501(c)(3) organization and must show proof of tax-exempt status). Funds received on pledges designated under the donor choice payments are disbursed to designated agencies on a quarterly basis. Donor choice payments totaled \$753,757 and \$956,382 for the years ended June 30, 2018 and 2017, respectively, and are not included in allocation expense on the statement of activities and changes in net assets.

As part of the Donor Choice Program, the United Way receives a fee for administering the donations generated through the program. The fee represents reimbursement of fund raising and administrative costs and accounts for 14.0% of the support raised. Fees earned totaled \$66,759 and \$64,599 for the years ended June 30, 2018 and 2017, respectively.

NOTE 17 - GOVERNMENT CONTRACTS

The United Way receives certain revenues from contracts with various governmental agencies. The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts, and is subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined and no provision for any liability that may result has been made in the financial statements. However, management believes the United Way is in compliance with its grant requirements, and no liability has arisen in the past or is currently expected.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 18 - SUBSEQUENT EVENTS

In July 2018, the building used by the Organization and disclosed in Note 15 was sold. The United Way had an investment in the building (certificates of participation) as disclosed in Note 7. Upon dissolution of the LCH&WF expected sometime late 2018, the United Way will receive a return of its investment (including investment in certificates) totaling approximately \$2,342,000.

The United Way has committed to purchase approximately \$30,000 in software and computer upgrades.

For the year ended June 30, 2018, subsequent events have been evaluated through September 26, 2018, which represents the date the financial statements were available to be issued.

**INDEPENDENT AUDITORS' REPORT on INTERNAL CONTROL over FINANCIAL REPORTING and on COMPLIANCE
and OTHER MATTERS BASED on an AUDIT of FINANCIAL STATEMENTS PERFORMED
in ACCORDANCE with GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
United Way of Lancaster County
Lancaster, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **United Way of Lancaster County** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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, and have issued our report thereon dated September 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **United Way of Lancaster County's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **United Way of Lancaster County's** internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness as identified as item #2018-001.

Material Weaknesses

#2018-001 - Internal Control over Financial Reporting

Criteria: An integral component of an organization's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

Statement of Condition: The Organization has designated an employee responsible to oversee Trout, Ebersole & Groff, LLP's preparation of the financial statements. The Organization has assumed responsibility for evaluating the adequacy and results of the financial statements and accepted responsibility for them. Management has chosen to outsource the preparation of the financial statements to Trout, Ebersole & Groff, LLP because they understand that they are not experienced or qualified in preparing all of the required financial statements and notes to the financial statements in conformity with accounting principles generally accepted in the United States of America.

Cause and Effect: It is not uncommon for small organizations to outsource the preparation of the financial statements and the notes to the financial statements. The Organization has evaluated the costs and benefits of developing the expertise to prepare the required financial statements and notes to the financial statements in conformity with accounting principles generally accepted in the United States of America, and determined that it is more beneficial to engage its independent auditors to provide the service.

Organization Response: The CFO is assigned to oversee the Trout, Ebersole & Groff, LLP's preparation of the financial statements. He has the necessary background to oversee the preparation of the financial statements and notes in conformity with US GAAP, but does not have the time or experience to maintain the specialized knowledge of all the latest financial statement and government reporting requirements unique to non-profit reporting. In addition, the **United Way of Lancaster County** (UWLC) does not have the specialized software to enable the completion of complex financial schedules included in the lengthy audit report. Having Trout, Ebersole & Groff, LLP prepare the financial statements is much more time and cost effective in light of the current resource constraints of the UWLC. Given those current and anticipated constraints, it is likely that the Finance Department will continue to rely on Trout, Ebersole & Groff, LLP to prepare the financial statements.

Compliance and Other Matters

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

United Way of Lancaster County's Response to Findings

United Way of Lancaster County's response to the findings identified in our audit is described previously. **United Way of Lancaster County's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

September 26, 2018
Lancaster, Pennsylvania

Trout, Ebersole + Groff, LLP

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants