

United Way of Lancaster County

Year Ended June 30, 2019 with Comparative Totals for 2018



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United Way of Lancaster County

Financial Statements

Year Ended June 30, 2019 with Comparative Totals for 2018

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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, 2019, 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 auditors consider 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, 2019, 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.

Emphasis of a Matter

As described in Note 1 to the financial statements, the **United Way of Lancaster County** adopted new accounting guidance, FASB ASU 2016-14, *Not-for-Profit Entities and 2016-18, Statement of Cash Flows*, for the year ended June 30, 2019. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the **United Way of Lancaster County's** 2018 financial statements, and our report dated September 26, 2018, 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, 2018, 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 October 17, 2019, 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.

October 17, 2019
Lancaster, Pennsylvania

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

United Way of Lancaster County
STATEMENT of FINANCIAL POSITION
June 30, 2019 with Comparative Totals for 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Without Donor Restrictions	\$ 1,886,555	\$ 716,819
Cash and Cash Equivalents - With Donor Restrictions	325,436	281,606
Cash and Cash Equivalents - Pension Reversion Account	-0-	183,220
Pledges Receivable, less Allowance for Uncollectible Pledges of \$394,366 and \$416,400 for June 30, 2019 and 2018, Respectively	1,265,987	1,454,502
Accounts Receivable	38,400	24,650
Grants Receivable	174,431	140,077
Investment Income Receivable	13,714	13,966
Prepaid Expenses/Other	58,795	36,556
Total Current Assets	3,763,318	2,851,396
OTHER ASSETS		
Security Deposits	13,668	-0-
Investments - Without Donor Restrictions	3,469,335	3,358,366
Investments - With Donor Restrictions	717,163	694,251
Investments - Certificates of Participation	-0-	224,192
Total Other Assets	4,200,166	4,276,809
PROPERTY and EQUIPMENT, net of Accumulated Depreciation of \$79,050 and \$270,890 at June 30, 2019 and 2018, Respectively	186,514	41,356
BENEFICIAL INTEREST in PERPETUAL TRUST	619,242	594,369
TOTAL ASSETS	<u>8,769,240</u>	<u>7,763,930</u>
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Partnership Allocations Payable	2,279,725	2,425,138
Accounts Payable - Trade	161,770	121,326
Due to Designated Agencies	248,541	232,036
Due to Other Organizations and Grantors	517,294	396,974
Pension Reversion Custodial Liability	-0-	183,220
Accrued Expenses	48,461	51,814
Accrued Salaries and Wages	67,783	75,807
Total Current Liabilities	3,323,574	3,486,315
TOTAL LIABILITIES	3,323,574	3,486,315
NET ASSETS		
Without Donor Restrictions - Undesignated	2,414,205	1,145,764
Without Donor Restrictions - Board Designated	105,540	113,433
Total Without Donor Restrictions	2,519,745	1,259,197
With Donor Restrictions	2,925,921	3,018,418
TOTAL NET ASSETS	5,445,666	4,277,615
TOTAL LIABILITIES and NET ASSETS	<u>\$ 8,769,240</u>	<u>\$ 7,763,930</u>

See notes to financial statements.

United Way of Lancaster County
STATEMENT of ACTIVITIES and CHANGES in NET ASSETS
Year Ended June 30, 2019 with Comparative Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2019	Year Ended June 30, 2018
OPERATING ACTIVITIES				
PUBLIC SUPPORT				
Campaign Applicable to Current Period:				
Contributions, net of Uncollectable	\$ 2,281,611	\$ 1,354,181	\$ 3,635,792	\$ 3,952,546
Contributions Released from Restriction	<u>1,518,193</u>	<u>(1,518,193)</u>	<u>-0-</u>	<u>-0-</u>
Gross Campaign Results	3,799,804	(164,012)	3,635,792	3,952,546
Donor Designations	<u>(625,923)</u>	<u> </u>	<u>(625,923)</u>	<u>(753,757)</u>
Total Campaign Applicable to Current Period	3,173,881	(164,012)	3,009,869	3,198,789
Campaign Revenue Designated for Future Allocation Periods		10,000	10,000	10,000
Corporate Sponsorships	49,872		49,872	50,250
Contributions - Gifts In-Kind	107,153		107,153	118,995
Contributions - Other United Ways	100,892		100,892	119,092
Donations, Bequests, and Amortization of Pledge Discount	<u>2,045</u>	<u> </u>	<u>2,045</u>	<u>181,042</u>
Total Public Support	3,433,843	(154,012)	3,279,831	3,678,168
REVENUES				
Interest and Dividend Income, net of Investment Expenses of \$22,615 and \$26,611 for the Years Ended June 30, 2019 and 2018, Respectively	96,519		96,519	134,813
Distributions Received from Perpetual Trust	28,292		28,292	31,548
Management Fees	294,150		294,150	248,106
Fees and Grants	1,282,557	114,000	1,396,557	1,025,515
Fees and Grants Released from Restriction	\$ 79,009	\$ (79,009)	\$ -0-	\$ -0-

See notes to financial statements.

United Way of Lancaster County
 STATEMENT of ACTIVITIES and CHANGES in NET ASSETS
 (Continued)
 Year Ended June 30, 2019 with Comparative Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2019	Year Ended June 30, 2018
REVENUES (Continued)				
Administrative Fee - Donor Choice Program	\$ 61,505		\$ 61,505	\$ 66,759
Miscellaneous	20,642		20,642	38,401
Total Revenues	<u>1,862,674</u>	<u>34,991</u>	<u>1,897,665</u>	<u>1,545,142</u>
TOTAL PUBLIC SUPPORT and REVENUES	5,296,517	(119,021)	5,177,496	5,223,310
EXPENSES				
Program Services:				
Gross Funds Awarded/Distributed	4,066,014		4,066,014	3,758,964
Donor Designations	(625,923)		(625,923)	(753,757)
Net Funds Awarded/Distributed	3,440,091	-0-	3,440,091	3,005,207
Other Allocations and Program Expenses	117,978		117,978	128,211
Total Program Funds Awarded	3,558,069	-0-	3,558,069	3,133,418
Communications	132,214		132,214	125,699
211 Call Center	485,298		485,298	464,980
Volunteer Center	90,055		90,055	89,155
VITA	281,958		281,958	270,146
Community Impact	533,213		533,213	531,855
Total Program Services	<u>\$ 5,080,807</u>	<u>\$ -0-</u>	<u>\$ 5,080,807</u>	<u>\$ 4,615,253</u>

See notes to financial statements.

United Way of Lancaster County
STATEMENT of ACTIVITIES and CHANGES in NET ASSETS
(Continued)
Year Ended June 30, 2019 with Comparative Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2019	Year Ended June 30, 2018
EXPENSES (Continued)				
Supporting Services:				
Administrative and General	\$ 483,475		\$ 483,475	\$ 457,282
Fund Raising	<u>738,068</u>		<u>738,068</u>	<u>754,922</u>
Total Supporting Services	<u>1,221,543</u>	<u>-0-</u>	<u>1,221,543</u>	<u>1,212,204</u>
TOTAL EXPENSES	<u>6,302,350</u>	<u>-0-</u>	<u>6,302,350</u>	<u>5,827,457</u>
CHANGES in NET ASSETS from OPERATIONS	(1,005,833)	(119,021)	(1,124,854)	(604,147)
NONOPERATING ACTIVITIES				
Loss on Disposal of Equipment	(10,172)		(10,172)	(2,401)
Change in Value of Beneficial Interest in Perpetual Trusts		24,874	24,874	17,215
Realized and Unrealized Gain on Investments	2,238,508	1,650	2,240,158	62,840
Pension-Related Changes Other than Net Periodic Pension Cost and Pension Reversion Gain	<u>38,045</u>		<u>38,045</u>	<u>(520,491)</u>
CHANGES in NET ASSETS from NONOPERATING ACTIVITIES	<u>2,266,381</u>	<u>26,524</u>	<u>2,292,905</u>	<u>(442,837)</u>
CHANGES in NET ASSETS	1,260,548	(92,497)	1,168,051	(1,046,984)
NET ASSETS				
Beginning of Year	<u>1,259,197</u>	<u>3,018,418</u>	<u>4,277,615</u>	<u>5,324,599</u>
End of Year	<u>\$ 2,519,745</u>	<u>\$ 2,925,921</u>	<u>\$ 5,445,666</u>	<u>\$ 4,277,615</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

Year Ended June 30, 2019 with Comparative Totals for 2018

PROGRAM EXPENSES

	Total Program Funds Awarded	Marketing and Communications	211 Call Center	Volunteer Center	VITA	Community Impact	Year Ended June 30, 2019	Year Ended June 30, 2018
EXPENSES								
FUNDS AWARDED/DISTRIBUTED								
Gross Funds Awarded/Distributed	\$ 4,066,014						\$ 4,066,014	\$ 3,758,964
Donor Designations	(625,923)						(625,923)	(753,757)
Net Funds Awarded/Distributed	3,440,091	-0-	-0-	-0-	-0-	-0-	3,440,091	3,005,207
Other Allocations and Program Expenses	117,978						117,978	128,211
Total Program Funds Awarded	3,558,069	-0-	-0-	-0-	-0-	-0-	3,558,069	3,133,418
SALARIES and RELATED EXPENSES								
Salaries	-0-	60,046	288,277	46,147	170,209	293,465	858,144	826,636
Employee Benefits	-0-	12,411	53,729	9,464	26,488	60,500	162,592	140,369
Payroll Taxes	-0-	5,073	22,104	3,935	11,588	24,834	67,534	65,467
Total Salaries and Related Expenses	-0-	77,530	364,110	59,546	208,285	378,799	1,088,270	1,032,472
OTHER FUNCTIONAL EXPENSES								
Supplies	-0-	308	2,136	88	5,947	1,061	9,540	7,945
Telephone	-0-	1,200	10,748	673	1,813	4,830	19,264	26,505
Postage	-0-	357	1,023	216	226	1,509	3,331	4,934
Occupancy - Rent	-0-	8,635	21,496	2,627	3,000	29,471	65,229	53,891
Conferences, Events, and Training	-0-	1,854	3,257	11,031	2,864	18,310	37,316	52,483
Equipment Rental and Maintenance	-0-	6,492	12,490	4,959	8,209	11,878	44,028	45,972
Printing/Promotion	-0-	24,200	20,158	4,079	29,539	31,524	109,500	102,992
Local Transportation	-0-	1,203	878	834	11,190	4,364	18,469	10,523
Professional Fees/Subcontract	-0-	3,170	24,063	1,963	2,181	13,426	44,803	68,043
Insurance	-0-	1,327	7,878	471	14	3,368	13,058	11,641
Dues - United Way of PA/America	-0-	4,767	11,740	2,691	-0-	19,270	38,468	41,443
Depreciation	-0-	796	3,485	612	1,825	3,901	10,619	9,309
Miscellaneous	-0-	375	1,836	265	6,865	11,502	20,843	13,682
Total Other Functional Expenses	-0-	54,684	121,188	30,509	73,673	154,414	434,468	449,363
Total Program Expenses	\$ 3,558,069	\$ 132,214	\$ 485,298	\$ 90,055	\$ 281,958	\$ 533,213	\$ 5,080,807	\$ 4,615,253

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2019 with Comparative Totals for 2018

	SUPPORTING SERVICES		Year Ended	Year Ended
	Administrative and General	Fund Raising	June 30, 2019	June 30, 2018
SALARIES and RELATED EXPENSES				
Salaries	\$ 263,996	\$ 384,242	\$ 648,238	\$ 661,068
Employee Benefits	42,704	66,675	109,379	125,997
Payroll Taxes	22,438	30,785	53,223	55,913
Total Salaries and Related Expenses	329,138	481,702	810,840	842,978
OTHER FUNCTIONAL EXPENSES				
Supplies	4,266	2,072	6,338	7,637
Telephone	4,185	5,581	9,766	7,621
Postage	1,140	4,084	5,224	4,580
Occupancy - Rent	21,715	29,674	51,389	50,962
Conferences, Events, and Training	2,496	33,020	35,516	41,227
Equipment Rental and Maintenance	28,463	18,069	46,532	25,757
Printing/Promotion	39,747	12,818	52,565	39,142
Local Transportation	4,309	5,180	9,489	8,459
Professional Fees	13,835	35,492	49,327	38,898
Advertising/Marketing	-0-	80,726	80,726	93,784
Insurance	1,831	3,429	5,260	4,257
Dues - United Way of PA/America	14,444	19,523	33,967	36,586
Depreciation	3,507	4,825	8,332	8,018
Miscellaneous	14,399	1,873	16,272	2,298
Total Other Functional Expenses	154,337	256,366	410,703	369,226
Total Supporting Services	\$ 483,475	\$ 738,068	\$ 1,221,543	\$ 1,212,204

See notes to financial statements.

United Way of Lancaster County

STATEMENT OF FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2019 with Comparative Totals for 2018

	<u>Program Expenses</u>		<u>Supporting Services</u>		<u>Total Functional Expenses</u>	
	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
EXPENSES						
FUNDS AWARDED/DISTRIBUTED						
Gross Funds Awarded/Distributed	\$ 4,066,014	\$ 3,758,964	\$ -0-	\$ -0-	\$ 4,066,014	\$ 3,758,964
Donor Designations	(625,923)	(753,757)	-0-	-0-	(625,923)	(753,757)
Net Funds Awarded/Distributed	3,440,091	3,005,207	-0-	-0-	3,440,091	3,005,207
Other Allocations and Program Expenses	117,978	128,211	-0-	-0-	117,978	128,211
Total Program Funds Awarded	3,558,069	3,133,418	-0-	-0-	3,558,069	3,133,418
SALARIES and RELATED EXPENSES						
Salaries	858,144	826,636	648,238	661,068	1,506,382	1,487,704
Employee Benefits	162,592	140,369	109,379	125,997	271,971	266,366
Payroll Taxes	67,534	65,467	53,223	55,913	120,757	121,380
Total Salaries and Related Expenses	1,088,270	1,032,472	810,840	842,978	1,899,110	1,875,450
OTHER FUNCTIONAL EXPENSES						
Supplies	9,540	7,945	6,338	7,637	15,878	15,582
Telephone	19,264	26,505	9,766	7,621	29,030	34,126
Postage	3,331	4,934	5,224	4,580	8,555	9,514
Occupancy - Rent	65,229	53,891	51,389	50,962	116,618	104,853
Conferences, Events, and Training	37,316	52,483	35,516	41,227	72,832	93,710
Equipment Rental and Maintenance	44,028	45,972	46,532	25,757	90,560	71,729
Printing/Promotion	109,500	102,992	52,565	39,142	162,065	142,134
Local Transportation	18,469	10,523	9,489	8,459	27,958	18,982
Professional Fees/Subcontract	44,803	68,043	49,327	38,898	94,130	106,941
Advertising/Marketing	-0-	-0-	80,726	93,784	80,726	93,784
Insurance	13,058	11,641	5,260	4,257	18,318	15,898
Dues - United Way of PA/America	38,468	41,443	33,967	36,586	72,435	78,029
Depreciation	10,619	9,309	8,332	8,018	18,951	17,327
Miscellaneous	20,843	13,682	16,272	2,298	37,115	15,980
Total Other Functional Expenses	434,468	449,363	410,703	369,226	845,171	818,589
Total Expenses	\$ 5,080,807	\$ 4,615,253	\$ 1,221,543	\$ 1,212,204	\$ 6,302,350	\$ 5,827,457

See notes to financial statements.

United Way of Lancaster County
 STATEMENT of CASH FLOWS
 Year Ended June 30, 2019 with Comparative Totals for 2018

	2019	2018
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,168,051	\$ (1,046,984)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Provision for Uncollected Pledges	(22,034)	28,377
Depreciation	18,951	17,327
Loss on Disposal of Equipment	10,172	2,401
Contributed Property and Equipment	(10,000)	-0-
Realized and Unrealized (Gain) on Investments	(2,240,158)	(62,840)
Change in Value of Beneficial Interest in Perpetual Trusts	(24,874)	(17,215)
Pension Plan Reversion Gain	(38,045)	-0-
(Increase) Decrease in:		
Pledges Receivable	210,549	442,280
Accounts and Investment Income Receivable	(13,498)	1,570
Grants Receivable	(34,354)	(3,294)
Prepaid Expenses/Other	(22,239)	(8,034)
Security Deposits	(13,668)	-0-
Increase (Decrease) in:		
Accounts Payable, Allocations, Agency, and Other Payables	31,856	237,217
Accrued Pension Cost	-0-	(369,969)
Accrued Expenses	(3,353)	(4,819)
Accrued Salaries and Wages	(8,024)	21,800
Net Cash Used by Operating Activities	(990,668)	(762,183)
 CASH FLOWS from INVESTING ACTIVITIES		
Capital Expenditures	(164,280)	(17,146)
Purchase of Investments	(3,513,040)	(1,914,780)
Sale of Investments	5,843,509	1,994,777
Net Cash Provided by Investing Activities	2,166,189	62,851
 CASH FLOWS from FINANCING ACTIVITIES		
Funds Received/(Paid) in Custody for Pension Reversion Liability	<u>(145,175)</u>	<u>183,220</u>
 INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	1,030,346	(516,112)
 CASH and CASH EQUIVALENTS		
Beginning of Year	<u>1,181,645</u>	<u>1,697,757</u>
End of Year	<u>\$ 2,211,991</u>	<u>\$ 1,181,645</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of CASH FLOWS

(Continued)

Year Ended June 30, 2019 with Comparative Totals for 2018

	2019	2018
CASH and CASH EQUIVALENTS on the STATEMENT of FINANCIAL POSITION is COMPRISED of the FOLLOWING:		
Cash and Cash Equivalents:		
Without Donor Restrictions	\$ 1,886,555	\$ 716,819
With Donor Restrictions	325,436	281,606
Pension Reversion Account	-0-	183,220
	<u>\$ 2,211,991</u>	<u>\$ 1,181,645</u>
 SUPPLEMENTAL DISCLOSURES of NONCASH INVESTING and FINANCING ACTIVITIES		
Collection of Contributions in Form of Securities that were Immediately Sold	63,555	108,201
Contributed Property and Equipment	10,000	-0-

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).

Basis of Presentation

The financial statements of **United Way of Lancaster County** have been presented in accordance with FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which requires **United Way of Lancaster County** to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the United Way. These net assets may be used at the discretion of the United Way's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the United Way or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Measure of Operations - The statement of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the United Way's ongoing programs and supporting services. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature or income derived from investments or similar assets.

Financial Statement Presentation

Information for the year ended June 30, 2018, 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.

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 net realizable value of pledges, depreciation of property and equipment, fair value measurements, the valuation for promises to give, and the allocation of functional expenses. Accordingly, actual results may differ from estimated amounts.

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 - with donor restrictions, that is shown separately on the statement of financial position, consists of funds on hand committed for donor restricted purposes.

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 net assets without donor restrictions unless their use is 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 net assets without donor restrictions unless their use is 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 were carried at cost, as the fair value of these certificates was not readily determinable. See Note 8 for further information on these certificates.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

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

Fair Value Measurements

The United Way adopted FASB ASC Topic 820, *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Property and Equipment

Property and 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.

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, 2019 and 2018.

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 support with donor restrictions that increase net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support with donor restrictions 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.

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, 2019, the United Way had committed to pay community impact partnership allocations through June 30, 2020, and program expenses for the year ended June 30, 2019 included community impact partnership allocations for the period July 1, 2019 through June 30, 2020.

Functional Allocation of Expenses

The United Way allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management estimates of time spent amongst functions.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

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

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, 2019 and 2018.

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 \$107,153 and \$103,995 for the years ended June 30, 2019 and 2018, respectively. Included in the donated services received for the year ended June 30, 2019, was \$10,000 of donated construction services which was capitalized to leasehold improvements and included in equipment, net of accumulated depreciation on the statement of financial position at June 30, 2019. The United Way reports donor-restricted contributions of property, plant, and equipment whose restrictions are met in the same reporting period as unrestricted support.

Tax Status and Uncertain Tax Positions

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 United Way 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 United Way 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 United Way 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.

Advertising

The United Way expenses advertising costs as they are incurred.

Accounting Standards Adopted in Fiscal Year 2019

During the current fiscal year, the United Way adopted the Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and requires enhanced disclosures regarding underwater endowment funds. The United Way has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

During the current fiscal year, the United Way adopted the Financial Accounting Standards Board ASU 2016-18, *Statement of Cash Flows*. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The United Way has previously presented this information. The ASU has been applied retrospectively to all periods presented.

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

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 United Way is currently assessing the impact the adoption of ASU 2014-09 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 United Way is currently assessing the impact the adoption of ASU 2016-02 will have on its financial statements.

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 United Way 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.

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 3 - PROGRAM EXPENSES/FUNCTIONAL EXPENSES CLASSIFICATIONS

The following summarizes the United Way program expenses 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.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

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

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 275 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 (EITC) 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**.

Community Impact - Responsible for the allocation of funds to, hands-on support of, and qualitative/quantitative monitoring of the 10 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, 2019 and 2018, are as follows:

	2019		2018	
	Grants	Pledges	Grants	Pledges
Receivable in Less Than One Year	174,431	1,660,353	140,077	1,870,902
Receivable in One to Five Years	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	174,431	1,660,353	140,077	1,870,902
Allowance for Uncollectible Pledges	<u>-0-</u>	<u>(394,366)</u>	<u>-0-</u>	<u>(416,400)</u>
	174,431	1,265,987	140,077	1,454,502
Receivable Due In:				
Less Than One Year	174,431	1,265,987	140,077	1,454,502

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS

Details of investments held at June 30, 2019 and 2018, are as follows:

	2019	Cost	Market Value	Unrealized Gain (Loss)
Money Market Funds, Other		23,997	23,997	-0-
Certificates of Deposit		158,402	162,244	3,842
Municipal Bonds		572,038	582,961	10,923
Corporate Bonds		661,517	678,945	17,428
U.S. Government Bonds		138,655	144,700	6,045
Asset Backed Securities		37,381	37,498	116
Common Stocks		580,275	672,375	92,100
Exchange-Traded Funds		<u>1,889,412</u>	<u>1,883,778</u>	<u>(5,634)</u>
		4,061,678	4,186,498	124,820
	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 Funds		<u>248,498</u>	<u>321,440</u>	<u>72,942</u>
		3,961,138	4,276,809	315,671

NOTE 6 - FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, 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:

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.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

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, 2019 and 2018.

Certificates of Participation

Valued based on cost. The fair value of these certificates was not readily determinable. See Note 8 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.

Asset Backed Securities and 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.

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.

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 7).

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.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

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, 2019 and 2018:

2019	Level 1	Level 2	Level 3	Total Fair Value
Beneficial Interests in Perpetual Trusts	-0-	-0-	619,242	619,242
Equities - Common Stock				
Basic Materials	18,212	-0-	-0-	18,212
Consumer Goods	122,834	-0-	-0-	122,834
Consumer Staples	15,857	-0-	-0-	15,857
Energy	55,588	-0-	-0-	55,588
Financial	116,818	-0-	-0-	116,818
Health Care	126,596	-0-	-0-	126,596
Industrial Goods	80,669	-0-	-0-	80,669
Technology	135,801	-0-	-0-	135,801
Fixed Income - Municipal Bonds				
Short (Less Than 5 Years)	-0-	429,078	-0-	429,078
Intermediate (5 - 10 Years)	-0-	153,883	-0-	153,883
Fixed Income - Corporate Bonds				
Short (Less Than 5 Years)	-0-	281,015	-0-	281,015
Intermediate (5 - 10 Years)	-0-	397,930	-0-	397,930
Money Market Funds	23,997	-0-	-0-	23,997
Exchange-Traded Funds				
Small Cap	118,907	-0-	-0-	118,907
International Markets	440,458	-0-	-0-	440,458
Emerging Markets	180,582	-0-	-0-	180,582
Growth Index	396,726	-0-	-0-	396,726
Value Index	747,105	-0-	-0-	747,105
Agency Bonds	-0-	144,700	-0-	144,700
Certificates of Deposit	162,244	-0-	-0-	162,244
Asset Backed Securities	-0-	37,498	-0-	37,498
	<u>2,742,394</u>	<u>1,444,104</u>	<u>619,242</u>	<u>4,805,740</u>

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

	Level 1	Level 2	Level 3	Total Fair Value
Beneficial Interests in Perpetual Trusts	-0-	-0-	594,369	594,369
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
Agency Bonds	-0-	44,084	-0-	44,084
Certificates of Deposit	58,334	-0-	-0-	58,334
Certificates of Participation (at Cost)	<u>-0-</u>	<u>-0-</u>	<u>224,192</u>	<u>224,192</u>
	2,891,380	1,161,237	818,561	4,871,178

Level 1 and 2 Transfers

No transfers in and out of levels 1 and 2 occurred during the years ended June 30, 2019 and 2018.

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair values of the United Way's level 3 assets for the years ended June 30, 2019 and 2018:

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

	Beneficial Interest in Perpetual Trusts
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
Additions	29
Distributions/Sale	(28,292)
Investment Income, net Fees	<u>53,136</u>
Balance - June 30, 2019	619,242

NOTE 7 - 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	
	2019	2018
Fair Value as of June 30	619,242	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 net asset with donor restrictions 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, 2019 and 2018, was \$24,874 and \$17,215, respectively.

NOTE 8 - CERTIFICATES of PARTICIPATION/RENT EXPENSE

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

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 8 - CERTIFICATES of PARTICIPATION/RENT EXPENSE (Continued)

The United Way occupied 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 to the LCH&WF for the years ended June 30, 2019 and 2018, was \$15,736 and \$104,853, respectively. The United Way paid a total of \$224,192 for such certificates. The Lancaster County Health and Welfare Foundation sold the building in July 2018 and the United Way received a return of its investment during the fiscal year ended June 30, 2019. The proceeds received by the United Way totaled \$2,341,584 which produced a gain of \$2,117,392 from this investment. This gain is included in realized and unrealized gain on investments on the statement of activities and changes in net assets for the year ended June 30, 2019.

NOTE 9 - PROPERTY and EQUIPMENT

Property and equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Leasehold Improvements	143,155	66,300
Office Equipment and Fixtures	<u>122,409</u>	<u>245,946</u>
	265,564	312,246
Accumulated Depreciation	<u>(79,050)</u>	<u>(270,890)</u>
	186,514	41,356

NOTE 10 - 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, 2019 and 2018. The line of credit expires July 2020.

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

The Board designated net assets for training. Net assets without donor restrictions which are designated by the Board for training totaled \$105,540 and \$113,443 at June 30, 2019 and 2018, respectively.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2019 and 2018:

	2019	2018
Time Restrictions:		
Net Campaign Pledges Received for Future Periods	1,264,080	1,448,193
Purpose Restrictions:		
Support Leadership Development of the Human Service Community	106,296	114,646
Support Women's Leadership Council	487,744	488,790

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	2019	2018
Support Emergency Shelter	5,113	5,113
Support Education	62,755	39,321
Support Youth Venture	26,815	26,815
Support Bank On	42,328	42,328
Support Literacy	-0-	322
Support 211 Call Center	13,274	13,273
Support VITA	53,026	-0-
Perpetual:		
Beneficial Interest in Perpetual Trust	619,242	594,369
Endowment Funds to be Held in Perpetuity	<u>245,248</u>	<u>245,248</u>
	2,925,921	3,018,418

Net assets with donor restrictions are classified on the statement of financial position at June 30, 2019 and 2018 as follows:

	2019	2018
Cash and Cash Equivalents	325,436	281,606
Pledges and Grants Receivable	1,264,080	1,448,192
Beneficial Interest in Perpetual Trust	619,242	594,369
Investments	<u>717,163</u>	<u>694,251</u>
	2,925,921	3,018,418

NOTE 13 - ENDOWMENT FUNDS

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 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 net assets with donor restrictions (perpetual). Income derived from the endowments is classified as without donor restrictions, which can be used at United Way's discretion. Income is classified as with donor restrictions when it is restricted by time or purpose and until the 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.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - ENDOWMENT FUNDS (Continued)

The United Way's endowment earnings which are without donor restriction except for the funds that are restricted by time or purpose. 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, 2019 and 2018, and presents the endowment net assets as of June 30, 2019 and 2018:

	With Donor Restrictions (Perpetual)	
	2019	2018
Endowment Net Assets, Beginning of Year	245,248	245,248
Investment Return:		
Investment Income (Loss)	(6,452)	2,232
Appropriation of Endowment Assets for Expenditure/Transfer to Restore Value of Endowment Fund	<u>6,452</u>	<u>(2,232)</u>
Endowment Net Assets, End of Year	245,248	245,248

NOTE 14 - DEFINED BENEFIT PENSION PLAN

The United Way sponsored a multiple-employer, non-contributory defined benefit pension plan that covered eligible full-time employees. The Plan has been 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 held \$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 were paid, was distributed to contributing agencies in a final reversion payment. Therefore, a \$183,220 corresponding pension reversion liability was reflected at June 30, 2018. In the fiscal year ended June 30, 2019, the United Way received \$38,045 in a final reversion payment.

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

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLAN (Continued)

The funded status as of June 30, 2018, was as follows:

Funded Status, Beginning of Year	(369,969)
Employer Contributions and Funding	902,050
Other Changes	<u>(532,081)</u>
Funded Status, End of Year	-0-
Projected Benefit Obligations at June 30	NA
Fair Value of Plan Assets at June 30	NA
Funded Status at June 30 Recognized on the Statement of Financial Position	-0-

NOTE 15 - 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% 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 \$57,420 and \$53,789 for the years ended June 30, 2019 and 2018, respectively and includes a 3% safe harbor contribution and a 2% deferral match.

NOTE 16 - OPERATING LEASES

The United Way leases computer equipment under operating lease agreements expiring at various times through the fiscal year ending 2022. Total rental expense under this lease for the years ended June 30, 2019 and 2018, was \$5,197 each year.

The United Way leases office equipment under an operating lease agreement expiring April 30, 2024. Total rental expense under this lease for the years ended June 30, 2019 and 2018, was \$1,675 and \$-0-, respectively.

The United Way leases an office building under an operating lease agreement with a seven-year term expiring February 28, 2026. The agreement includes an option to renew for an additional seven-year term. Base rent under the lease is \$13,667 per month with a 1.5% annual increase after the first year. Rent for the first two months of the lease term, March and April of 2019, were waived by the lessor. In addition to the base rent, the United Way must also reimburse the lessor for real estate taxes and insurance for the property. Upon commencement of the lease, the United Way paid a security deposit of \$13,668, to be refunded at the expiration of the lease. Total rental expense under this lease for the years ended June 30, 2019 and 2018, was \$27,333 and \$-0-, respectively.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 16 - OPERATING LEASES (Continued)

Minimum annual rental commitments under non-cancelable leases are as follows at June 30, 2019:

2020	179,853
2021	180,167
2022	180,818
2023	182,424
2024	183,309
Thereafter	<u>297,120</u>
	1,203,691

The United Way leased its facility under an annual operating agreement which expired in July 2018. Total rental expense under this agreement for the years ended June 30, 2019 and 2018, was \$15,736 and \$104,853, respectively (Note 8).

The United Way leased its facility under a short-term lease agreement from August 2018 until May 2019. Total rental expense under this lease for the year ended June 30, 2019, was \$70,549.

The United Way leased space in a public library for the use of its VITA program under a short-term lease agreement during the year ended June 30, 2019. Total rent expense under this lease was \$3,000.

NOTE 17 - 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 \$625,923 and \$753,757 for the years ended June 30, 2019 and 2018, 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% of the support raised. Fees earned totaled \$61,505 and \$66,759 for the years ended June 30, 2019 and 2018, respectively.

NOTE 18 - 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 19 - LIQUIDITY and AVAILABILITY of RESOURCES

The United Way maintains a policy to ensure its financial assets are available to meet its expenditures and other obligations with a goal to maintain balances to meet three to six months of ordinary business expenses. Excess operating cash not needed for operations will be invested in the United Way's operating reserve fund to be invested more conservatively than the traditional endowment fund. Assets from the operating reserve account can be converted to cash as necessary, per policy. The United Way's endowment investments consist of donor-restricted and a quasi-endowment. Income for donor-restricted endowments is restricted and not available for general expenditures. United Way of Lancaster County does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process; however, if deemed necessary by the Finance Committee and approved by the Board of Directors, amounts from its quasi-endowment could be made available. Additionally, the United Way of Lancaster County has a \$750,000 line of credit which is available as needed. The United Way currently does not have any borrowings from the line of credit.

The United Way's financial assets available within one year of the statement of financial position date for general expenditures are as follows at June 30, 2019:

Financial Assets:	
Cash and Cash Equivalents	2,211,991
Pledges Receivable, net	1,265,987
Other Accounts Receivable	226,545
Long-Term Investments and Beneficial Interests in Perpetual Trusts	<u>4,805,740</u>
Total Financial Assets Available within One Year	8,510,263
Less Amounts Unavailable for General Expenditures, Due to:	
Contractual or Donor-Imposed Restrictions:	
Restricted by Donors with Time or Purpose Restrictions	(2,061,431)
Restricted by Donors in Perpetuity	(864,490)
Board Designations:	
Designated for Training	<u>(105,540)</u>
Financial Assets Available to Meet Cash Needs for	
General Expenditures Within One Year	5,478,802

NOTE 20 - RECLASSIFICATIONS

Certain items on the financial statements for the year ended June 30, 2018, have been reclassified to be consistent with the classifications adopted for the year ended June 30, 2019. These reclassifications have no effect on the change in net assets and total net assets for the year ended June 30, 2018.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 21 - SUBSEQUENT EVENTS

In July 2019, the United Way entered into a sublease agreement to lease a portion of their office building to an independent third party. The United Way was required to pay \$30,511 in commissions to a real estate broker upon execution of the sublease agreement. The sublease provides for rental income of \$508,515 over the term of the seven-year sublease agreement.

In July 2019, the United Way entered into an operating lease agreement to rent a copier for a sixty-month term. Monthly rent under the lease is \$204.

For the year ended June 30, 2019, subsequent events have been evaluated through October 17, 2019, 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, 2019, 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 October 17, 2019.

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 #2019-001.

Material Weakness

#2019-001 - 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. Additionally, numerous adjusting journal entries were suggested and prepared by Trout, Ebersole & Groff, LLP's staff during the performance of their audit. 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 due to a new VP of Finance being hired and the time constraints 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 VP of Finance is assigned to oversee Trout, Ebersole & Groff, LLP's preparation of the financial statements. The VP of Finance has the necessary background to prepare the financial statements and related footnotes however, the United Way (UWLC) outsourced these services to Trout, Ebersole & Groff, LLP due to the short tenure of the VP of Finance with the UWLC and the time constraints in preparing for the audit while being short staffed for most of the year. Management decided having Trout, Ebersole & Groff, LLP prepare the financial statements was much more time and cost effective, considering the current resource constraints of the United Way. Additional journal entries suggested and prepared by Trout, Ebersole & Groff, LLP were the result of extraordinary circumstances that occurred during the fiscal year. These circumstances include hiring a new VP of Finance mid-year, and the limited availability of the Accounting Director. United Way was determined to keep the audit on schedule for an October release. United Way intends to be fully prepared for future audits which would include the internal preparation of the financial statements and related footnotes.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **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.

United Way's Response to Findings

United Way's response to the findings identified in our audit is described previously. United Way'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.

October 17, 2019
Lancaster, Pennsylvania

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