

United Way of Lancaster County

Year Ended June 30, 2020 with Comparative Totals for 2019



United Way of Lancaster County

Financial Statements

Year Ended June 30, 2020 with Comparative Totals for 2019

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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 the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **United Way of Lancaster County's** 2019 financial statements, and our report dated October 17, 2019, 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, 2019, 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 15, 2020, 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, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **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 15, 2020

Trout CPA

United Way of Lancaster County
STATEMENT of FINANCIAL POSITION
June 30, 2020 with Comparative Totals for 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Without Donor Restrictions	\$ 1,372,668	\$ 1,886,555
Cash and Cash Equivalents - With Donor Restrictions	465,656	325,436
Pledges Receivable, less Allowance for Uncollectible Pledges of \$624,415 and \$394,366 for June 30, 2020 and 2019, Respectively	722,074	1,265,987
Accounts Receivable	45,645	38,400
Grants Receivable	175,655	174,431
Investment Income Receivable	4,121	13,714
Prepaid Expenses/Other	57,634	58,795
Total Current Assets	2,843,453	3,763,318
OTHER ASSETS		
Security Deposits	15,173	13,668
Investments - Without Donor Restrictions	3,282,881	3,469,335
Investments - With Donor Restrictions	693,998	717,163
Total Other Assets	3,992,052	4,200,166
PROPERTY and EQUIPMENT, net of Accumulated Depreciation of \$121,292 and \$79,050 at June 30, 2020 and 2019, Respectively	207,002	186,514
BENEFICIAL INTEREST in PERPETUAL TRUST	617,702	619,242
TOTAL ASSETS	<u>7,660,209</u>	<u>8,769,240</u>
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Partnership Allocations Payable	1,688,169	2,279,725
Accounts Payable - Trade	33,094	161,770
Due to Designated Agencies	198,423	248,541
Due to Other Organizations and Grantors	580,339	517,294
Current Maturities of Long-Term Debt	199,548	-0-
Accrued Expenses	49,546	48,461
Accrued Salaries and Wages	63,652	67,783
Total Current Liabilities	2,812,771	3,323,574
LONG-TERM DEBT, less Current Maturities	155,452	-0-
TOTAL LIABILITIES	2,968,223	3,323,574
NET ASSETS		
Without Donor Restrictions - Undesignated	1,093,873	2,414,205
Without Donor Restrictions - Board Designated	1,098,683	105,540
Total Without Donor Restrictions	2,192,556	2,519,745
With Donor Restrictions	2,499,430	2,925,921
TOTAL NET ASSETS	4,691,986	5,445,666
TOTAL LIABILITIES and NET ASSETS	<u>\$ 7,660,209</u>	<u>\$ 8,769,240</u>

See notes to financial statements.

United Way of Lancaster County
STATEMENT of ACTIVITIES and CHANGES in NET ASSETS
Year Ended June 30, 2020 with Comparative Totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2020	Year Ended June 30, 2019
OPERATING ACTIVITIES				
PUBLIC SUPPORT				
Campaign Applicable to Current Period:				
Contributions, net of Uncollectable	\$ 2,519,292	\$ 761,164	\$ 3,280,456	\$ 3,635,792
Contributions Released from Restriction	<u>1,238,865</u>	<u>(1,238,865)</u>	<u>-0-</u>	<u>-0-</u>
Gross Campaign Results	3,758,157	(477,701)	3,280,456	3,635,792
Donor Designations	<u>(640,386)</u>	<u> </u>	<u>(640,386)</u>	<u>(625,923)</u>
Total Campaign Applicable to Current Period	3,117,771	(477,701)	2,640,070	3,009,869
Campaign Revenue Designated for Future Allocation Periods		10,000	10,000	10,000
Corporate Sponsorships	32,500		32,500	49,872
Contributions - Gifts In-Kind	93,254		93,254	107,153
Contributions - Other United Ways	93,503		93,503	100,892
Donations, Bequests, and Amortization of Pledge Discount	<u>1,136</u>	<u> </u>	<u>1,136</u>	<u>2,045</u>
Total Public Support	3,338,164	(467,701)	2,870,463	3,279,831
REVENUES				
Interest and Dividend Income, net of Investment Expenses of \$18,606 and \$22,615 for the Years Ended June 30, 2020 and 2019, Respectively	96,335		96,335	96,519
Distributions Received from Perpetual Trust	33,681		33,681	28,292
Management Fees	396,245		396,245	294,150
Fees and Grants	1,360,100	374,827	1,734,927	1,396,557
Fees and Grants Released from Restriction	\$ 326,859	\$ (326,859)	\$ -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, 2020 with Comparative Totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2020	Year Ended June 30, 2019
REVENUES (Continued)				
Administrative Fee - Donor Choice Program	\$ 82,583	\$	\$ 82,583	\$ 61,505
Miscellaneous and Rental Income	<u>104,285</u>	<u> </u>	<u>104,285</u>	<u>20,642</u>
Total Revenues	<u>2,400,088</u>	<u>47,968</u>	<u>2,448,056</u>	<u>1,897,665</u>
TOTAL PUBLIC SUPPORT and REVENUES	5,738,252	(419,733)	5,318,519	5,177,496
EXPENSES				
Program Services:				
Gross Funds Awarded/Distributed	3,443,288		3,443,288	4,066,014
Donor Designations	<u>(640,386)</u>	<u> </u>	<u>(640,386)</u>	<u>(625,923)</u>
Net Funds Awarded/Distributed	2,802,902	-0-	2,802,902	3,440,091
Other Allocations and Program Expenses	<u>302,602</u>	<u> </u>	<u>302,602</u>	<u>117,978</u>
Total Program Funds Awarded	3,105,504	-0-	3,105,504	3,558,069
Marketing and Communications	132,544		132,544	132,214
211 Call Center	675,816		675,816	485,298
Volunteer Center	93,146		93,146	90,055
VITA	332,712		332,712	281,958
Community Impact	<u>438,865</u>	<u> </u>	<u>438,865</u>	<u>533,213</u>
Total Program Services	\$ 4,778,587	\$ -0-	\$ 4,778,587	\$ 5,080,807

See notes to financial statements.

United Way of Lancaster County

STATEMENT of ACTIVITIES and CHANGES in NET ASSETS

(Continued)

Year Ended June 30, 2020 with Comparative Totals for 2019

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2020	Year Ended June 30, 2019
EXPENSES (Continued)				
Supporting Services:				
Administrative and General	\$ 549,402	\$	\$ 549,402	\$ 483,475
Fund Raising	<u>610,847</u>	<u> </u>	<u>610,847</u>	<u>738,068</u>
Total Supporting Services	<u>1,160,249</u>	<u>-0-</u>	<u>1,160,249</u>	<u>1,221,543</u>
TOTAL EXPENSES	<u>5,938,836</u>	<u>-0-</u>	<u>5,938,836</u>	<u>6,302,350</u>
CHANGES in NET ASSETS from OPERATIONS	<u>(200,584)</u>	<u>(419,733)</u>	<u>(620,317)</u>	<u>(1,124,854)</u>
NONOPERATING ACTIVITIES				
Loss on Disposal of Equipment			-0-	(10,172)
Change in Value of Beneficial Interest in Perpetual Trusts		(1,540)	(1,540)	24,874
Realized and Unrealized Gain (Loss) on Investments	(126,605)	(5,218)	(131,823)	2,240,158
Pension-Related Changes Other than Net Periodic Pension Cost and Pension Reversion Gain	<u> </u>	<u> </u>	<u>-0-</u>	<u>38,045</u>
CHANGES in NET ASSETS from NONOPERATING ACTIVITIES	<u>(126,605)</u>	<u>(6,758)</u>	<u>(133,363)</u>	<u>2,292,905</u>
CHANGES in NET ASSETS	<u>(327,189)</u>	<u>(426,491)</u>	<u>(753,680)</u>	<u>1,168,051</u>
NET ASSETS				
Beginning of Year	<u>2,519,745</u>	<u>2,925,921</u>	<u>5,445,666</u>	<u>4,277,615</u>
End of Year	<u>\$ 2,192,556</u>	<u>\$ 2,499,430</u>	<u>\$ 4,691,986</u>	<u>\$ 5,445,666</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

Year Ended June 30, 2020 with Comparative Totals for 2019

EXPENSES	PROGRAM EXPENSES						Year Ended June 30, 2020	Year Ended June 30, 2019
	Total Program Funds Awarded	Marketing and Communications	211 Call Center	Volunteer Center	VITA	Community Impact		
FUNDS AWARDED/DISTRIBUTED								
Gross Funds Awarded/Distributed	\$ 3,443,288	\$	\$	\$	\$	\$	\$ 3,443,288	\$ 4,066,014
Donor Designations	(640,386)						(640,386)	(625,923)
Net Funds Awarded/Distributed	2,802,902	-0-	-0-	-0-	-0-	-0-	2,802,902	3,440,091
Other Allocations and Program Expenses	302,602						302,602	117,978
Total Program Funds Awarded	3,105,504	-0-	-0-	-0-	-0-	-0-	3,105,504	3,558,069
SALARIES and RELATED EXPENSES								
Salaries	-0-	58,428	399,368	47,450	172,129	265,361	942,736	858,144
Employee Benefits	-0-	14,700	72,656	8,995	35,442	36,086	167,879	162,592
Payroll Taxes	-0-	4,946	31,946	3,886	12,158	22,205	75,141	67,534
Total Salaries and Related Expenses	-0-	78,074	503,970	60,331	219,729	323,652	1,185,756	1,088,270
OTHER FUNCTIONAL EXPENSES								
Supplies	-0-	207	1,758	132	6,817	695	9,609	9,540
Telephone	-0-	951	11,063	688	3,756	2,928	19,386	19,264
Postage	-0-	236	1,358	197	1,142	597	3,530	3,331
Occupancy - Rent	-0-	2,047	33,601	4,437	31,795	4,154	76,034	65,229
Conferences, Events, and Training	-0-	(1,071)	1,018	11,295	2,495	9,272	23,009	37,316
Equipment and Building - Rentals and Maintenance	-0-	10,717	17,131	5,916	11,543	10,672	55,979	44,028
Printing/Promotion	-0-	31,143	22,080	2,573	35,102	23,816	114,714	109,500
Local Transportation	-0-	972	1,186	57	4,351	2,887	9,453	18,469
Professional Fees/Subcontract	-0-	3,280	29,311	2,553	6,399	19,400	60,943	44,803
Insurance	-0-	146	6,618	140	49	519	7,472	13,058
Dues - United Way of PA/America	-0-	3,091	26,000	2,900	-0-	10,816	42,807	38,468
Depreciation	-0-	2,036	10,911	1,281	4,031	7,053	25,312	10,619
Miscellaneous	-0-	715	9,811	646	5,503	22,404	39,079	20,843
Total Other Functional Expenses	-0-	54,470	171,846	32,815	112,983	115,213	487,327	434,468
Total Program Expenses	\$ 3,105,504	\$ 132,544	\$ 675,816	\$ 93,146	\$ 332,712	\$ 438,865	\$ 4,778,587	\$ 5,080,807

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2020 with Comparative Totals for 2019

	SUPPORTING SERVICES			
	Administrative and General	Fund Raising	Year Ended June 30, 2020	Year Ended June 30, 2019
SALARIES and RELATED EXPENSES				
Salaries	\$ 213,834	\$ 349,110	\$ 562,944	\$ 648,238
Employee Benefits	42,909	59,885	102,794	109,379
Payroll Taxes	18,146	23,709	41,855	53,223
Total Salaries and Related Expenses	274,889	432,704	707,593	810,840
OTHER FUNCTIONAL EXPENSES				
Supplies	1,610	1,015	2,625	6,338
Telephone	2,710	3,947	6,657	9,766
Postage	512	1,286	1,798	5,224
Occupancy - Rent	115,746	14,240	129,986	51,389
Conferences, Events, and Training	5,312	4,891	10,203	35,516
Equipment and Building - Rentals and Maintenance	39,848	21,376	61,224	46,532
Printing/Promotion	10,640	11,761	22,401	52,565
Local Transportation	1,700	3,538	5,238	9,489
Professional Fees	48,280	19,005	67,285	49,327
Advertising/Marketing	-0-	60,291	60,291	80,726
Insurance	3,096	566	3,662	5,260
Consulting Fees	16,429	-0-	16,429	-0-
Dues - United Way of PA/America	9,310	16,749	26,059	33,967
Depreciation	8,087	8,843	16,930	8,332
Miscellaneous	11,233	10,635	21,868	16,272
Total Other Functional Expenses	274,513	178,143	452,656	410,703
Total Supporting Services	\$ 549,402	\$ 610,847	\$ 1,160,249	\$ 1,221,543

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2020 with Comparative Totals for 2019

	<u>PROGRAM EXPENSES</u>		<u>SUPPORTING SERVICES</u>		<u>TOTAL FUNCTIONAL EXPENSES</u>	
	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2020	Year Ended June 30, 2019
EXPENSES						
FUNDS AWARDED/DISTRIBUTED						
Gross Funds Awarded/Distributed	\$ 3,443,288	\$ 4,066,014	\$ -0-	\$ -0-	\$ 3,443,288	\$ 4,066,014
Donor Designations	(640,386)	(625,923)	-0-	-0-	(640,386)	(625,923)
Net Funds Awarded/Distributed	<u>2,802,902</u>	<u>3,440,091</u>	-0-	-0-	<u>2,802,902</u>	<u>3,440,091</u>
Other Allocations and Program Expenses	302,602	117,978	-0-	-0-	302,602	117,978
Total Program Funds Awarded	<u>3,105,504</u>	<u>3,558,069</u>	-0-	-0-	<u>3,105,504</u>	<u>3,558,069</u>
SALARIES and RELATED EXPENSES						
Salaries	942,736	858,144	562,944	648,238	1,505,680	1,506,382
Employee Benefits	167,879	162,592	102,794	109,379	270,673	271,971
Payroll Taxes	75,141	67,534	41,855	53,223	116,996	120,757
Total Salaries and Related Expenses	<u>1,185,756</u>	<u>1,088,270</u>	<u>707,593</u>	<u>810,840</u>	<u>1,893,349</u>	<u>1,899,110</u>
OTHER FUNCTIONAL EXPENSES						
Supplies	9,609	9,540	2,625	6,338	12,234	15,878
Telephone	19,386	19,264	6,657	9,766	26,043	29,030
Postage	3,530	3,331	1,798	5,224	5,328	8,555
Occupancy - Rent	76,034	65,229	129,986	51,389	206,020	116,618
Conferences, Events, and Training	23,009	37,316	10,203	35,516	33,212	72,832
Equipment and Building - Rentals and Maintenance	55,979	44,028	61,224	46,532	117,203	90,560
Printing/Promotion	114,714	109,500	22,401	52,565	137,115	162,065
Local Transportation	9,453	18,469	5,238	9,489	14,691	27,958
Professional Fees/Subcontract	60,943	44,803	67,285	49,327	128,228	94,130
Advertising/Marketing	-0-	-0-	60,291	80,726	60,291	80,726
Insurance	7,472	13,058	3,662	5,260	11,134	18,318
Consulting Fees	-0-	-0-	16,429	-0-	16,429	-0-
Dues - United Way of PA/America	42,807	38,468	26,059	33,967	68,866	72,435
Depreciation	25,312	10,619	16,930	8,332	42,242	18,951
Miscellaneous	39,079	20,843	21,868	16,272	60,947	37,115
Total Other Functional Expenses	<u>487,327</u>	<u>434,468</u>	<u>452,656</u>	<u>410,703</u>	<u>939,983</u>	<u>845,171</u>
Total Expenses	<u>\$ 4,778,587</u>	<u>\$ 5,080,807</u>	<u>\$ 1,160,249</u>	<u>\$ 1,221,543</u>	<u>\$ 5,938,836</u>	<u>\$ 6,302,350</u>

See notes to financial statements.

United Way of Lancaster County
 STATEMENT of CASH FLOWS
 Year Ended June 30, 2020 with Comparative Totals for 2019

	2020	2019
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ (753,680)	\$ 1,168,051
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Provision for Uncollected Pledges	230,049	(22,034)
Depreciation	42,242	18,951
Loss on Disposal of Equipment	-0-	10,172
Contributed Property and Equipment	-0-	(10,000)
Realized and Unrealized (Gain) on Investments	131,823	(2,240,158)
Change in Value of Beneficial Interest in Perpetual Trusts	1,540	(24,874)
Pension Plan Reversion Gain	-0-	(38,045)
(Increase) Decrease in:		
Pledges Receivable	313,864	210,549
Accounts and Investment Income Receivable	2,348	(13,498)
Grants Receivable	(1,224)	(34,354)
Prepaid Expenses/Other	1,161	(22,239)
Security Deposits	(1,505)	(13,668)
Increase (Decrease) in:		
Accounts Payable, Allocations, Agency, and Other Payables	(707,305)	31,856
Accrued Expenses	1,085	(3,353)
Accrued Salaries and Wages	(4,131)	(8,024)
	(743,733)	(990,668)
CASH FLOWS from INVESTING ACTIVITIES		
Capital Expenditures	(62,730)	(164,280)
Purchase of Investments	(5,231,522)	(3,513,040)
Sale of Investments	5,309,318	5,843,509
	15,066	2,166,189
CASH FLOWS from FINANCING ACTIVITIES		
Proceeds from Long-Term Borrowings	355,000	-0-
Funds Received/(Paid) in Custody for Pension Reversion Liability	-0-	(145,175)
	355,000	(145,175)
INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	(373,667)	1,030,346
CASH and CASH EQUIVALENTS		
Beginning of Year	2,211,991	1,181,645
End of Year	<u>\$ 1,838,324</u>	<u>\$ 2,211,991</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of CASH FLOWS

(Continued)

Year Ended June 30, 2020 with Comparative Totals for 2019

	2020	2019
CASH and CASH EQUIVALENTS on the STATEMENT of FINANCIAL POSITION is COMPRISED of the FOLLOWING:		
Cash and Cash Equivalents:		
Without Donor Restrictions	\$ 1,372,668	\$ 1,886,555
With Donor Restrictions	<u>465,656</u>	<u>325,436</u>
	<u>\$ 1,838,324</u>	<u>\$ 2,211,991</u>

SUPPLEMENTAL DISCLOSURES of NONCASH INVESTING and FINANCING ACTIVITIES

Collection of Contributions in Form of Securities that were Immediately Sold	45,333	63,555
Contributed Property and Equipment	-0-	10,000

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, 2019, 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.

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, 2020 and 2019.

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, 2020, the United Way had committed to pay community impact partnership allocations through June 30, 2021, and program expenses for the year ended June 30, 2020, included community impact partnership allocations for the period July 1, 2020 through June 30, 2021.

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, 2020 and 2019.

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 \$93,254 and \$107,153 for the years ended June 30, 2020 and 2019, 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 2020

During the current fiscal year, the United Way adopted 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 ended June 30, 2020. The adoption of this new accounting standard was determined not to have a material impact on the United Way’s financial statements.

During the current fiscal year, the United Way adopted the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which assists entities in addressing certain aspects of recognition measurement, presentation, and disclosure of financial instruments as well as the measurement of credit losses of financial assets in a separate project. This update is effective for fiscal year ended June 30, 2020. The adoption of this new accounting standard was determined not to have a material impact on the United Way’s 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

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, 2021. 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, 2023. The United Way is currently assessing the impact the adoption of ASU 2016-02 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.

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.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

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

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 rigorous 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, 2020 and 2019, are as follows:

	2020		2019	
	Grants	Pledges	Grants	Pledges
Receivable in Less Than One Year	175,655	1,346,489	174,431	1,660,353
Receivable in One to Five Years	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	175,655	1,346,489	174,431	1,660,353
Allowance for Uncollectible Pledges	<u>-0-</u>	<u>(624,415)</u>	<u>-0-</u>	<u>(394,366)</u>
	175,655	722,074	174,431	1,265,987
Receivable Due In:				
Less Than One Year	175,655	722,074	174,431	1,265,987

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS

Details of investments held at June 30, 2020 and 2019, are as follows:

	Cost	Market Value	Unrealized Gain (Loss)
2020			
Money Market Funds, Other	367,650	367,650	-0-
Certificates of Deposit	110,064	122,008	11,944
Common Stocks	1,513,717	1,549,897	36,180
Registered Investment Companies	1,675,895	1,683,675	7,780
Exchange-Traded Funds	<u>307,899</u>	<u>253,649</u>	<u>(54,250)</u>
	3,975,225	3,976,879	1,654
2019			
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	37,382	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

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.

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.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

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, 2020 and 2019.

Certificates of Deposit

Valued at its principal amount invested plus interest.

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 and Exchange Traded 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. Exchange traded funds are a certain type of mutual fund that invests in securities that track to an underlying index.

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, 2020 and 2019:

2020	Level 1	Level 2	Level 3	Total Fair Value
Beneficial Interests in Perpetual Trusts	-0-	-0-	617,702	617,702
Equities - Common Stock				
Basic Materials	68,125	-0-	-0-	68,125
Consumer Goods	191,816	-0-	-0-	191,816
Consumer Staples	98,474	-0-	-0-	98,474
Energy	15,907	-0-	-0-	15,907
Financial	227,019	-0-	-0-	227,019
Health Care	232,143	-0-	-0-	232,143
Industrial Goods	246,758	-0-	-0-	246,758
Technology	303,586	-0-	-0-	303,586
Real Estate	45,131	-0-	-0-	45,131
Telecommunication Services	79,077	-0-	-0-	79,077
Utilities	41,861	-0-	-0-	41,861
Money Market Funds	367,650	-0-	-0-	367,650
Registered Investment Companies				
Mutual Funds - Fixed Income	1,046,039	-0-	-0-	1,046,039
Mutual Funds - Equities	637,636	-0-	-0-	637,636
Exchange-Traded Funds	253,649	-0-	-0-	253,649
Certificates of Deposit	<u>122,008</u>	<u>-0-</u>	<u>-0-</u>	<u>122,008</u>
	3,976,879	-0-	617,702	4,594,581

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

	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
		2,742,394	1,444,104	619,242	4,805,740

Level 1 and 2 Transfers

As a result of the change in investment advisors and custodian during 2020, transfers occurred between levels 1 and 2 for the year ended June 30, 2020. No transfers in and out of levels 1 and 2 occurred during the year ended June 30, 2019.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

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, 2020 and 2019:

	Beneficial Interest in Perpetual Trusts
Balance - June 30, 2018	594,369
Distributions	(28,292)
Investment Income, net Fees	<u>53,165</u>
Balance - June 30, 2019	619,242
Distributions	(33,681)
Investment Income, net Fees	<u>32,141</u>
Balance - June 30, 2020	617,702

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:

	2020	2019
Fair Value as of June 30	617,702	619,242

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, 2020 and 2019, was \$(1,540) and \$24,874, 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 year ended June 30, 2019, was \$15,736. 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, 2020 and 2019:

	2020	2019
Leasehold Improvements	144,464	143,155
Office Equipment and Fixtures	<u>183,830</u>	<u>122,409</u>
	328,294	265,564
Accumulated Depreciation	<u>(121,292)</u>	<u>(79,050)</u>
	207,002	186,514

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, 2020 and 2019. The line of credit expires July 2021.

NOTE 11 - LONG-TERM DEBT

On April 13, 2020, the United Way received a loan of \$355,000 under the Paycheck Protection Program (PPP) from the Small Business Administration (SBA) with funding provided by the federal government under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) which was passed on March 27, 2020. The United Way has recorded the loan as a liability in accordance with FASB ASC 470, *Debt*. The loan bears a 1% interest rate with a two year repayment term, with a six month deferral of principal payments starting from the date the loan proceeds were received. The United Way plans to submit an application for loan forgiveness under the Paycheck Protection Program. If the United Way is legally released from any or all amount of the loan, the liability will be derecognized and a gain on loan extinguishment would be recorded within the statements of activities and changes in net assets.

Maturities of long-term debt, provided the loan is not forgiven, for the years ending June 30, 2021 and 2022, total \$199,548 and \$155,452, respectively.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

The Board designated net assets for training and operating reserves. Net assets without donor restrictions which are designated by the Board for training totaled \$98,683 and \$105,540 at June 30, 2020 and 2019, respectively. Net assets without donor restrictions which are designated by the Board for operating reserves totaled \$1,000,000 and \$-0- at June 30, 2020 and 2019, respectively.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019:

	2020	2019
Time Restrictions:		
Net Campaign Pledges Receivable	722,074	1,264,080
Contributions Received for Future Campaign	10,000	-0-
Purpose Restrictions:		
Support Leadership Development of the Human Service Community	101,078	106,296
Support Women's Leadership Council	490,460	487,744
Support Emergency Shelter	5,113	5,113
Support Education	94,625	62,755
Support Youth Venture	26,815	26,815
Support Bank On	42,328	42,328
Support 211 Call Center	13,273	13,274
Support VITA	53,026	53,026
COVID 19	77,688	-0-
Perpetual:		
Beneficial Interest in Perpetual Trust	617,702	619,242
Endowment Funds to be Held in Perpetuity	<u>245,248</u>	<u>245,248</u>
	2,499,430	2,925,921

Net assets with donor restrictions are classified on the statement of financial position at June 30, 2020 and 2019, as follows:

	2020	2019
Cash and Cash Equivalents	465,656	325,436
Pledges and Grants Receivable	722,074	1,264,080
Beneficial Interest in Perpetual Trust	617,702	619,242
Investments	<u>693,998</u>	<u>717,163</u>
	2,499,430	2,925,921

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - 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.

The United Way's endowment assets consist of funds, the earnings of 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, 2020 and 2019, and presents the endowment net assets as of June 30, 2020 and 2019:

	With Donor Restrictions (Perpetual)	
	2020	2019
Endowment Net Assets, Beginning of Year	245,248	245,248
Investment Return:		
Investment Loss	(12,132)	(6,452)
Transfer to Restore Value of Endowment Fund	<u>12,132</u>	<u>6,452</u>
Endowment Net Assets, End of Year	245,248	245,248

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 \$62,042 and \$57,420 for the years ended June 30, 2020 and 2019, respectively, and includes a 3% safe harbor contribution and a 2% deferral match.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 16 - OPERATING LEASES

The United Way leases computer equipment under operating lease agreements expiring at various times through the fiscal year ending 2024. Total rental expense under these leases for the years ended June 30, 2020 and 2019, was \$7,444 and \$5,197, respectively.

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, 2020 and 2019, was \$10,051 and \$1,675, 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 base rental expense under this lease for the years ended June 30, 2020 and 2019, was \$164,800 and \$27,333, respectively. Additional rental expense for real estate taxes and insurance were \$22,188 and \$-0- for the years ended June 30, 2020 and 2019, respectively.

In July 2019, the United Way entered into a sublease agreement to lease a portion of the office building noted in the paragraph above 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. Base rent under the lease is \$6,041 per month with a 2.0% annual increase after the first year. In addition to the base rent, the United Way requires reimbursements of real estate taxes, insurance, and common area maintenance expenses (CAM). Total base rental income received under the sublease was \$66,927 and \$-0- for the years ended June 30, 2020 and 2019, respectively. Additional rental income for real estate taxes, insurance, and CAM was \$32,823 and \$-0- for the years ended June 30, 2020 and 2019, respectively.

The United Way leases office space for the VITA program under an operating lease agreement with a three-year term expiring November 30, 2022. Base rent under the lease is \$933 per month with a 1.03% annual increase after the first year. In addition to the base rent, the United Way is required to pay additional rent for CAM and real estate taxes. Upon commencement of the lease, the United Way paid a security deposit of \$1,505, to be refunded at the expiration of the lease. Total base rental expense under this lease for the years ended June 30, 2020 and 2019, was \$6,532 and \$-0-, respectively. Additional rental expense for CAM and taxes was \$4,000 and \$-0- for the years ended June 30, 2020 and 2019, respectively.

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

The United Way leased space in a public library for the use of its VITA program under a short-term lease agreement during the years ended June 30, 2020 and 2019. Total rent expense under this lease for the years then ended was \$2,500 and \$3,000, respectively.

The United Way leased office space for the use of its VITA program under a short-term lease agreement during the year ended June 30, 2020. Total rent expense under this lease for the year then ended was \$6,000.

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, 2020:

	Expense	Revenue
2021	194,003	74,417
2022	194,996	75,888
2023	189,816	77,401
2024	185,750	78,935
2025	177,547	80,531
Thereafter	<u>119,573</u>	<u>54,416</u>
	1,061,685	441,588

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 \$640,386 and \$625,923 for the years ended June 30, 2020 and 2019, 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 is calculated at 15.8% of donor designated contributions paid directly to the United Way. A fee is not charged on donor designated contributions, solicited by the United Way and paid directly to the qualifying organization.

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, 2020 and 2019:

	2020	2019
Financial Assets:		
Cash and Cash Equivalents	1,838,324	2,211,991
Pledges Receivable, net	722,074	1,265,987
Other Accounts Receivable	225,421	226,545
Long-Term Investments and Beneficial Interests in Perpetual Trusts	<u>4,594,581</u>	<u>4,805,740</u>
Total Financial Assets	7,380,400	8,510,263
Less Amounts Unavailable for General Expenditures, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donors with Time or Purpose Restrictions	(1,636,480)	(2,061,431)
Restricted by Donors in Perpetuity	(862,950)	(864,490)
Board Designations:		
Designated for Training and Operating Reserve	<u>(1,098,683)</u>	<u>(105,540)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	3,782,287	5,478,802

NOTE 20 - UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. Due to this event, the Organization temporarily suspended their programs in 2020. The Organization cannot currently estimate the impact of COVID-19 on its financial condition. Management is monitoring the evolving situation and adapting operations and decision making as necessary.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 21 - SUBSEQUENT EVENTS

The United Way committed to implementing a customer relationship management system and other software subsequent to year end. The total commitment is approximately \$50,300 for implementation of the systems and annual subscription fees of \$62,000.

For the year ended June 30, 2020, subsequent events have been evaluated through October 15, 2020, 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, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **United Way of Lancaster County's** (the United Way) 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 #2020-001.

Material Weakness

#2020-001 - 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 United Way does not have an internal control system designed to provide for the preparation of the financial statements and the related financial statement disclosures being audited. The United Way employs competent individuals who understand the United Way's operations and record the day-to-day transactions in a consistent manner. However, the United Way does not employ an individual that is proficient in applying and implementing complex accounting guidance or in preparing financial statements with footnote disclosures in conformity with U.S. generally accepted accounting principles (US GAAP).

Cause and Effect: As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Although this circumstance is not unusual for an organization of your size, the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statements disclosures not being available for management purposes as timely as it would be if prepared by the organization's personnel. Additionally, management prepared financial statements that are used for decision-making before the audit is completed could materially differ from the audited financial statements. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

Organization Response: The VP of Finance is assigned to oversee Trout CPA's preparation of the financial statements. He has the necessary background to oversee the preparation of the financial statements and notes in conformity with 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 CPA 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 the intent that the Finance Department will revamp the internal processes to create interim financial statements to assist Trout CPA to prepare the financial statements.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

United Way's Response to Finding

United Way's response to the finding 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.

Trout CPA

October 15, 2020

Trout CPA