

United Way of Lancaster County

Year Ended June 30, 2021 with Comparative Totals for 2020



United Way of Lancaster County

Financial Statements

Year Ended June 30, 2021 with Comparative Totals for 2020

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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, 2021, 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, 2021, 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** 2020 financial statements, and our report dated October 15, 2020, 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, 2020, 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 November 16, 2021, 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.

A handwritten signature in black ink that reads "Trout CPA". The signature is written in a cursive, flowing style.

November 16, 2021
Lancaster, Pennsylvania

United Way of Lancaster County
 STATEMENT of FINANCIAL POSITION
 June 30, 2021 with Comparative Totals for 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Without Donor Restrictions	\$ 971,645	\$ 1,372,668
Cash and Cash Equivalents - With Donor Restrictions	417,611	465,656
Pledges Receivable, less Allowance for Uncollectible Pledges of \$571,897 and \$624,415 for June 30, 2021 and 2020, Respectively	658,387	722,074
Accounts Receivable	122,850	45,645
Grants Receivable	175,655	175,655
Investment Income Receivable	4,437	4,121
Prepaid Expenses/Other	<u>120,337</u>	<u>57,634</u>
Total Current Assets	2,470,922	2,843,453
OTHER ASSETS		
Security Deposits	15,173	15,173
Investments - Without Donor Restrictions	3,987,661	3,282,881
Investments - With Donor Restrictions	<u>712,252</u>	<u>693,998</u>
Total Other Assets	4,715,086	3,992,052
PROPERTY and EQUIPMENT, net of Accumulated Depreciation of \$164,984 and \$121,292 at June 30, 2021 and 2020, Respectively	170,563	207,002
INTANGIBLE ASSET, net of Accumulated Amortization of \$47,323 and \$-0- at June 30, 2021 and 2020, Respectively	383,817	-0-
BENEFICIAL INTEREST in PERPETUAL TRUST	<u>792,044</u>	<u>617,702</u>
TOTAL ASSETS	<u>8,532,432</u>	<u>7,660,209</u>
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Partnership Allocations Payable	280,000	1,688,169
Accounts Payable - Trade	30,374	33,094
Due to Designated Agencies	291,894	198,423
Due to Other Organizations and Grantors	770,684	580,339
Current Maturities of Long-Term Debt	406,804	199,548
Accrued Expenses	60,240	49,546
Accrued Salaries and Wages	<u>62,188</u>	<u>63,652</u>
Total Current Liabilities	1,902,184	2,812,771
LONG-TERM DEBT, less Current Maturities	<u>170,134</u>	<u>155,452</u>
TOTAL LIABILITIES	2,072,318	2,968,223
NET ASSETS		
Without Donor Restrictions - Undesignated	2,757,149	1,093,873
Without Donor Restrictions - Board Designated	<u>1,122,671</u>	<u>1,098,683</u>
Total Without Donor Restrictions	3,879,820	2,192,556
With Donor Restrictions	<u>2,580,294</u>	<u>2,499,430</u>
TOTAL NET ASSETS	<u>6,460,114</u>	<u>4,691,986</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 8,532,432</u>	<u>\$ 7,660,209</u>

See notes to financial statements.

United Way of Lancaster County
 STATEMENT of ACTIVITIES and CHANGES in NET ASSETS
 Year Ended June 30, 2021 with Comparative Totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2021	Year Ended June 30, 2020
OPERATING ACTIVITIES				
PUBLIC SUPPORT				
Campaign Applicable to Current Period:				
Contributions, net of Uncollectable	\$ 2,731,160	\$ 663,427	\$ 3,394,587	\$ 3,280,456
Contributions Released from Restriction	<u>706,996</u>	<u>(706,996)</u>	<u>-0-</u>	<u>-0-</u>
Gross Campaign Results	3,438,156	(43,569)	3,394,587	3,280,456
Donor Designations	<u>(684,258)</u>	<u> </u>	<u>(684,258)</u>	<u>(640,386)</u>
Total Campaign Applicable to Current Period	2,753,898	(43,569)	2,710,329	2,640,070
Campaign Revenue Designated for Future Allocation Periods			-0-	10,000
Corporate Sponsorships	28,500		28,500	32,500
Contributions - Gifts In-Kind	70,228		70,228	93,254
Contributions - Other United Ways	83,921		83,921	93,503
Donations, Bequests, and Amortization of Pledge Discount	<u>-0-</u>	<u> </u>	<u>-0-</u>	<u>1,136</u>
Total Public Support	2,936,547	(43,569)	2,892,978	2,870,463
REVENUES				
Interest and Dividend Income, net of Investment Expenses of \$25,329 and \$18,606 for the Years Ended June 30, 2021 and 2020, Respectively	65,116		65,116	96,335
Distributions Received from Perpetual Trust	37,461		37,461	33,681
Management Fees	575,863		575,863	396,245
Grants	1,345,400	691,907	2,037,307	1,734,927
Grants Released from Restriction	<u>\$ 760,070</u>	<u>\$ (760,070)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of ACTIVITIES and CHANGES in NET ASSETS (Continued)

Year Ended June 30, 2021 with Comparative Totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2021	Year Ended June 30, 2020
REVENUES (Continued)				
Administrative Fee - Donor Choice Program	\$ 30,029	\$	\$ 30,029	\$ 82,583
Miscellaneous and Rental Income	<u>79,563</u>	<u> </u>	<u>79,563</u>	<u>104,285</u>
Total Revenues	<u>2,893,502</u>	<u>(68,163)</u>	<u>2,825,339</u>	<u>2,448,056</u>
TOTAL PUBLIC SUPPORT and REVENUES	5,830,049	(111,732)	5,718,317	5,318,519
EXPENSES				
Program Services:				
Gross Funds Awarded/Distributed	2,270,030		2,270,030	3,443,288
Donor Designations	<u>(684,258)</u>	<u> </u>	<u>(684,258)</u>	<u>(640,386)</u>
Net Funds Awarded/Distributed	1,585,772	-0-	1,585,772	2,802,902
Other Allocations and Program Expenses	<u>333,522</u>	<u> </u>	<u>333,522</u>	<u>302,602</u>
Total Program Funds Awarded	1,919,294	-0-	1,919,294	3,105,504
Marketing and Communications	278,862		278,862	132,544
211 Call Center	711,027		711,027	675,816
Volunteer Center	96,413		96,413	93,146
VITA	224,943		224,943	332,712
Community Impact	<u>685,310</u>	<u> </u>	<u>685,310</u>	<u>438,865</u>
Total Program Services	\$ 3,915,849	\$ -0-	\$ 3,915,849	\$ 4,778,587

See notes to financial statements.

United Way of Lancaster County

STATEMENT of ACTIVITIES and CHANGES in NET ASSETS

(Continued)

Year Ended June 30, 2021 with Comparative Totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2021	Year Ended June 30, 2020
EXPENSES (Continued)				
Supporting Services:				
Administrative and General	\$ 541,612	\$	\$ 541,612	\$ 549,402
Fund Raising	<u>583,781</u>	<u> </u>	<u>583,781</u>	<u>610,847</u>
Total Supporting Services	<u>1,125,393</u>	<u>-0-</u>	<u>1,125,393</u>	<u>1,160,249</u>
TOTAL EXPENSES	<u>5,041,242</u>	<u>-0-</u>	<u>5,041,242</u>	<u>5,938,836</u>
CHANGES in NET ASSETS from OPERATIONS	788,807	(111,732)	677,075	(620,317)
NONOPERATING ACTIVITIES				
Change in Value of Beneficial Interest in Perpetual Trusts		174,342	174,342	(1,540)
Realized and Unrealized Gain (Loss) on Investments	<u>898,457</u>	<u>18,254</u>	<u>916,711</u>	<u>(131,823)</u>
CHANGES in NET ASSETS from NONOPERATING ACTIVITIES	<u>898,457</u>	<u>192,596</u>	<u>1,091,053</u>	<u>(133,363)</u>
CHANGES in NET ASSETS	1,687,264	80,864	1,768,128	(753,680)
NET ASSETS				
Beginning of Year	<u>2,192,556</u>	<u>2,499,430</u>	<u>4,691,986</u>	<u>5,445,666</u>
End of Year	<u>\$ 3,879,820</u>	<u>\$ 2,580,294</u>	<u>\$ 6,460,114</u>	<u>\$ 4,691,986</u>

See notes to financial statements.

United Way of Lancaster County
 STATEMENT of FUNCTIONAL EXPENSES
 Year Ended June 30, 2021 with Comparative Totals for 2020

	PROGRAM EXPENSES						Year Ended June 30, 2021	Year Ended June 30, 2020
	Total Program Funds Awarded	Marketing and Communications	211 Call Center	Volunteer Center	VITA	Community Impact		
EXPENSES								
FUNDS AWARDED/DISTRIBUTED								
Gross Funds Awarded/Distributed	\$ 2,270,030	\$	\$	\$	\$	\$	\$ 2,270,030	\$ 3,443,288
Donor Designations	(684,258)						(684,258)	(640,386)
Net Funds Awarded/Distributed	1,585,772	-0-	-0-	-0-	-0-	-0-	1,585,772	2,802,902
Other Allocations and Program Expenses	333,522						333,522	302,602
Total Program Funds Awarded	1,919,294	-0-	-0-	-0-	-0-	-0-	1,919,294	3,105,504
SALARIES and RELATED EXPENSES								
Salaries	-0-	134,810	423,711	44,246	122,019	408,767	1,133,553	942,736
Employee Benefits	-0-	26,360	72,975	14,530	27,404	23,776	165,045	167,879
Payroll Taxes	-0-	10,214	33,526	3,681	9,414	33,789	90,624	75,141
Total Salaries and Related Expenses	-0-	171,384	530,212	62,457	158,837	466,332	1,389,222	1,185,756
OTHER FUNCTIONAL EXPENSES								
Supplies	-0-	236	1,762	85	6,162	5,110	13,355	9,609
Telephone	-0-	919	14,399	715	4,412	2,885	23,330	19,386
Postage	-0-	216	1,063	170	266	818	2,533	3,530
Occupancy - Rent	-0-	5,555	42,501	5,228	21,355	19,479	94,118	76,034
Conferences, Events, and Training	-0-	72	494	13,078	224	793	14,661	23,009
Equipment and Building - Rentals and Maintenance	-0-	11,406	11,641	5,005	14,175	100,243	142,470	55,910
Printing/Promotion	-0-	70,133	14,408	460	6,081	14,403	105,485	114,714
Local Transportation	-0-	1,030	216	10	447	67	1,770	9,453
Professional Fees/Subcontract	-0-	8,711	36,002	3,192	3,190	26,164	77,259	61,012
Insurance	-0-	-0-	-0-	-0-	743	-0-	743	7,472
Dues - United Way of PA/America	-0-	4,246	35,722	3,985	-0-	14,861	58,814	42,807
Depreciation	-0-	3,313	10,942	1,194	3,034	10,807	29,290	25,312
Miscellaneous	-0-	1,641	11,665	834	6,017	23,348	43,505	39,079
Total Other Functional Expenses	-0-	107,478	180,815	33,956	66,106	218,978	607,333	487,327
Total Program Expenses	\$ 1,919,294	\$ 278,862	\$ 711,027	\$ 96,413	\$ 224,943	\$ 685,310	\$ 3,915,849	\$ 4,778,587

See notes to financial statements.

United Way of Lancaster County

STATEMENT OF FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2021 with Comparative Totals for 2020

	SUPPORTING SERVICES		Year Ended	Year Ended
	Administrative and General	Fund Raising	June 30, 2021	June 30, 2020
SALARIES and RELATED EXPENSES				
Salaries	\$ 206,839	\$ 352,749	\$ 559,588	\$ 562,944
Employee Benefits	52,281	54,246	106,527	102,794
Payroll Taxes	15,091	26,223	41,314	41,855
Total Salaries and Related Expenses	274,211	433,218	707,429	707,593
OTHER FUNCTIONAL EXPENSES				
Supplies	1,666	934	2,600	2,625
Telephone	2,752	4,288	7,040	6,657
Postage	1,082	1,362	2,444	1,798
Occupancy - Rent	108,205	29,222	137,427	129,986
Conferences, Events, and Training	672	2,054	2,726	10,203
Equipment and Building - Rentals and Maintenance	63,754	22,159	85,913	61,224
Printing/Promotion	18,702	2,040	20,742	22,401
Local Transportation	1,472	1,026	2,498	5,238
Professional Fees	44,056	27,062	71,118	67,285
Advertising/Marketing	-0-	21,131	21,131	60,291
Insurance	2,182	-0-	2,182	3,662
Consulting Fees	-0-	-0-	-0-	16,429
Dues - United Way of PA/America	12,654	25,261	37,915	26,059
Depreciation	4,936	9,466	14,402	16,930
Miscellaneous	5,268	4,558	9,826	21,868
Total Other Functional Expenses	267,401	150,563	417,964	452,656
Total Supporting Services	\$ 541,612	\$ 583,781	\$ 1,125,393	\$ 1,160,249

See notes to financial statements.

United Way of Lancaster County

STATEMENT of FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2021 with Comparative Totals for 2020

	<u>PROGRAM EXPENSES</u>		<u>SUPPORTING SERVICES</u>		<u>TOTAL FUNCTIONAL EXPENSES</u>	
	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2021	Year Ended June 30, 2020
EXPENSES						
FUNDS AWARDED/DISTRIBUTED						
Gross Funds Awarded/Distributed	\$ 2,270,030	\$ 3,443,288	\$ -0-	\$ -0-	\$ 2,270,030	\$ 3,443,288
Donor Designations	(684,258)	(640,386)	-0-	-0-	(684,258)	(640,386)
Net Funds Awarded/Distributed	<u>1,585,772</u>	<u>2,802,902</u>	-0-	-0-	<u>1,585,772</u>	<u>2,802,902</u>
Other Allocations and Program Expenses	333,522	302,602	-0-	-0-	333,522	302,602
Total Program Funds Awarded	<u>1,919,294</u>	<u>3,105,504</u>	-0-	-0-	<u>1,919,294</u>	<u>3,105,504</u>
SALARIES and RELATED EXPENSES						
Salaries	1,133,553	942,736	559,588	562,944	1,693,141	1,505,680
Employee Benefits	165,045	167,879	106,527	102,794	271,572	270,673
Payroll Taxes	90,624	75,141	41,314	41,855	131,938	116,996
Total Salaries and Related Expenses	<u>1,389,222</u>	<u>1,185,756</u>	<u>707,429</u>	<u>707,593</u>	<u>2,096,651</u>	<u>1,893,349</u>
OTHER FUNCTIONAL EXPENSES						
Supplies	13,355	9,609	2,600	2,625	15,955	12,234
Telephone	23,330	19,386	7,040	6,657	30,370	26,043
Postage	2,533	3,530	2,444	1,798	4,977	5,328
Occupancy - Rent	94,118	76,034	137,427	129,986	231,545	206,020
Conferences, Events, and Training	14,661	23,009	2,726	10,203	17,387	33,212
Equipment and Building - Rentals and Maintenance	142,470	55,910	85,913	61,224	228,383	117,134
Printing/Promotion	105,485	114,714	20,742	22,401	126,227	137,115
Local Transportation	1,770	9,453	2,498	5,238	4,268	14,691
Professional Fees/Subcontract	77,259	61,012	71,118	67,285	148,377	128,297
Advertising/Marketing	-0-	-0-	21,131	60,291	21,131	60,291
Insurance	743	7,472	2,182	3,662	2,925	11,134
Consulting Fees	-0-	-0-	-0-	16,429	-0-	16,429
Dues - United Way of PA/America	58,814	42,807	37,915	26,059	96,729	68,866
Depreciation	29,290	25,312	14,402	16,930	43,692	42,242
Miscellaneous	43,505	39,079	9,826	21,868	53,331	60,947
Total Other Functional Expenses	<u>607,333</u>	<u>487,327</u>	<u>417,964</u>	<u>452,656</u>	<u>1,025,297</u>	<u>939,983</u>
Total Expenses	<u>\$ 3,915,849</u>	<u>\$ 4,778,587</u>	<u>\$ 1,125,393</u>	<u>\$ 1,160,249</u>	<u>\$ 5,041,242</u>	<u>\$ 5,938,836</u>

See notes to financial statements.

United Way of Lancaster County
 STATEMENT of CASH FLOWS
 Year Ended June 30, 2021 with Comparative Totals for 2020

	2021	2020
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,768,128	\$ (753,680)
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Provision for Uncollected Pledges	(52,518)	230,049
Depreciation	43,692	42,242
Amortization	47,323	-0-
Realized and Unrealized (Gain) Loss on Investments	(916,711)	131,823
Change in Value of Beneficial Interest in Perpetual Trusts	(174,342)	1,540
(Increase) Decrease in:		
Pledges Receivable	116,205	313,864
Accounts and Investment Income Receivable	(77,521)	2,348
Grants Receivable	-0-	(1,224)
Prepaid Expenses/Other	(62,703)	1,161
Security Deposits	-0-	(1,505)
Increase (Decrease) in:		
Accounts Payable, Allocations, Agency, and Other Payables	(1,127,073)	(707,305)
Accrued Expenses	10,694	1,085
Accrued Salaries and Wages	(1,464)	(4,131)
	<u>(426,290)</u>	<u>(743,733)</u>
Net Cash Used by Operating Activities	(426,290)	(743,733)
CASH FLOWS from INVESTING ACTIVITIES		
Capital Expenditures	(7,253)	(62,730)
Acquisition of Software	(209,202)	-0-
Purchase of Investments	(1,420,507)	(5,231,522)
Sale of Investments	1,614,184	5,309,318
	<u>(22,778)</u>	<u>15,066</u>
Net Cash Provided (Used) by Investing Activities	(22,778)	15,066
CASH FLOWS from FINANCING ACTIVITIES		
Proceeds from Long-Term Borrowings	-0-	355,000
	<u>-0-</u>	<u>355,000</u>
Net Cash Provided by Financing Activities	-0-	355,000
DECREASE in CASH and CASH EQUIVALENTS	(449,068)	(373,667)
CASH and CASH EQUIVALENTS		
Beginning of Year	<u>1,838,324</u>	<u>2,211,991</u>
End of Year	<u>\$ 1,389,256</u>	<u>\$ 1,838,324</u>

See notes to financial statements.

United Way of Lancaster County

STATEMENT of CASH FLOWS

(Continued)

Year Ended June 30, 2021 with Comparative Totals for 2020

	2021	2020
CASH and CASH EQUIVALENTS on the STATEMENT of FINANCIAL POSITION is COMPRISED of the FOLLOWING:		
Cash and Cash Equivalents:		
Without Donor Restrictions	\$ 971,645	\$ 1,372,668
With Donor Restrictions	<u>417,611</u>	<u>465,656</u>
	<u>\$ 1,389,256</u>	<u>\$ 1,838,324</u>
 SUPPLEMENTAL DISCLOSURES of NONCASH INVESTING and FINANCING ACTIVITIES		
Donated Securities that were Immediately Sold	50,830	45,333
Software Acquired Through Financing Arrangements	221,938	-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.

Comparative Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the United Way's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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 or explicitly waived by the donor. 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 receivable 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 \$2,500 (\$1,000 for year ending June 30, 2020) are capitalized.

Intangibles

The United Way capitalizes certain computer costs incurred for internal use software. Capitalized costs include costs paid to a third-party vendor for licensing subscriptions. Capitalized software costs are included in intangible assets on the balance sheet and are amortized on a straight-line basis when placed into service over the estimated useful lives of the software or the term of the hosting arrangement (5 years). The net book value of software costs was \$236,615 at June 30, 2021, with amortization expense of \$47,323 in the year then ended.

Additionally, the United Way has capitalized costs of \$147,202 associated with internal use software related to its 211 program. These costs include amounts paid to a third-party to develop and enhance existing software. The software is not in use as of June 30, 2021, and will only be amortized when the software is placed into service.

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), the United Way recognizes revenue when control of the promised services is transferred to the United Way's outside parties in an amount that reflects the consideration the United Way expects to be entitled to in exchange for those services. The standard outlined a five-step model whereby revenue is recognized as performance obligations are satisfied.

The United Way receives management fees for the administration of certain programs and which are primarily from their 211 program. These fees are billed and collected monthly. Contract assets at June 30, were: \$122,850 - 2021, \$45,645 - 2020 and \$38,400 - 2019. There are no significant contract liabilities on the statement of financial position at June 30, 2021, 2020, or 2019.

The United Way's revenue from administrative fees and miscellaneous and rental income is minimal.

The United Way receives corporate sponsorships in support of the United Way's activities and are primarily to cover costs related to the annual campaign. These sponsorships are considered nonreciprocal transactions and are reported following the guidance for contributions.

The majority of the United Way's revenue is from contribution revenue.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

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

Contributions

The United Way recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08 Not-For-Profit Entities (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the United Way evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the United Way applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the United Way evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the organization is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

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 were 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. The United Way is changing their allocation process and will be approving allocations and funding community impact partnerships throughout the year based on the merits of the programs funded. Previously, the United Way committed to allocations to pre-approved partnerships at a board determined funding level. These allocations were then paid in the following fiscal year.

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, 2021 and 2020.

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. Additionally, the United Way records the value of their share of the advertising managed by United Way Worldwide which promotes the United Way network's shared mission on nationally broadcast television as donated services. The value of the donated services received amounted to \$70,228 and \$93,254 for the years ended June 30, 2021 and 2020, respectively. 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.

Interest Expense

The United Way expenses all interest costs as they are incurred.

Payroll Protection Program (PPP Loan)

The United Way obtained a PPP loan and is accounting for this instrument as debt. The United Way applied for forgiveness of this obligation as provided for in the PPP loan program established in the CARES Act, which was enacted March 27, 2020. If or when the obligation is legally extinguished, the United Way will recognize a gain on the extinguishment of debt.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

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

Accounting Standards Adopted in Fiscal Year 2021

During the current year, the United Way adopted 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 did not have a significant impact on the United Way's financial statements for the year ended June 30, 2021, other than to expand certain disclosures regarding revenue recognition.

Accounting Standards Not Yet Adopted

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, 2021 and 2020, are as follows:

	2021		2020	
	Grants	Pledges	Grants	Pledges
Receivable in Less Than One Year	175,655	1,230,284	175,655	1,346,489
Receivable in One to Five Years	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	175,655	1,230,284	175,655	1,346,489
Allowance for Uncollectible Pledges	<u>-0-</u>	<u>(571,897)</u>	<u>-0-</u>	<u>(624,415)</u>
	175,655	658,687	175,655	722,074
Receivable Due In:				
Less Than One Year	175,655	658,387	175,655	722,074

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 5 - INVESTMENTS

Details of investments held at June 30, 2021 and 2020, are as follows:

2021	Cost	Market Value	Unrealized Gain (Loss)
Money Market Funds, Other	171,196	171,196	-0-
Certificates of Deposit	110,064	119,645	9,581
Common Stocks	1,420,049	1,973,296	553,247
Registered Investment Companies	1,661,028	1,865,145	204,117
Exchange-Traded Funds	<u>426,659</u>	<u>570,631</u>	<u>143,972</u>
	3,788,996	4,699,913	910,917
2020	Cost	Market Value	Unrealized Gain (Loss)
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

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.

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

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

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, 2021 and 2020.

Certificates of Deposit

Valued at its principal amount invested plus accrued 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.

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.

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, 2021 and 2020:

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
2021				
Beneficial Interests in Perpetual Trusts	-0-	-0-	792,044	792,044
Money Market Funds	171,196	-0-	-0-	171,196
Registered Investment Companies				
Mutual Funds - Fixed Income	1,033,880	-0-	-0-	1,033,880
Mutual Funds - Equities	831,265	-0-	-0-	831,265
Exchange-Traded Funds	570,631	-0-	-0-	570,631
Equities - Common Stock				
Basic Materials	62,417	-0-	-0-	62,417
Consumer Goods	251,811	-0-	-0-	251,811
Consumer Staples	74,725	-0-	-0-	74,725
Energy	16,509	-0-	-0-	16,509
Financial	218,793	-0-	-0-	218,793
Health Care	293,792	-0-	-0-	293,792
Industrial Goods	259,350	-0-	-0-	259,350
Technology	455,677	-0-	-0-	455,677
Real Estate	232,158	-0-	-0-	232,158
Telecommunication Services	92,384	-0-	-0-	92,384
Utilities	15,680	-0-	-0-	15,680
Certificates of Deposit	<u>119,645</u>	-0-	<u>-0-</u>	<u>119,645</u>
	4,699,913	-0-	792,044	5,491,957
2020				
Beneficial Interests in Perpetual Trusts	-0-	-0-	617,702	617,702
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

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
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
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

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, 2021.

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, 2021 and 2020:

Beneficial Interest in Perpetual Trusts	
Balance - June 30, 2019	619,242
Distributions	(33,681)
Investment Income, net Fees	<u>32,141</u>
Balance - June 30, 2020	617,702
Distributions	(37,461)
Investment Income, net Fees	<u>211,803</u>
Balance - June 30, 2021	792,044

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 held in perpetuity. The United Way's portion of the value of the trust at inception was \$561,476 and was shown as a donor restricted contribution on the statement of activities and changes in net assets for the year in which the United Way became an income beneficiary.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - BENEFICIAL INTEREST in PERPETUAL TRUST (Continued)

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

	2021	2020
Fair Value as of June 30	792,044	617,702

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 net assets 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, 2021 and 2020, was \$174,342 and \$(1,540), respectively.

NOTE 8 - PROPERTY and EQUIPMENT

Property and equipment consists of the following at June 30, 2021 and 2020:

	2021	2020
Leasehold Improvements	144,465	144,464
Office Equipment and Fixtures	<u>191,082</u>	<u>183,830</u>
	335,547	328,294
Accumulated Depreciation	<u>(164,984)</u>	<u>(121,292)</u>
	170,563	207,002

NOTE 9 - LINE of CREDIT

The United Way has available a \$750,000 line of credit with a bank, which is due on demand. The credit line is unsecured with interest at prime minus .60%. There were no amounts outstanding under this line of credit at June 30, 2021 and 2020. The line of credit expires May 2022.

NOTE 10 - LONG-TERM DEBT

A summary of the underlying obligations included in long-term debt is included below.

	2021	2020
Unsecured note payable to a financial institution under the Small Business Administration (SBA) Paycheck Protection Program. In accordance with this program, the principal balance may be eligible for forgiveness. Payments on the note are deferred through April 2022. The balance of the loan that is not forgiven is due in fixed monthly payments of \$19,878 and including interest at 1%. (Note 20).	355,000	355,000

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

	2021	2020
Installment financing agreements on financed software maintenance and subscription agreements, secured by an interest in the licensed software. The annual payment on the agreement totals \$62,000 and provide for interest at 4.5%. The installment agreement ends August 2025.	<u>221,938</u>	<u>-0-</u>
	576,938	355,000
Current Maturities	406,804	199,548
Long-Term Portion	170,134	155,452

Annual maturities of long-term debt are as follows:

2022	406,804
2023	54,184
2024	56,673
2025	<u>59,277</u>
	576,938

NOTE 11 - 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 \$122,671 and \$98,683 at June 30, 2021 and 2020, respectively. Net assets without donor restrictions which are designated by the Board for operating reserves totaled \$1,000,000 at June 30, 2021 and 2020.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2021 and 2020:

	2021	2020
Time Restrictions:		
Net Campaign Pledges Receivable	658,387	722,074
Contributions Received for Future Campaign	-0-	10,000
Purpose Restrictions:		
Support Leadership Development of the Human Service Community	119,332	101,078
Support Women's Leadership Council	440,577	490,460
Support Emergency Shelter	5,113	5,113
Support Education	65,609	94,625
Support Youth Venture	26,815	26,815
Support Bank On	42,328	42,328
Support 211 Call Center	13,273	13,273

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	2021	2020
Support VITA	-0-	53,026
COVID 19	30,227	77,688
SOS	55,867	-0-
BellxCel	85,474	-0-
Perpetual:		
Beneficial Interest in Perpetual Trust	792,044	617,702
Endowment Funds to be Held in Perpetuity	<u>245,248</u>	<u>245,248</u>
	2,580,294	2,499,430

Net assets with donor restrictions are classified on the statement of financial position at June 30, 2021 and 2020, as follows:

	2021	2020
Cash and Cash Equivalents	417,611	465,656
Pledges and Grants Receivable	658,387	722,074
Beneficial Interest in Perpetual Trust	792,044	617,702
Investments	<u>712,252</u>	<u>693,998</u>
	2,580,294	2,499,430

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.

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.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - ENDOWMENT FUNDS (Continued)

The following summarizes the changes in endowment net assets for the years ended June 30, 2021 and 2020, and presents the endowment net assets as of June 30, 2021 and 2020:

	With Donor Restrictions (Perpetual)	
	2021	2020
Endowment Net Assets, Beginning of Year	245,248	245,248
Investment Return:		
Investment Gain (Loss)	41,536	(12,132)
Income Released from Restrictions	(41,536)	-0-
Transfer to Restore Value of Endowment Fund	<u>-0-</u>	<u>12,132</u>
Endowment Net Assets, End of Year	245,248	245,248

NOTE 14 - 401(k) SAVING PLANS

On January 1, 2007, the United Way established a 401(k) Retirement Plan covering substantially all of its employees. The plan is a "Safe Harbor Plan" whereby the United Way shall make a contribution equal to 3% 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 \$71,206 and \$62,042 for the years ended June 30, 2021 and 2020, respectively, and includes a 3% safe harbor contribution and a 2% deferral match.

NOTE 15 - 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, 2021 and 2020, was \$7,314 and \$7,444, respectively.

The United Way leases office equipment under an operating lease agreement expiring April 30, 2024. Total rental expense under this lease for each of the years ended June 30, 2021 and 2020, was \$10,051.

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, 2021 and 2020, was \$167,253 and \$164,800, respectively. Additional rental expense for real estate taxes and insurance were \$19,734 and \$22,188 for the years ended June 30, 2021 and 2020, respectively.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 15 - OPERATING LEASES (Continued)

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 \$74,417 and \$66,927 for the years ended June 30, 2021 and 2020, respectively. Additional rental income for real estate taxes, insurance, and CAM was \$24,974 and \$32,823 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, was \$11,394 and \$6,532, respectively. Additional rental expense for CAM and taxes was \$4,145 and \$4,000 for the years ended June 30, 2021 and 2020, respectively.

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, 2021 and 2020. Total rent expense under this lease for the years then ended was \$875 and \$2,500, 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.

Minimum annual rental commitments under non-cancelable leases are as follows at June 30, 2021:

	Expense	Revenue
2022	197,005	75,888
2023	191,825	77,401
2024	185,918	78,935
2025	177,547	80,531
2026	<u>119,573</u>	<u>54,416</u>
	871,868	367,171

NOTE 16 - DONOR CHOICE PROGRAM

The United Way offers a Donor Choice Program as an option for contributors. This program allows donors to designate their contributions to specific qualifying organizations. The organizations specified can be both member and non-member agencies of the United Way, and to qualify must meet certain requirements detailed by the program (e.g. must be a 501(c)(3) organization and must show proof of tax-exempt status). Funds received on pledges designated under the donor choice payments are disbursed to designated agencies on a quarterly basis. Donor choice payments totaled \$684,258 and \$640,386 for the years ended June 30, 2021 and 2020, respectively, and are not included in allocation expense on the statement of activities and changes in net assets.

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 16 - DONOR CHOICE PROGRAM (Continued)

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 17 - GOVERNMENT CONTRACTS

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

NOTE 18 - 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, 2021 and 2020:

	2021	2020
Financial Assets:		
Cash and Cash Equivalents	1,389,256	1,838,324
Pledges Receivable, net	658,387	722,074
Other Accounts Receivable	302,942	225,421
Long-Term Investments and Beneficial		
Interests in Perpetual Trusts	<u>5,491,957</u>	<u>4,594,581</u>
Total Financial Assets	7,842,542	7,380,400

United Way of Lancaster County

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 18 - LIQUIDITY and AVAILABILITY of RESOURCES (Continued)

	2021	2020
Less Amounts Unavailable for General Expenditures, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donors with Time or Purpose Restrictions	(1,543,002)	(1,636,480)
Restricted by Donors in Perpetuity	(1,037,292)	(862,950)
Board Designations:		
Designated for Training and Operating Reserve	<u>(1,122,671)</u>	<u>(1,098,683)</u>
	<u>(3,702,965)</u>	<u>(3,598,113)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	4,139,577	3,782,287

NOTE 19 - 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 2021 and 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.

NOTE 20 - SUBSEQUENT EVENTS

The United Way submitted an application for loan forgiveness under the Paycheck Protection Program. On July 13, 2021, the United Way received notification of forgiveness of the entire loan balance.

For the year ended June 30, 2021, subsequent events have been evaluated through November 16, 2021, 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, 2021, 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 November 16, 2021.

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 #2021-001.

Material Weakness

#2021-001 - 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). Additionally, during our audit we made numerous journal entries as accounts were being reconciled during our audit fieldwork. Individually and collectively, many of these adjustments were material to the financial statements.

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 Director of Finance is assigned to oversee Trout CPA's preparation of the financial statements. She 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.

A handwritten signature in black ink that reads "Trout CPA". The word "Trout" is written in a cursive style, and "CPA" is written in a more upright, blocky cursive style.

November 16, 2021

Trout CPA