



UNITED WAY OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
United Way of Berks County, Inc.
Reading, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Berks County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Berks County, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2020, on our consideration of United Way of Berks County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 Berks County, Inc.'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 Berks County, Inc.'s internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania

May 7, 2020

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Cash	\$ 2,344,499	\$ 2,448,716
Certificates of deposit	1,096,504	1,100,174
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2019 - \$859,713; 2018 - \$842,657)	8,228,326	7,770,358
Other	8,971	54,924
Prepaid expenses	36,994	35,862
Long-term investments, at market	11,166,525	9,734,209
Beneficial interest in perpetual trusts, at market	916,381	809,796
Beneficial interest in life insurance policy	24,269	23,276
Leasehold improvements, furniture, fixtures, and equipment, net	22,440	40,028
	<u>\$ 23,844,909</u>	<u>\$ 22,017,343</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 367,517	\$ 384,976
Due to other United Way agencies	330,226	301,352
Due to affiliated agencies	1,345,088	1,276,140
Deferred revenue	-	76,863
	<u>2,042,831</u>	<u>2,039,331</u>
NET ASSETS		
Without donor restrictions:		
Undesignated, available for general activities	2,920,564	2,931,176
Board-designated endowment, at market	1,834,150	1,610,076
Total without donor restrictions	<u>4,754,714</u>	<u>4,541,252</u>
With donor restrictions:		
Time and purpose restrictions	9,891,118	9,165,311
Perpetuity - endowment	6,239,865	5,461,653
Perpetuity - beneficial interest in trust	916,381	809,796
Total with donor restrictions	<u>17,047,364</u>	<u>15,436,760</u>
	<u>21,802,078</u>	<u>19,978,012</u>
	<u>\$ 23,844,909</u>	<u>\$ 22,017,343</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2019		Year Ended December 31, 2018		Year Ended December 31	
	Without	With	Without	With	2019	2018
	Donor	Donor	Donor	Donor	Totals	Totals
	Restrictions	Restrictions	Restrictions	Restrictions		
REVENUES, GAINS, AND OTHER SUPPORT						
Campaign contributions applicable to current period:						
Contributions received - current period	\$ 815,899	\$ -	\$ 820,557	\$ -	\$ 815,899	\$ 820,557
Less: donor designations	(89,931)	-	(100,972)	-	(89,931)	(100,972)
Less: amounts not available for operations	(301,682)	-	(246,866)	-	(301,682)	(246,866)
Contributions received in prior periods and now released from restriction	10,046,034	(10,046,034)	9,951,613	(9,951,613)	-	-
Less: donor designations	(1,499,752)	1,499,752	(1,478,602)	1,478,602	-	-
Less: allowance for uncollectible pledges	(436,254)	436,254	(423,145)	423,145	-	-
Less: amounts not available for operations	(155,329)	155,329	(110,370)	110,370	-	-
Total campaign contributions applicable to current period	8,378,985	(7,954,699)	8,412,215	(7,939,496)	424,286	472,719
Campaign contributions received for next allocation period:						
Contributions received - current period	-	10,216,743	-	9,929,068	10,216,743	9,929,068
Less: donor designations	-	(1,598,352)	-	(1,499,752)	(1,598,352)	(1,499,752)
Less: allowance for uncollectible pledges	-	(424,256)	-	(436,254)	(424,256)	(436,254)
Less: amounts not available for operations	-	(44,068)	-	(155,329)	(44,068)	(155,329)
Total campaign contributions for next allocation period	-	8,150,067	-	7,837,733	8,150,067	7,837,733
Campaign contributions received for future years						
Donor designations from other United Way agencies	51,642	-	104,414	-	51,642	104,414
Prior year campaign contributions	125,253	-	80,384	-	125,253	80,384
Total campaign related revenue	8,555,880	319,420	8,597,013	15,430	8,875,300	8,612,443
Grants, governmental agencies						
Other contributions	76,863	-	23,137	-	76,863	23,137
Donated materials and services	12,286	491,340	2,594	845,579	503,626	848,173
Total public support	117,368	-	139,157	-	117,368	139,157
	8,762,397	810,760	8,761,901	861,009	9,573,157	9,622,910
Other revenue:						
Investment income from trusts	42,019	-	39,225	-	42,019	39,225
Endowment investment income, net of fees (2019 - \$31,626; 2018 - \$43,037)	35,697	120,246	37,002	120,337	155,943	157,339
Transfers	117,360	(211,315)	132,947	(222,023)	(93,955)	(89,076)
Other investment income, net of fees (2019 - \$18,252; 2018 - \$20,810)	85,685	-	80,790	-	85,685	80,790
Other income	22,904	-	27,624	-	22,904	27,624
Gain (loss) on sale of investments	(39,494)	(60,912)	37,804	86,148	(100,406)	123,952
Unrealized gain (loss) on investments	289,451	1,366,778	(212,695)	(964,823)	1,656,229	(1,177,518)
Unrealized gain (loss) on beneficial interest	-	106,585	-	(96,892)	106,585	(96,892)
Other net assets released from restriction	521,538	(521,538)	434,481	(434,481)	-	-
Total other revenue	1,075,160	799,844	577,178	(1,511,734)	1,875,004	(934,556)
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	9,837,557	1,610,604	9,339,079	(650,725)	11,448,161	8,688,354

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2019		Year Ended December 31, 2018		Year Ended December 31	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
PROGRAM SERVICES						
Allocations and expenses:						
Gross funds distributed for services	7,549,576	-	7,454,869	-	7,549,576	7,454,869
Less: donor designations	(1,367,993)	-	(1,348,325)	-	(1,367,993)	(1,348,325)
Net funds distributed for services	6,181,583	-	6,106,544	-	6,181,583	6,106,544
Community impact, including donated materials and services (2019 - \$48,948; 2018 - \$59,983)	1,271,018	-	1,159,989	-	1,271,018	1,159,989
Total program services	7,452,601	-	7,266,533	-	7,452,601	7,266,533
Support services:						
Fundraising and resource development, including donated materials and services (2019 - \$59,396, 2018 - \$72,938)	1,513,042	-	1,504,946	-	1,513,042	1,504,946
Administration, including donated materials and services (2019 - \$9,024; 2018 - \$6,236)	658,452	-	677,229	-	658,452	677,229
Total supporting services	2,171,494	-	2,182,175	-	2,171,494	2,182,175
TOTAL ALLOCATIONS AND EXPENSES	<u>9,624,095</u>	<u>-</u>	<u>9,448,708</u>	<u>-</u>	<u>9,624,095</u>	<u>9,448,708</u>
INCREASE (DECREASE) IN NET ASSETS	213,462	1,610,604	(109,629)	(650,725)	1,824,066	(760,354)
NET ASSETS AT BEGINNING OF YEAR	<u>4,541,252</u>	<u>15,436,760</u>	<u>4,650,881</u>	<u>16,087,485</u>	<u>19,978,012</u>	<u>20,738,366</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,754,714</u>	<u>\$ 17,047,364</u>	<u>\$ 4,541,252</u>	<u>\$ 15,436,760</u>	<u>\$ 21,802,078</u>	<u>\$ 19,978,012</u>

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	Support Services			Totals
	Community Impact	Resource Development	Administration	Total Support Services	
Gross funds distributed for services	\$ 7,549,576	\$ -	\$ -	\$ -	\$ 7,549,576
Less: donor designations	(1,367,993)	-	-	-	(1,367,993)
Net allocations to services	<u>6,181,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,181,583</u>
Salaries	632,929	737,511	384,351	1,121,862	1,754,791
Employee benefits	104,195	165,097	75,049	240,146	344,341
Payroll taxes	<u>48,632</u>	<u>55,364</u>	<u>32,198</u>	<u>87,562</u>	<u>136,194</u>
Total salaries and related expenses	785,756	957,972	491,598	1,449,570	2,235,326
Contract services	191,225	99,242	41,037	140,279	331,504
Supplies	75,919	3,678	1,239	4,917	80,836
Telephone	3,733	4,513	2,619	7,132	10,865
Postage	272	5,384	2,325	7,709	7,981
Occupancy	50,681	61,352	35,696	97,048	147,729
Rent, purchase, and maintenance of equipment	5,664	12,602	5,327	17,929	23,593
Printing and promotion	17,894	149,489	145	149,634	167,528
Travel and conferences	8,810	13,212	3,747	16,959	25,769
Insurance	6,196	7,392	3,445	10,837	17,033
United Way sponsored meetings	19,887	39,932	936	40,868	60,755
United Way Worldwide and United Way of Pennsylvania dues	44,386	57,012	32,245	89,257	133,643
Donated materials and services	48,948	59,396	9,024	68,420	117,368
Depreciation	9,751	13,001	7,148	20,149	29,900
Miscellaneous expenses	<u>1,896</u>	<u>28,865</u>	<u>21,921</u>	<u>50,786</u>	<u>52,682</u>
TOTAL EXPENSES	<u>\$ 7,452,601</u>	<u>\$ 1,513,042</u>	<u>\$ 658,452</u>	<u>\$ 2,171,494</u>	<u>\$ 9,624,095</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services	Support Services			Totals
	Community Impact	Resource Development	Administration	Total Support Services	
Gross funds distributed for services	\$ 7,454,869	\$ -	\$ -	\$ -	\$ 7,454,869
Less: donor designations	(1,348,325)	-	-	-	(1,348,325)
Net allocations to services	6,106,544	-	-	-	6,106,544
Salaries	580,069	704,531	394,153	1,098,684	1,678,753
Employee benefits	87,445	160,194	74,306	234,500	321,945
Payroll taxes	44,261	53,326	31,508	84,834	129,095
Total salaries and related expenses	711,775	918,051	499,967	1,418,018	2,129,793
Contract services	132,558	121,950	41,379	163,329	295,887
Supplies	91,838	3,327	1,712	5,039	96,877
Telephone	3,750	4,909	2,814	7,723	11,473
Postage	445	5,682	2,174	7,856	8,301
Occupancy	48,977	63,893	37,359	101,252	150,229
Rent, purchase, and maintenance of equipment	4,445	11,158	6,117	17,275	21,720
Printing and promotion	12,832	144,984	457	145,441	158,273
Travel and conferences	17,762	20,444	5,961	26,405	44,167
Insurance	4,955	7,309	4,347	11,656	16,611
United Way sponsored meetings	6,489	35,134	1,072	36,206	42,695
United Way Worldwide and United Way of Pennsylvania dues	40,038	54,894	32,136	87,030	127,068
Donated materials and services	59,983	72,938	6,236	79,174	139,157
Depreciation	12,590	15,676	7,652	23,328	35,918
Miscellaneous expenses	11,552	24,597	27,846	52,443	63,995
TOTAL EXPENSES	\$ 7,266,533	\$ 1,504,946	\$ 677,229	\$ 2,182,175	\$ 9,448,708

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,824,066	\$ (760,354)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	29,900	35,918
(Gain) loss on sale of investments	100,406	(123,952)
Unrealized (gain) loss on investments	(1,656,229)	1,177,518
Unrealized (gain) loss on beneficial interest in perpetual trust	(106,585)	96,892
Contribution of beneficial interest in insurance policy	(993)	(1,016)
Contributions restricted for endowment funds	(993)	(554,601)
Changes in:		
Pledges receivable	(457,968)	283,809
Other receivables	45,953	(35,970)
Prepaid expenses	(1,132)	(160)
Accounts payable and accrued expenses	(17,459)	126,507
Due to other United Way agencies	28,874	(9,885)
Due to affiliated agencies	68,948	20,402
Deferred revenue	(76,863)	76,863
	<u>(220,075)</u>	<u>331,971</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computer and office equipment	(12,312)	(33,492)
Proceeds from sale of investments	2,207,920	15,191,884
Purchase of investments	(2,084,413)	(16,260,203)
	<u>111,195</u>	<u>(1,101,811)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment funds	993	554,601
	<u>993</u>	<u>554,601</u>
NET DECREASE IN CASH	(107,887)	(215,239)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,548,890</u>	<u>3,764,129</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,441,003</u>	<u>\$ 3,548,890</u>
RECONCILIATION OF CASH AT END OF YEAR		
Cash and cash equivalents	\$ 2,344,499	\$ 2,448,716
Certificates of deposit	1,096,504	1,100,174
	<u>\$ 3,441,003</u>	<u>\$ 3,548,890</u>
CASH AND CASH EQUIVALENTS	<u>\$ 3,441,003</u>	<u>\$ 3,548,890</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

United Way of Berks County, Inc. (the "Organization") is a Pennsylvania non-profit organization whose mission is to improve lives by inspiring collaborations, volunteerism, and financial support to build a stronger community. Founded in 1925, the Organization has addressed Berks County's most important health and human services needs for more than 90 years.

United Way of Berks County, Inc. develops and supports health and human service programs that address our community's most pressing needs through four focus areas of Education, Financial Stability, Health, and Safety Net Services. The Organization partners with Berks County leaders, businesses, educational communities, government and faith-based supporters, non-profit organizations, volunteers, and donors to develop innovative solutions that address our community's immediate needs as well as long-term community solutions. By coming together around common objectives, we create lasting systemic change that transforms lives and builds a stronger community for us all to live, work, and raise our families.

Through an annual fundraising campaign conducted primarily by volunteers, the United Way of Berks County, Inc. raises money from individuals, workplace campaigns, corporate giving, and foundation grants to make services provided by the Organization and by other area partners and not-for-profit health and human service organizations possible. United Way of Berks County, Inc.'s annual fundraising campaign generates revenues to support programs and services in the local community in the subsequent calendar year. United Way of Berks County, Inc.'s fundraising efforts also include special efforts to respond to emerging issues and strategic initiatives as well as the development of endowment resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP).

Cash

At year end and at various times during the year, the Organization had cash balances in excess of the federally insured limit in its primary operating bank account. For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.

Certificates of Deposit

The Organization purchases certificates of deposit with its excess operating funds. While some certificates of deposit are purchased at local banks, the majority of the funds are invested through a local bank, on a reciprocal basis, through the Certificate of Deposit Account Registry Service. This program allows the Organization to invest in multiple banks, at competitive rates, so that all the excess funds invested through this program are FDIC insured. The Organization maintains a certificate of deposit ladder with most certificates maturing on a three-year basis.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Promises to Give/Pledges Receivable

Unconditional promises to give are recognized as revenues and assets in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Allowance for Uncollectible Pledges

The Organization uses the allowance method to determine uncollectible unconditional monies receivable. The allowance is computed based on a four-year historical average adjusted by management's estimates of current economic factors applied to gross campaign estimates.

Investments

Investments in equity securities with readily determinable fair values and investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss, including gains and losses of investments, interest and dividends, and investment fees are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Leasehold Improvements, Furniture, Fixtures, and Equipment

Purchases of new leasehold improvements, furniture, fixtures, and equipment are recorded at cost. Donations of new furniture, fixtures, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and conditional contributions of cash that must be used to acquire furniture, fixtures, and equipment are reported as donor restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor restricted net assets to net assets without donor restrictions at that time. Leasehold improvements, furniture, fixtures, and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	7 years (or estimated life of lease)
Furniture and fixtures	5 years
Computer and office equipment	3 years

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

The Organization is required to report information regarding its financial position and activities according to two net asset classes:

- *Net Assets Without Donor Restrictions* are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

See Note 6 for more information on the composition of net assets without donor restrictions.

- *Net Assets With Donor Restrictions* consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Notes 7 and 8 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

Revenue Recognition

In accordance with Financial Accounting Standards Board, (FASB) Accountings Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Organization recognizes revenue when control of the promised services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization 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 Organization's revenue from program service fees, events, and merchandise income, and other contracts is minimal. Most of the Organization's revenue is from contribution revenue.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue

The Organization 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 Organization 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 Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization 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.

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Grants

Support received under grants with federal, state, and local agencies are considered nonreciprocal transactions and follow the guidance for contributions. These grants are recorded as public support in the appropriate fund when the conditions are met, including incurring related costs and/or meeting program requirements. Grants receivable represent amounts due for expenditures incurred or program requirements met prior to year-end. Deferred revenue represents cash received in advance of the conditions being met.

Sponsorships

Support received from sponsorships solicited by the Organization, in support of organizational activities which enhance the mission of the organization, are considered nonreciprocal transactions and follow the guidance for contributions. Sponsorships support activities in the current fiscal year in which the solicitation occurs. In most cases, the sponsorships cover costs related to the annual campaign activities; others are focused on program activities. Sponsorships are either provided by individuals or companies. At the end of each fiscal year, sponsorships are closed out. If any dollars are left unused, the dollars are treated as restricted by the Organization and are available to support the same activities in the following fiscal year.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Materials, Equipment, and Services

The Organization records the estimated fair value of donated materials, equipment, and services related to its operations, which was \$117,368 and \$139,157 for the years ended December 31, 2019 and 2018, respectively.

A substantial number of volunteers have donated significant amounts of their time and services to the activities of the Organization without compensation. For the years ended December 31, 2019 and 2018, approximately 56,634 hours and 57,114 hours, respectively, were donated. No amounts have been reflected in the financial statements for volunteer donated services since no objective basis is available to measure the value of such services.

No amounts have been included in the accompanying financial statements for the Organization's share of the advertising managed by United Way Worldwide which promotes the United Way network's shared mission on nationally broadcast television including the National Football League (NFL), and the Ad Council, etc.

Functional Expenses Allocation

The Statement of Functional Expenses presents Organizational expenditures based by function and natural classification. Expenses directly attributed to a specific functional area are reported as costs in those specific areas. Costs benefiting multiple functional areas are allocated based on the proportion of full-time equivalents.

Tax-Exempt Status

The Organization has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Organization files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 7, 2020, the date the financial statements were available to be issued. By March 2020, the COVID-19 pandemic reached the Commonwealth of Pennsylvania. On March 19, 2020, the Governor ordered a statewide shutdown of all “non-life sustaining businesses”. A significant part of pledges receivable come from workplace payroll deductions from organizations that may have had to temporarily close operations and furlough employees due to implementing safer workplace social distancing requirements. Additionally, some employers are not operating at capacity due to a disruption in the supply chain. These events will likely impact the cash flow and liquidity of the Organization and its ability to award grants to assist with community needs. Management is carefully monitoring collections and has implemented reductions in short and long-term expenditures.

On April 13, 2020, the Organization was approved for a Small Business Administration Paycheck Protection Program Loan in the amount of \$422,411 at a 1.00% fixed interest rate with Customers Bank. No payments are due on this loan for 6 months from the date of the first disbursement of this loan. Interest will continue to accrue during the deferment period. The Organization may apply for forgiveness of the loan depending on qualifying costs. The Organization will seek loan forgiveness in fiscal year 2020. United Way of Berks County anticipates there may be further guidance issued by the Small Business Administration (SBA), the U.S. Department of the Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any of the loan amount not forgiven under the Program will be due April 13, 2022, is unsecured, and does not require personal guarantees.

Accounting Pronouncements Adopted

The Organization adopted FASB No. 2014-09, ASU 606, “*Revenue from Contracts with Customers* (“Topic 606”), on January 1, 2019. Topic 606 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The financial statements reflect the application of ASC 606 guidance using the modified retrospective approach with application to all contracts open as of January 1, 2019. The adoption of this guidance using the modified retrospective approach had no material impact on the Organization’s financial position, statement of activities, statement of cash flow, business process, controls or systems.

During the year, the Organization also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. Topic 958 was adopted with no effect on the financial statements as a result of the adoption.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 2 - PROMISES TO GIVE

United Way of Berks County, Inc. conducts an annual campaign to generate revenue to support health and human services in the local community.

Promises to give at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Pledges receivable	<u>\$ 9,088,039</u>	<u>\$ 8,613,015</u>
Receivable in less than one year	\$ 8,912,560	\$ 8,482,160
Receivable in one to three years	<u>175,479</u>	<u>130,855</u>
Total unconditional promises to give	9,088,039	8,613,015
Less allowance for uncollectible pledges	<u>859,713</u>	<u>842,657</u>
Net promises to give	<u>\$ 8,228,326</u>	<u>\$ 7,770,358</u>

NOTE 3 - LONG-TERM INVESTMENTS

All investments are recorded at fair value.

The following table shows long-term investments held, including board-designated and donor-restricted endowment funds, endowment income held as temporarily restricted net assets, and other funds which can be used for future operating purposes. The board-designated and donor-restricted endowment funds are held in a common trust.

Fair values as of December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Equity funds	\$ 4,703,721	\$ 4,458,258
Bond funds	3,882,134	3,575,853
Exchange traded funds	<u>2,580,670</u>	<u>1,700,098</u>
	<u>\$ 11,166,525</u>	<u>\$ 9,734,209</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 4 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

United Way of Berks County, Inc. is a beneficiary under various perpetual trusts. The Organization recorded its proportionate share of the fair value of the principal received. Total value recorded at December 31, 2019 and 2018 was \$916,381 and \$809,796, respectively. Annual distributions from the trusts have been recorded as investment income from trusts in unrestricted net assets and amounted to \$42,019 and \$39,225 in 2019 and 2018, respectively. The change in market value has been recorded in unrealized gain (loss) on beneficial interests in net assets with donor restrictions and amounted to \$106,585 in 2019 and net depreciation of (\$96,892) in 2018.

NOTE 5 - LEASEHOLD IMPROVEMENTS, FURNITURE AND FIXTURES, AND EQUIPMENT

Property and equipment balances and activity for the year consist of the following:

	Beginning Balance 1/1/2019	Additions/ Depreciation	Disposals	Ending Balance 12/31/2019
Leasehold improvements	\$ 36,114	\$ -	\$ -	\$ 36,114
Furniture and fixtures	36,379	1,488	-	37,867
Equipment	279,280	10,824	(73,427)	216,677
	351,773	12,312	(73,427)	290,658
Accumulated depreciation	(311,745)	(29,900)	73,427	(268,218)
Net leasehold improvements, furniture and fixtures, and equipment	<u>\$ 40,028</u>	<u>\$ (17,588)</u>	<u>\$ -</u>	<u>\$ 22,440</u>
	Beginning Balance 1/1/2018	Additions/ Depreciation	Disposals	Ending Balance 12/31/2018
Leasehold improvements	\$ 36,114	\$ -	\$ -	\$ 36,114
Furniture and fixtures	36,379	-	-	36,379
Equipment	252,438	33,492	(6,650)	279,280
	324,931	33,492	(6,650)	351,773
Accumulated depreciation	(282,477)	(35,918)	6,650	(311,745)
Net leasehold improvements, furniture and fixtures, and equipment	<u>\$ 42,454</u>	<u>\$ (2,426)</u>	<u>\$ -</u>	<u>\$ 40,028</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 5 - LEASEHOLD IMPROVEMENTS, FURNITURE AND FIXTURES, AND EQUIPMENT - CONTINUED

Depreciation expense for the years ended December 31, 2019 and 2018 was \$29,900 and \$35,918, respectively.

NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Undesignated - available for general use	\$ 2,920,564	\$ 2,931,176
Board designated	<u>1,834,150</u>	<u>1,610,076</u>
Total	<u>\$ 4,754,714</u>	<u>\$ 4,541,252</u>

The Board has designated funds to be set aside to establish and maintain an endowment fund for the purpose of securing the Organization's long-term financial viability and continuing to meet spending needs. The board designated endowment fund generated \$2,232 and \$2,540 of additional contributions for the years ended December 31, 2019 and 2018, respectively.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Subject to Expenses for Specified Purpose or Period:		
Human service allocation for the next fiscal year	\$ 8,245,261	\$ 7,954,729
Human service allocation for future years	196,052	167,193
United Way programs and activities	1,063,381	762,789
At-Risk children	43,807	46,251
Other Community Impact activities	<u>342,617</u>	<u>234,349</u>
Total subject to expenses for specified purpose or period	9,891,118	9,165,311
Endowment Fund Subject to the Organization's Spending Policy and Appropriation:		
Investments in Perpetuity to Support:		
Focus area panel appropriations	2,832,935	2,461,551
At-Risk children	560,171	493,707
Major gifts and planned giving activities	397,006	349,947
United Way of Berks County Operations	<u>2,449,754</u>	<u>2,156,448</u>
Total endowment subject to the Organization's spending policy and appropriation	6,239,865	5,461,653
Beneficial Interest in perpetual trust	<u>916,381</u>	<u>809,796</u>
Total net assets with donor restrictions	<u><u>\$ 17,047,364</u></u>	<u><u>\$ 15,436,760</u></u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor. Net assets released from donor restrictions for the years ended December 31 were as follows:

	<u>2019</u>	<u>2018</u>
Expiring time restrictions - campaign	\$ 7,954,699	\$ 7,939,496
United Way programs and activities	266,125	238,013
At-Risk children	30,000	30,000
Other community impact activities	<u>225,413</u>	<u>166,468</u>
Total net assets released from restriction	<u>\$ 8,476,237</u>	<u>\$ 8,373,977</u>

The donor restricted net assets released on the Statement of Activities include the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Contributions received in prior year and now released from restriction	\$ 10,046,034	\$ 9,951,613
Less: donor designations	(1,499,752)	(1,478,602)
Less: allowance for uncollectible pledges	(436,254)	(423,145)
Less: amounts not available for operations	<u>(155,329)</u>	<u>(110,370)</u>
Total campaign contributions released from restriction	7,954,699	7,939,496
Other net assets released from restriction	<u>521,538</u>	<u>434,481</u>
Total net assets released from restriction	<u>\$ 8,476,237</u>	<u>\$ 8,373,977</u>

NOTE 9 - ENDOWMENT FUNDS

The Organization's endowment consists of 13 donor-restricted sub-funds and one board-designated sub-fund, all of which are to be held indefinitely, with the income expendable for operations as directed by donors or the board of directors. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 - ENDOWMENT FUNDS - CONTINUED

Interpretation of Relevant Law

Though the Commonwealth of Pennsylvania has not fully adopted the Uniform Prudent Management of Institutional Funds Act (UMIFA), the Organization considers the guidance in the management and investment of funds. The Organization classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of the gifts donated to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence followed by the Organization.

Investment Policy

The goal of the Organization's investment policy, which follows a total return investment strategy, is to conserve and enhance the capital value of the fund, in real terms, through asset appreciation and income generation while maintaining a moderate level of risk. Under the investment policy approved by the board of directors, the endowment assets are invested 50% to 80% in equity securities and 20% to 50% in fixed income securities. The Organization expects its endowment funds, over time, to provide an average rate of return that meets or exceeds the returns of the MSCI ACWI Index and the Bloomberg Barclays Aggregate Bond Index that most closely mirrors the securities held in the portfolio. The Organization's actual returns may vary from this amount in any given year.

Spending Policy

The Organization has a board-approved spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. As of December 31, 2019 and 2018, the board-approved spending policy was 5% of the rolling five-year average of the market value of the trust as of September 30th of each year.

Underwater Endowments

The Organization considers a sub-fund to be underwater if the fair value of the sub-fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and/or other requirements in accordance with donor directives. Income distributions for new gifts to the endowment fund will not be eligible for a minimum of three years after receipt, assuming the FMV is 100% or greater than the contributed value at that time. Should a sub-fund be underwater, United Way of Berks County will use a step-down appropriation method to slow the allocation from the endowment until the principal has been restored. No distributions will be made from an endowed fund that is considered underwater by more than 15%. Further, once distributions have been suspended from an underwater endowment, the annual appropriations will not resume until the fair market value has been restored to the initial principal value.

As of December 31, 2019, the Organization had no endowment sub-funds considered to be underwater. There were three gifts that were not eligible for income distributions as they did not meet the three-year minimum hold for distributions. As of December 31, 2018, three gifts were considered underwater. The original gift value of the funds totaled \$750,008 with a market value of \$681,338. None of these funds were eligible for income distributions as they were new gifts and did not meet the three-year minimum hold for distributions.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 - ENDOWMENT FUNDS - CONTINUED

Endowment net asset composition by type of funds as of December 31, 2019, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,239,865	\$ 6,239,865
Board-designated endowment funds	<u>1,834,150</u>	<u>-</u>	<u>1,834,150</u>
Totals funds	<u>\$ 1,834,150</u>	<u>\$ 6,239,865</u>	<u>\$ 8,074,015</u>

Changes in endowment net assets for the year ended December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,610,076	\$ 5,461,653	\$ 7,071,729
Investment return:			
Investment income	35,697	120,246	155,943
Net gain (loss) (realized and unrealized)	<u>271,419</u>	<u>915,379</u>	<u>1,186,798</u>
Total investment return	<u>307,116</u>	<u>1,035,625</u>	<u>1,342,741</u>
Contributions	5,353	993	6,346
Transfers of donor-restricted income	-	(121,512)	(121,512)
Transfer from application of spending policy	<u>(88,395)</u>	<u>(136,894)</u>	<u>(225,289)</u>
Endowment net assets, end of year	<u>\$ 1,834,150</u>	<u>\$ 6,239,865</u>	<u>\$ 8,074,015</u>

Endowment net asset composition by type of funds as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,461,653	\$ 5,461,653
Board-designated endowment funds	<u>1,610,076</u>	<u>-</u>	<u>1,610,076</u>
Totals funds	<u>\$ 1,610,076</u>	<u>\$ 5,461,653</u>	<u>\$ 7,071,729</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 - ENDOWMENT FUNDS - CONTINUED

Changes in endowment net assets for the year ended December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,840,194	\$ 5,663,064	\$ 7,503,258
Investment return:			
Investment income	37,002	120,337	157,339
Net gain (loss) (realized and unrealized)	(174,891)	(627,364)	(802,255)
Total investment return	(137,889)	(507,027)	(644,916)
Contributions	2,540	554,601	557,141
Transfers of donor-restricted income	-	(116,038)	(116,038)
Transfer from application of spending policy	(94,769)	(132,947)	(227,716)
Endowment net assets, end of year	\$ 1,610,076	\$ 5,461,653	\$ 7,071,729

NOTE 10 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. The primary effect of fair value measurement on the Organization was to expand the required disclosures pertaining to the methods used to determine fair values.

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 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

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

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 10 - FAIR VALUE MEASUREMENTS - CONTINUED

Level 2: Inputs to the valuation methodology include:

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

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 used at December 31, 2019.

Long-Term Investments

Schwab holds the investments of United Way of Berks County, Inc. in accordance with the investment policy of the Organization. The policy restricts the investments to cash, fixed income, and equity securities which are publicly traded. The investments are valued at the quoted market value for shares held at year end.

Beneficial Interests in Perpetual Trusts

United Way of Berks County, Inc. is the beneficiary of four trusts, three of which are managed by banks, and the fourth which is managed by the Berks County Community Foundation. The banks and Foundation hold the investments in diversified and balanced portfolios consisting of cash and money market funds, corporate and government debt securities, equity securities, mutual funds, fixed income mutual funds, and limited investment partnerships. These investments are valued by the trust managers based on the quoted market prices for shares held or current bid price of held funds.

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of the banks and Foundation 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 BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 10 - FAIR VALUE MEASUREMENTS - CONTINUED

The following tables set forth by level, within the fair value hierarchy, the United Way of Berks County, Inc.'s assets at fair value as of December 31:

	2019			Total
	Level 1	Level 2	Level 3	
Equity Funds	\$ 4,703,721	\$ -	\$ -	\$ 4,703,721
Bond Funds	3,882,134	-	-	3,882,134
Exchange Traded Funds	2,580,670	-	-	2,580,670
Beneficial interests in perpetual trusts	-	-	916,381	916,381
Total	\$ 11,166,525	\$ -	\$ 916,381	\$ 12,082,906

	2018			Total
	Level 1	Level 2	Level 3	
Equity funds	\$4,458,258	\$ -	\$ -	\$ 4,458,258
Bond funds	3,575,853	-	-	3,575,853
Exchange traded funds	1,700,098	-	-	1,700,098
Beneficial interests in perpetual trusts	-	-	809,796	809,796
Total	\$9,734,209	\$ -	\$ 809,796	\$ 10,544,005

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 10 - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 809,796	\$ 906,688
Realized and unrealized gains (losses)	<u>106,585</u>	<u>(96,892)</u>
Balance, end of year	<u>\$ 916,381</u>	<u>\$ 809,796</u>

The carrying value of receivables approximates fair value because of the short-term maturity of these instruments.

NOTE 11 - LEASE AGREEMENT

The Organization leases its office facility under a noncancelable agreement, which expires on December 31, 2021, with the option to renew for two additional five-year terms. The lease requires monthly minimum rentals of \$12,191 and provides that the lessee maintains and pays for comprehensive general public liability insurance. Total rental expenses for the years ended December 31, 2019 and 2018 were \$146,290 and \$146,290, respectively.

The total minimum rental commitment is due as follows at December 31:

2020	\$ 146,290
2021	<u>155,352</u>
Total	<u>\$ 301,642</u>

NOTE 12 - PAYMENTS TO AFFILIATED AGENCIES AND THE AMERICAN CANCER SOCIETY

In accordance with the membership criteria of United Way Worldwide, 1% of total unrestricted support from the previous campaign is shared with United Way Worldwide. Additionally, an amount is shared with United Way of Pennsylvania. Payments made to United Way Worldwide and United Way of Pennsylvania for the years ended December 31, 2019 and 2018 amounted to \$133,643 and \$127,068, respectively.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 12 - PAYMENTS TO AFFILIATED AGENCIES AND THE AMERICAN CANCER SOCIETY - CONTINUED

In addition, the Organization participates in a cooperative agreement with the American Cancer Society, Berks County Unit and the American Cancer Society, Pennsylvania Division, Inc. for business, industry, and government fundraising. In accordance with this agreement, the American Cancer Society receives 2.3% of the annual campaign received by United Way of Berks County less donor designations and allowance for uncollectible pledges. This cooperative agreement was not renewed. Effective January 1, 2020, the American Cancer Society is a partner agency receiving annual investments.

NOTE 13 - COMMITMENTS

The Organization has committed \$6,900,909 of contributions for the next allocation period to various affiliated agencies. The resources used to fulfill this commitment are largely reflected in the net assets with donor restriction balance.

NOTE 14 - RETIREMENT PLANS

Defined Contribution Plan

The Organization maintains a 403(b) Defined Contribution Plan for all employees. Under this Plan, a participant shall be 20% vested after one year and 20% each year thereafter. An employee shall be considered 100% vested after five years or upon the attainment of age 55, whichever occurs first. The employer has the sole right to determine the amount of any discretionary employer matching contributions annually. During 2019 and 2018, the Organization made contributions of \$79,841 and \$70,731, respectively, to the Plan.

Deferred Contribution Plan

Effective November 1, 2017, the Organization implemented a 457(b) Retirement Plan which is a nonqualified deferred compensation plan for key employees. Participants of the plan may elect to defer a portion of the cash compensation that would otherwise be paid to each participant. No employer contributions were made to the plan. The Plan assets of \$19,176 and \$11,042 for years ended December 31, 2019 and 2018, respectively, are included with cash and equivalents on the statement of financial position with the liability included with accounts payable and accrued expenses.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 15 - DISTRIBUTION FOR SERVICES

United Way of Berks County, Inc. raises funds that are distributed to health and human service programs in the community. A breakdown of support, which includes donor designations provided by focus area, is as follows at December 31:

	<u>2019</u>	<u>2018</u>
Education	\$ 2,789,244	\$ 2,870,057
Financial Stability	675,271	536,216
Health	2,126,469	2,100,437
Safety Net	<u>1,958,592</u>	<u>1,948,159</u>
Total support	<u>\$ 7,549,576</u>	<u>\$ 7,454,869</u>

As part of the annual allocation process, \$6,661,319 and \$6,564,268 of the total support was distributed to partner agencies for the years ended December 31, 2019 and 2018, respectively. An additional \$888,257 and \$890,601 was distributed through other grant programs for the years ended December 31, 2019 and 2018, respectively.

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Liquidity Management

The Organization 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 two to four months of ordinary business expenses. Excess operating cash not needed for operations will be invested in a short-term CD ladder program with various banks and/or other short-term investments as allowed in the Organization's Investment Statement Policy. The Organization maintains an Operating Reserve Account that is invested as a long-term asset in a conservative manner with a 50/50 asset mix. Assets from the Operating Reserve Account can be converted to cash as necessary. The Organization's endowment investments consist of donor-restricted and a Board designated endowment. Income for donor-restricted endowments is restricted and not available for general expenditures. United Way of Berks County does not intend to spend from its Board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process; however, if deemed necessary by the Finance Committee and approved by the Board of Directors, amounts from its Board designated endowment could be made available. United Way of Berks County does not currently utilize a line of credit nor other operating loans from financial institutions to support operations.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES - CONTINUED

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenses are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 2,344,499	\$ 2,448,716
Certificates of deposits maturing within one year	495,000	455,174
Pledges receivable, Net	8,228,326	7,770,358
Other accounts receivable	8,971	54,924
Long term investments	<u>11,166,525</u>	<u>9,734,209</u>
Total financial assets available within one year	22,243,321	20,463,381
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose or time restrictions	(9,891,118)	(9,165,311)
Restricted by donors in perpetuity	<u>(6,239,865)</u>	<u>(5,461,653)</u>
Total amounts unavailable for general expenditures within one year	(16,130,983)	(14,626,964)
Less:		
Amounts unavailable to management without Board approval:		
Board designated for endowment	<u>(1,834,150)</u>	<u>(1,610,076)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 4,278,188</u>	<u>\$ 4,226,341</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2020, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

**INDEPENDENT AUDITOR'S 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 Berks County, Inc.
Reading, 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 Berks County, Inc., which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, 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 May 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Berks County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Berks County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Berks County, Inc.'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of Berks County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
May 7, 2020