

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
UNITED WAY OF ERIE COUNTY  
December 31, 2019 and 2018**

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## Independent Auditor's Report

Board of Directors  
United Way of Erie County

We have audited the accompanying financial statements of the United Way of Erie County, which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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.

### ***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. Those standards require that we plan and perform the audits 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 judgement, 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 the United Way of Erie County 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.

**Change in Accounting Principle**

As discussed in Note N to the financial statements, the United Way of Erie County adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue from Contracts With Customers* and Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Rost, Spitynas and Smiley, Inc.*

ERIE, PENNSYLVANIA  
April 7, 2020

**FINANCIAL STATEMENTS**

United Way of Erie County

STATEMENTS OF FINANCIAL POSITION

December 31,

|  | 2019                 | 2018,<br>as restated |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| Cash and cash equivalents  | \$ 2,580,185         | \$ 2,277,467         |
| Pledges receivable   |                      |                      |
| Without donor restriction  |                      |                      |
| Current year less allowance for uncollectibles of \$116,028 and \$109,366  | 150,202              | 196,955              |
| Prior year less allowance for uncollectibles of \$0 and \$0                | -                    | -                    |
| With donor restriction   |                      |                      |
| Subsequent year less allowance for uncollectibles of \$65,014 and \$63,233 | 807,904              | 780,504              |
| Other receivables  |                      |                      |
| Sponsorships   | 617,500              | 620,000              |
| Miscellaneous  | 41,388               | 36,298               |
| Prepaid expenses   | 56,889               | 49,852               |
| Long-term investments  | 54,941               | 46,841               |
| Beneficial interest in funds held by others                                |                      |                      |
| Endowment  | 18,250,323           | 16,413,233           |
| Dolly Parton imagination library   | 259,900              | 306,458              |
| Land, building and equipment, net of accumulated depreciation              | 768,921              | 800,291              |
| <b>Total assets</b>  | <b>\$ 23,588,153</b> | <b>\$ 21,527,899</b> |
| <b>LIABILITIES</b>   |                      |                      |
| Allocations and designations payable                                       | \$ 159,219           | \$ 146,561           |
| Accounts payable and accruals  | 57,320               | 85,684               |
| Accrued disaster relief  | 25,136               | 23,053               |
| Mortgage payable   | 324,013              | 360,719              |
| <b>Total liabilities</b>   | <b>565,688</b>       | <b>616,017</b>       |
| <b>NET ASSETS</b>  |                      |                      |
| Without donor restrictions   |                      |                      |
| Designated by the Board for:   |                      |                      |
| Agency Stability   | 54,941               | 46,841               |
| Endowment  | 18,250,323           | 16,413,233           |
| Allocations and Other Initiatives  | 527,083              | 484,242              |
| Undesignated   | 979,126              | 996,222              |
|  | 19,811,473           | 17,940,538           |
| With donor restrictions  |                      |                      |
| Temporarily restricted   | 3,156,216            | 2,916,863            |
| Permanently restricted   | 54,776               | 54,481               |
|  | 3,210,992            | 2,971,344            |
| <b>Total net assets</b>  | <b>23,022,465</b>    | <b>20,911,882</b>    |
| <b>Total liabilities and net assets</b>                                    | <b>\$ 23,588,153</b> | <b>\$ 21,527,899</b> |

The accompanying notes are an integral part of these statements.

**United Way of Erie County**  
**STATEMENTS OF ACTIVITIES**  
Year ended December 31,

|   | 2019                          |                           |                           | Total                |
|---|-------------------------------|---------------------------|---------------------------|----------------------|
|   | Without Donor<br>Restrictions | With Donor Restrictions   |                           |                      |
|   |                               | Temporarily<br>Restricted | Permanently<br>Restricted |                      |
| <b>Public support and revenue</b>                           |                               |                           |                           |                      |
| Campaign revenue  |                               |                           |                           |                      |
| Direct contributions  | \$ 1,695,442                  | \$ 1,676,811              | \$ -                      | \$ 3,372,253         |
| Net assets released from restrictions                       |                               |                           |                           |                      |
| Expiration of time restrictions                             | 1,462,239                     | (1,462,239)               | -                         | -                    |
| Restriction satisfied by payments                           | 811,118                       | (811,118)                 | -                         | -                    |
| Collection of prior year pledges, net                       | 12,280                        | -                         | -                         | 12,280               |
| Less: donor designations                                    | (226,831)                     | (103,304)                 | -                         | (330,135)            |
| Less: estimated uncollectible pledges                       | (121,724)                     | -                         | -                         | (121,724)            |
| Other public support  | 241,880                       | 939,203                   | -                         | 1,181,083            |
| Net campaign revenue  | 3,874,404                     | 239,353                   | -                         | 4,113,757            |
| Revenue   |                               |                           |                           |                      |
| Other gifts and bequests                                    | 60,377                        | -                         | -                         | 60,377               |
| Interest and dividends                                      | 92,606                        | -                         | 295                       | 92,901               |
| Net gains/(losses) on investments reported<br>at fair value | 2,548,426                     | -                         | -                         | 2,548,426            |
| Service fees  | 3,261                         | -                         | -                         | 3,261                |
| Other income  | 929                           | -                         | -                         | 929                  |
| Total revenue, net  | 2,705,599                     | -                         | 295                       | 2,705,894            |
| Total public support and revenue                            | 6,580,003                     | 239,353                   | 295                       | 6,819,651            |
| <b>Expenses</b>   |                               |                           |                           |                      |
| Program services  |                               |                           |                           |                      |
| Gross funds awarded/distributed                             |                               |                           |                           |                      |
| Direct allocations to agencies                              | 1,207,309                     | 103,304                   | -                         | 1,310,613            |
| Other allocations, projects and grants                      | 931,625                       | -                         | -                         | 931,625              |
| Less: donor designations                                    | (226,831)                     | (103,304)                 | -                         | (330,135)            |
| Net funds awarded/distributed                               | 1,912,103                     | -                         | -                         | 1,912,103            |
| Community impact  | 509,970                       | -                         | -                         | 509,970              |
| Labor services division                                     | 80,325                        | -                         | -                         | 80,325               |
| Erie free taxes   | 290,322                       | -                         | -                         | 290,322              |
| Community schools   | 698,832                       | -                         | -                         | 698,832              |
| Dolly Parton imagination library                            | 244,151                       | -                         | -                         | 244,151              |
| Total program services                                      | 3,735,703                     | -                         | -                         | 3,735,703            |
| Supporting services   |                               |                           |                           |                      |
| Fund raising  | 642,606                       | -                         | -                         | 642,606              |
| Administration  | 330,759                       | -                         | -                         | 330,759              |
| Total supporting services                                   | 973,365                       | -                         | -                         | 973,365              |
| Total expenses  | 4,709,068                     | -                         | -                         | 4,709,068            |
| CHANGE IN NET ASSETS  | 1,870,935                     | 239,353                   | 295                       | 2,110,583            |
| Net assets at beginning of year                             | 17,940,538                    | 2,916,863                 | 54,481                    | 20,911,882           |
| Net assets at end of year                                   | <u>\$ 19,811,473</u>          | <u>\$ 3,156,216</u>       | <u>\$ 54,776</u>          | <u>\$ 23,022,465</u> |

The accompanying notes are an integral part of these statements.

| 2018, as restated             |                           |                           |               |
|-------------------------------|---------------------------|---------------------------|---------------|
| Without Donor<br>Restrictions | With Donor Restrictions   |                           | Total         |
|                               | Temporarily<br>Restricted | Permanently<br>Restricted |               |
| \$ 2,073,388                  | \$ 1,636,418              | \$ -                      | \$ 3,709,806  |
| 1,725,501                     | (1,725,501)               | -                         | -             |
| 550,281                       | (550,281)                 | -                         | -             |
| 19,201                        | -                         | -                         | 19,201        |
| (558,100)                     | (55,342)                  | -                         | (613,442)     |
| (114,610)                     | -                         | -                         | (114,610)     |
| 626,491                       | 1,045,238                 | -                         | 1,671,729     |
| 4,322,152                     | 350,532                   | -                         | 4,672,684     |
| 27,065                        | -                         | -                         | 27,065        |
| 66,978                        | -                         | 203                       | 67,181        |
| (1,156,431)                   | -                         | -                         | (1,156,431)   |
| 2,530                         | -                         | -                         | 2,530         |
| 1,949                         | -                         | -                         | 1,949         |
| (1,057,909)                   | -                         | 203                       | (1,057,706)   |
| 3,264,243                     | 350,532                   | 203                       | 3,614,978     |
| 2,092,679                     | 55,342                    | -                         | 2,148,021     |
| 1,355,949                     | -                         | -                         | 1,355,949     |
| (558,100)                     | (55,342)                  | -                         | (613,442)     |
| 2,890,528                     | -                         | -                         | 2,890,528     |
| 436,894                       | -                         | -                         | 436,894       |
| 78,113                        | -                         | -                         | 78,113        |
| 195,493                       | -                         | -                         | 195,493       |
| 784,642                       | -                         | -                         | 784,642       |
| 279,016                       | -                         | -                         | 279,016       |
| 4,664,686                     | -                         | -                         | 4,664,686     |
| 717,961                       | -                         | -                         | 717,961       |
| 319,017                       | -                         | -                         | 319,017       |
| 1,036,978                     | -                         | -                         | 1,036,978     |
| 5,701,664                     | -                         | -                         | 5,701,664     |
| (2,437,421)                   | 350,532                   | 203                       | (2,086,686)   |
| 20,377,959                    | 2,566,331                 | 54,278                    | 22,998,568    |
| \$ 17,940,538                 | \$ 2,916,863              | \$ 54,481                 | \$ 20,911,882 |



**United Way of Erie County**  
**STATEMENTS OF CASH FLOWS**

Year ended December 31,

|  | 2019                | 2018,<br>as restated |
|--|---------------------|----------------------|
| <b>Cash flows from operating activities:</b>   |                     |                      |
| Change in net assets   | \$ 2,110,583        | \$ (2,086,686)       |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                     |                      |
| Depreciation   | 39,136              | 39,271               |
| Realized gain on sale of investments   | (277,210)           | (774,241)            |
| Unrealized (gain) loss on investments  | (2,271,216)         | 1,930,672            |
| Changes in operating assets and liabilities:   |                     |                      |
| Decrease in pledges receivable   | 19,353              | 126,069              |
| Decrease (increase) in other receivables-sponsorships                                      | 2,500               | (23,750)             |
| Increase in other receivables-miscellaneous  | (5,090)             | (11,005)             |
| (Increase) decrease in prepaid expenses  | (7,037)             | 15,339               |
| (Decrease) increase in accounts payables and accruals                                      | (15,706)            | 48,099               |
| Increase in accrued disaster relief  | 2,083               | 10,000               |
| Net cash used in operating activities  | (402,604)           | (726,232)            |
| <b>Cash flows from investing activities:</b>   |                     |                      |
| Capital expenditures   | (7,766)             | (5,070)              |
| Net decrease in beneficial interest - endowment  | 704,335             | 1,284,184            |
| Net decrease in beneficial interest - dpil   | 46,558              | 7,094                |
| Net (increase) decrease in investments   | (1,099)             | 237,257              |
| Net cash provided by investing activities  | 742,028             | 1,523,465            |
| <b>Cash flows from financing activities:</b>   |                     |                      |
| Repayments of debt   | (36,706)            | (34,796)             |
| Net cash used in financing activities  | (36,706)            | (34,796)             |
| Net increase in cash and cash equivalents  | 302,718             | 762,437              |
| <b>Cash and cash equivalents at beginning of year</b>                                      | <b>2,277,467</b>    | <b>1,515,030</b>     |
| <b>Cash and cash equivalents at end of year</b>  | <b>\$ 2,580,185</b> | <b>\$ 2,277,467</b>  |
| <b><u>Cash paid during the year for:</u></b>   |                     |                      |
| Interest   | \$ 18,417           | \$ 20,326            |
| Income taxes   | \$ -                | \$ -                 |

The accompanying notes are an integral part of these statements.

**United Way of Erie County**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Year ended December 31,**

|  | 2019                                   |                            |                          |
|--|--|----------------------------|--------------------------|
|  | Program Services                       |                            |                          |
|  | Allocations and<br>Community<br>Impact | Labor Services<br>Division | Erie Free Taxes          |
| Direct allocations to United Way agencies  | \$ 1,207,309                           | \$ -                       | \$ -                     |
| Other allocations, projects and grants     | 931,625                                | -                          | 68,820                   |
| Less: Donor designations                   | (226,831)                              | -                          | -                        |
|  | <u>1,912,103</u>                       | -                          | <u>68,820</u>            |
| Salaries                                   | 336,445                                | 50,434                     | 156,952                  |
| Employee benefits                          | 34,152                                 | 7,477                      | 8,309                    |
| Payroll taxes and unemployment benefits    | 31,638                                 | 4,141                      | 7,429                    |
|  | <u>402,235</u>                         | <u>62,052</u>              | <u>172,690</u>           |
| Professional fees and contract services    | 5,645                                  | -                          | 20,336                   |
| Supplies                                   | 2,125                                  | 969                        | 1,363                    |
| Telephone                                  | 971                                    | 193                        | 2,047                    |
| Postage and shipping                       | 53                                     | 139                        | 94                       |
| Occupancy                                  | 23,383                                 | 3,875                      | 6,407                    |
| Equipment rentals and maintenance          | 17,156                                 | 1,906                      | 905                      |
| Outside printing and marketing             | 3,014                                  | -                          | 9,566                    |
| Local transportation                       | 2,446                                  | 1,388                      | 453                      |
| Receptions, training and luncheon meetings | 1,037                                  | 2,304                      | 1,881                    |
| Conferences, meetings and major trips      | 4,101                                  | 1,460                      | -                        |
| Insurance                                  | -                                      | -                          | -                        |
| Membership dues                            | -                                      | 1,142                      | -                        |
| Campaign incentives                        | -                                      | -                          | -                        |
| Bank and processing fees                   | -                                      | -                          | -                        |
| Miscellaneous                              | 6,725                                  | 140                        | 100                      |
| Payments to affiliated organizations       | 15,750                                 | -                          | -                        |
| DPIL book purchases                        | -                                      | -                          | -                        |
| DPIL reading buddies and reading nook      | -                                      | -                          | -                        |
| DPIL fundraising                           | -                                      | -                          | -                        |
| Depreciation                               | 12,695                                 | 2,104                      | 2,539                    |
|  | <u>95,101</u>                          | <u>15,620</u>              | <u>45,691</u>            |
| United Way Worldwide dues                  | 12,634                                 | 2,653                      | 3,121                    |
| <b>Total expenses</b>                      | <u><u>\$ 2,422,073</u></u>             | <u><u>\$ 80,325</u></u>    | <u><u>\$ 290,322</u></u> |

The accompanying notes are an integral part of these statements.

2019

|                   |                                  | Supporting Services |                   |                     |  |
|-------------------|----------------------------------|---------------------|-------------------|---------------------|--|
| Community Schools | Dolly Parton Imagination Library | Fund Raising        | Administration    | Total               |  |
| \$ -              | \$ -                             | \$ -                | \$ -              | \$ 1,207,309        |  |
| 541,938           | -                                | -                   | -                 | 1,542,383           |  |
| -                 | -                                | -                   | -                 | (226,831)           |  |
| 541,938           | -                                | -                   | -                 | 2,522,861           |  |
| 120,462           | -                                | 318,048             | 171,147           | 1,153,488           |  |
| 18,577            | -                                | 41,427              | 26,279            | 136,221             |  |
| 9,761             | -                                | 25,224              | 13,448            | 91,641              |  |
| 148,800           | -                                | 384,699             | 210,874           | 1,381,350           |  |
| 1,344             | 3,250                            | 16,252              | 18,798            | 65,625              |  |
| 512               | 1,255                            | 5,916               | 3,460             | 15,600              |  |
| -                 | -                                | 1,335               | 787               | 5,333               |  |
| -                 | 9,988                            | 6,023               | 2,740             | 19,037              |  |
| -                 | -                                | 24,786              | 15,366            | 73,817              |  |
| -                 | -                                | 14,188              | 13,901            | 48,056              |  |
| 1,683             | -                                | 101,353             | 1,067             | 116,683             |  |
| -                 | -                                | 2,749               | 8,754             | 15,790              |  |
| 419               | -                                | 25,691              | 6,314             | 37,646              |  |
| 3,467             | -                                | 5,691               | 2,854             | 17,573              |  |
| -                 | -                                | -                   | 11,226            | 11,226              |  |
| -                 | -                                | 4,587               | 3,365             | 9,094               |  |
| -                 | -                                | 10,535              | -                 | 10,535              |  |
| -                 | -                                | 3,465               | 4,860             | 8,325               |  |
| 669               | -                                | 4,259               | 7,289             | 19,182              |  |
| -                 | -                                | -                   | -                 | 15,750              |  |
| -                 | 227,787                          | -                   | -                 | 227,787             |  |
| -                 | 69                               | -                   | -                 | 69                  |  |
| -                 | 1,802                            | -                   | -                 | 1,802               |  |
| -                 | -                                | 13,456              | 8,342             | 39,136              |  |
| 8,094             | 244,151                          | 240,286             | 109,123           | 758,066             |  |
| -                 | -                                | 17,621              | 10,762            | 46,791              |  |
| <u>\$ 698,832</u> | <u>\$ 244,151</u>                | <u>\$ 642,606</u>   | <u>\$ 330,759</u> | <u>\$ 4,709,068</u> |  |

**United Way of Erie County**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

Year ended December 31,

|  | 2018                                   |                            |                          |
|--|--|----------------------------|--------------------------|
|  | Program Services                       |                            |                          |
|  | Allocations and<br>Community<br>Impact | Labor Services<br>Division | Erie Free Taxes          |
| Direct allocations to United Way agencies  | \$ 2,092,679                           | \$ -                       | \$ -                     |
| Other allocations, projects and grants     | 1,355,949                              | -                          | -                        |
| Less: Donor designations                   | (558,100)                              | -                          | -                        |
|  | <u>2,890,528</u>                       | <u>-</u>                   | <u>-</u>                 |
| Salaries                                   | 273,082                                | 49,409                     | 123,848                  |
| Employee benefits                          | 38,102                                 | 7,603                      | 9,218                    |
| Payroll taxes and unemployment benefits    | 21,403                                 | 4,094                      | 5,278                    |
|  | <u>332,587</u>                         | <u>61,106</u>              | <u>138,344</u>           |
| Professional fees and contract services    | 9,312                                  | -                          | 23,269                   |
| Supplies                                   | 2,309                                  | 984                        | 1,903                    |
| Telephone                                  | 915                                    | 183                        | 1,839                    |
| Postage and shipping                       | 77                                     | 133                        | 763                      |
| Occupancy                                  | 23,335                                 | 3,867                      | 6,489                    |
| Equipment rentals and maintenance          | 16,591                                 | 1,867                      | 338                      |
| Outside printing and marketing             | 1,433                                  | 270                        | 13,730                   |
| Local transportation                       | 1,773                                  | 1,605                      | 247                      |
| Receptions, training and luncheon meetings | 1,952                                  | 619                        | 1,184                    |
| Conferences, meetings and major trips      | 1,409                                  | 2,159                      | -                        |
| Insurance                                  | -                                      | -                          | -                        |
| Membership dues                            | -                                      | 648                        | -                        |
| Campaign incentives                        | -                                      | -                          | -                        |
| Bank and processing fees                   | -                                      | -                          | -                        |
| Miscellaneous                              | 5,312                                  | 153                        | 1,038                    |
| Payments to affiliated organizations       | 15,750                                 | -                          | -                        |
| DPIIL book purchases                       | -                                      | -                          | -                        |
| DPIIL reading buddies and reading nook     | -                                      | -                          | -                        |
| DPIIL fundraising                          | -                                      | -                          | -                        |
| Depreciation                               | 12,424                                 | 2,059                      | 3,455                    |
|  | <u>92,592</u>                          | <u>14,547</u>              | <u>54,255</u>            |
| United Way Worldwide dues                  | 11,715                                 | 2,460                      | 2,894                    |
| <b>Total expenses</b>                      | <u><u>\$ 3,327,422</u></u>             | <u><u>\$ 78,113</u></u>    | <u><u>\$ 195,493</u></u> |

The accompanying notes are an integral part of these statements.

2018

|                   |                                  | Supporting Services |                   |                     |  |
|-------------------|----------------------------------|---------------------|-------------------|---------------------|--|
| Community Schools | Dolly Parton Imagination Library | Fund Raising        | Administration    | Total               |  |
| \$ -              | \$ -                             | \$ -                | \$ -              | \$ 2,092,679        |  |
| 678,813           | -                                | -                   | -                 | 2,034,762           |  |
| -                 | -                                | -                   | -                 | (558,100)           |  |
| 678,813           | -                                | -                   | -                 | 3,569,341           |  |
| 81,923            | -                                | 367,555             | 168,356           | 1,064,173           |  |
| 6,887             | -                                | 47,845              | 34,590            | 144,245             |  |
| 8,212             | -                                | 29,396              | 13,381            | 81,764              |  |
| 97,022            | -                                | 444,796             | 216,327           | 1,290,182           |  |
| 1,000             | 8,111                            | 7,641               | 13,726            | 63,059              |  |
| 281               | 1,006                            | 6,777               | 2,162             | 15,422              |  |
| -                 | -                                | 1,187               | 727               | 4,851               |  |
| -                 | 11,644                           | 7,707               | 2,383             | 22,707              |  |
| -                 | -                                | 24,735              | 15,334            | 73,760              |  |
| -                 | -                                | 15,387              | 12,601            | 46,784              |  |
| 1,898             | 7,211                            | 120,392             | 794               | 145,728             |  |
| 361               | 89                               | 2,908               | 8,392             | 15,375              |  |
| 126               | 31                               | 29,268              | 2,948             | 36,128              |  |
| 2,718             | -                                | 3,825               | 2,002             | 12,113              |  |
| -                 | -                                | -                   | 10,251            | 10,251              |  |
| -                 | -                                | 5,396               | 3,824             | 9,868               |  |
| -                 | -                                | 10,535              | -                 | 10,535              |  |
| -                 | -                                | 3,315               | 3,766             | 7,081               |  |
| 2,423             | -                                | 4,582               | 5,636             | 19,144              |  |
| -                 | -                                | -                   | -                 | 15,750              |  |
| -                 | 237,213                          | -                   | -                 | 237,213             |  |
| -                 | 139                              | -                   | -                 | 139                 |  |
| -                 | 13,572                           | -                   | -                 | 13,572              |  |
| -                 | -                                | 13,169              | 8,164             | 39,271              |  |
| 8,807             | 279,016                          | 256,824             | 92,710            | 798,751             |  |
| -                 | -                                | 16,341              | 9,980             | 43,390              |  |
| <u>\$ 784,642</u> | <u>\$ 279,016</u>                | <u>\$ 717,961</u>   | <u>\$ 319,017</u> | <u>\$ 5,701,664</u> |  |

United Way of Erie County  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Organization and Purpose

The United Way of Erie County is a nonprofit organization governed locally by a volunteer board of directors. The Agency is affiliated with the United Way Worldwide and is permitted to solicit contributions in Erie County, Pennsylvania. The Agency's mission is to mobilize resources to break the cycle of poverty and improve our community. The Agency conducts an annual campaign starting in the fall to seek pledges for the following year which are then allocated to its funded partners. In addition, the Agency uses the following program service categories for reporting purposes:

Community Impact - Involves bringing people and resources together to tackle the issues that matter most in an effort to improve lives and shape a caring community.

Labor Services - Involves a working relationship through which the Agency and the local AFL-CIO provide services to members of organized labor, their families and their communities.

Erie Free Taxes - Program established to help eligible low to moderate wage earners claim the Federal Earned Income Tax Credit, a cash refund, by providing them with free tax preparation and filing services at volunteer tax sites.

Community Schools - The community schools model is a strategy (not a program) for organizing school and community resources around student success. A community school is both a place and set of partnerships that help address health, wellness and the social needs of its students, families and the surrounding neighborhood. Schools become centers of the community, open to everyone, all day, every day, evenings and weekends.

Dolly Parton Imagination Library (DPIL) - Provides a high-quality, age-appropriate book to any child in Erie County under the age of five. Also recruits and trains volunteer Reading Buddies who help parents and caregivers better understand how to read and interact with young children.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Estimates in Financial Statements

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and cash equivalents

Cash and cash equivalents consist of cash held in checking, savings and money market accounts and certificates of deposit with initial maturities of less than 90 days.

4. Pledges and Contributions

Unconditional promises to give and contributions received, including grants which are considered non-exchange transactions, are measured at their fair values and are reported as an increase in net assets. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated for support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restriction. The Agency reports gifts of goods and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Substantially all of United Way's public support is derived from contributions from individuals and businesses located in the County of Erie, Pennsylvania. Pledges for contributions are recorded as received and allowances are provided for amounts estimated to be uncollectible. The provision for uncollectible pledges is based on management estimates of current economic factors, applied to gross campaign, including donor designations. Direct contributions represent pledges to be paid directly to the United Way and are available for unrestricted use unless specifically restricted by the donor.

5. Direct Allocations to Agencies

Direct allocations to agencies represent the cash payments made directly to agencies by the United Way.

United Way of Erie County  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Donated Services

A substantial number of volunteers have donated approximately 5,253 hours to the Agency's program services and fund-raising campaign during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded in the accompanying financial statements at their fair values at the date of receipt.

7. Land, Building and Equipment and Related Depreciation

Land, building and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred, while major renewals and betterments are capitalized. The cost and related allowance for depreciation of assets sold or otherwise disposed of are removed from the related property accounts and resulting gains or losses are reflected in revenues or expenses. Depreciation of the building and equipment has been provided on a straight-line basis over the estimated useful lives of the respective assets.

8. Investments

All of the United Way's investments consist primarily of marketable debt and equity securities and are stated at fair value based on quoted market prices.

9. Measure of Operations

The Agency's operating revenues in excess of expenses includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions and transfers from Board designated funds to support current operating activities. The amounts transferred from Board designated funds to support operations for the year ended December 31, 2019 and 2018 are detailed in Note H.

10. Tax Status

The United Way of Erie County has received a determination letter from the Internal Revenue Service (IRS) that grants an exemption from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code. The Agency files annual informational returns with the IRS and Commonwealth of Pennsylvania. The Agency has adopted the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken in a tax return.



United Way of Erie County  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Agency records any related interest expense and penalties, if any, as a tax expense. For the years ended December 31, 2019 and 2018, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2016 and forward.

11. Date of Management's Review

Management has evaluated subsequent events through April 7, 2020, the date the financial statements were available to be issued.

12. Concentration of Credit Risk

The Agency's financial instruments that are exposed to concentrations of credit risk consist primarily of cash (Note B), long-term investments (Note C) and pledges receivable. The Agency's cash is primarily in one bank account and is FDIC insured up to \$250,000. The long-term investments are maintained by a trust department at a local bank. The individual investments, whose market value may fluctuate, are not insured or collateralized. The Agency's pledge receivables result from its annual pledge drive and are due from businesses and individuals located in northwestern Pennsylvania. Approximately 43% of its annual pledge drive is generated from the contributions of seven businesses and their employees and one individual within this geographic area; with the largest single employer accounting for approximately 19.5%.

13. Fair Value Measurement

Fair value, as defined in FASB ASC 820, *Fair Value Measurements and Disclosures*, is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. Level 1 consists of quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 2 consists of observable prices that are based on inputs not quoted on active markets, but corroborated by market data. Level 3 consists of unobservable inputs which are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The fair market value of a financial instrument is defined in FASB ASC 825 as "the amount at which the instrument could be exchanged in a current transaction between willing parties." The carrying amount reported in the accompanying Statement of Financial Position for other receivables, prepaids, allocations and designations payable, accounts payable, and accruals, approximate fair value given the short-term nature of the financial instruments or conversely are based on a non-recurring assessment of fair value.

Fair value for Investments is measured using Level 1 inputs. Fair value of Beneficial interest in funds held by others-Endowment is reported as Level 3 measurements as they represent an interest in investments pooled with other organizations' funds at the Erie Community Foundation. Such interest is not publicly traded nor can it be valued on observable direct or indirect inputs. However, a substantial portion of the underlying assets is measured at fair value using Level 1 and 2 inputs by the Erie Community Foundation. (See Note H for a further description of the agreement with the Erie Community Foundation and a detail of the changes in Level 3 investments measured at fair value on a recurring basis.)

NOTE B - CASH AND CASH EQUIVALENTS

At December 31, 2019 and 2018, cash and cash equivalents consist of the following:

|                            | 2019        | 2018        |
|----------------------------|-------------|-------------|
| Demand deposits with banks | \$2,579,896 | \$2,277,137 |
| On hand                    | 289         | 330         |
|                            | \$2,580,185 | \$2,277,467 |

NOTE C - LONG-TERM INVESTMENTS

Long-term investments at December 31, 2019 and 2018 consist of the following:

|                    | 2019       |           | 2018       |           |
|--------------------|------------|-----------|------------|-----------|
|                    | Fair Value | Cost      | Fair Value | Cost      |
| Cash equivalents   | \$ 3,485   | \$ 3,485  | \$ 2,692   | \$ 2,692  |
| Fixed income funds | 23,976     | 23,362    | 22,695     | 23,362    |
| Other funds        | 27,480     | 21,348    | 21,454     | 21,042    |
|                    | \$ 54,941  | \$ 48,195 | \$ 46,841  | \$ 47,096 |

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE C - LONG-TERM INVESTMENTS - Continued

Net gains (losses) on investments, reported at fair value using Level 1 inputs, as reflected in the Statements of Activities, represent both realized and unrealized gains (losses) on investments as well as on the Endowment Fund (Note H). Included in net gains (losses) for the years ended December 31, 2019 and 2018 are the following:

|                 | 2019              |                         |                        |
|-----------------|-------------------|-------------------------|------------------------|
|                 | Investments       | Endowment               | Total                  |
| Realized gain   | \$ 3              | \$ 277,207              | \$ 277,210             |
| Unrealized gain | <u>6,998</u>      | <u>2,264,218</u>        | <u>2,271,216</u>       |
|                 | <u>\$ 7,001</u>   | <u>\$ 2,541,425</u>     | <u>\$2,548,426</u>     |
|                 | 2018              |                         |                        |
|                 | Investments       | Endowment               | Total                  |
| Realized gain   | \$ 41,727         | \$ 732,514              | \$ 774,241             |
| Unrealized loss | ( <u>38,802</u> ) | ( <u>1,891,870</u> )    | ( <u>1,930,672</u> )   |
|                 | <u>\$ 2,925</u>   | ( <u>\$ 1,159,356</u> ) | ( <u>\$1,156,431</u> ) |

NOTE D - SPONSORSHIP RECEIVABLES

Sponsorship receivables consist of \$617,500 and \$620,000 for the year ended December 31, 2019 and 2018, respectively. The receivables were related to funding for the Community Schools program.

NOTE E - PENSION PLAN

Effective July 1, 1996, the Agency adopted a defined contribution plan covering substantially all of its employees. Contributions are at the discretion of the Board and were approved at six percent of eligible compensation. Pension expense relating to this plan for the years ended December 31, 2019 and 2018, amounted to \$58,842 and \$49,110, respectively.

NOTE F - LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2019 and 2018 consist of the following:

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE F - LAND, BUILDING AND EQUIPMENT - Continued

|                                   | <u>2019</u>       | <u>2018</u>       | <u>Estimated<br/>Useful Life</u> |
|-----------------------------------|-------------------|-------------------|----------------------------------|
| Land                              | \$ 103,645        | \$ 103,645        | -                                |
| Land improvements                 | 26,408            | 26,408            | 10 Years                         |
| Building                          | 929,870           | 929,870           | 40 Years                         |
| Building improvements             | 63,856            | 63,856            | 18-28 Years                      |
| Building equipment                | 48,765            | 48,765            | 10 Years                         |
| Office furniture and<br>equipment | 84,762            | 84,172            | 10 Years                         |
| Computer equipment                | 90,449            | 116,685           | 5-8 Years                        |
| Vehicles                          | <u>3,213</u>      | <u>3,213</u>      | 5 Years                          |
|                                   | 1,350,968         | 1,376,614         |                                  |
| Less accumulated<br>depreciation  | <u>582,047</u>    | <u>576,323</u>    |                                  |
|                                   | <u>\$ 768,921</u> | <u>\$ 800,291</u> |                                  |

Depreciation expense of \$39,136 and \$39,271 was incurred during the years ended December 31, 2019 and 2018, respectively.

NOTE G - DEBT

During 2005, the Agency borrowed \$541,875 in the form of a promissory note bearing interest at 0.25 percent under the prime rate, due April 15, 2006, with monthly payments of interest only, secured by a building. Upon completion of renovations to the Agency's new building, the Agency re-financed this note with a fixed rate mortgage using tax exempt bonds, issued through a local government authority, with a term of 20 years. The mortgage bears interest at 5.28 percent unless a Determination of Loss of Bank Qualification occurs, at which time the note shall bear interest at 5.99 percent. If a Determination of Taxability occurs, the note shall bear interest at 7.86 percent. No such determination has been made as of December 31, 2019. The maturities of long-term debt in each of the five years subsequent to December 31, 2019 are as follows:

| <u>Year</u> | <u>Total</u>      |
|-------------|-------------------|
| 2020        | \$ 39,402         |
| 2021        | 41,533            |
| 2022        | 43,780            |
| 2023        | 46,149            |
| 2024        | 48,645            |
| Thereafter  | <u>104,504</u>    |
|             | <u>\$ 324,013</u> |

United Way of Erie County  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS

DESIGNATED BY THE BOARD FOR AGENCY STABILITY

A Board Designated Stability Fund (Stability Fund) was created in 1981 to segregate the assets held in trust accounts and the related investment income into a separate fund. In light of the Endowment (see below) that has been created since that time, effective December, 2017, the Board reduced the target balance in the Stability Fund to \$50,000. The Board approved transfers to operations of \$0 and \$238,962, respectively for the years ended December 31, 2019 and 2018.

DESIGNATED BY THE BOARD FOR ENDOWMENT

In January, 1986, the United Way entered into an agreement with the Erie Community Foundation ("the Foundation"), a non-profit corporation, that established a fund on the books of the Foundation for the purpose of supporting the charitable and educational purposes of the United Way and its affiliated agencies. In May, 1996, the United Way amended and restated their agreement with the Foundation to include an additional contribution for endowment of \$995,367. In October, 2007, the United Way was notified of an additional contribution to the Endowment. That additional contribution, which totaled \$12,488,232, was distributed to the United Way and placed in the Foundation over a three year period ending December 31, 2010. In accordance with FASB ASC 958-650 *Not-For-Profit Entities Revenue Recognition*, those amounts are recorded on the books of the United Way and included in beneficial interest in funds held by others-endowment on the Statements of Financial Position. Furthermore, any future bequests received by the United Way are designated for endowment and transferred to the Foundation.

The fund is the property of the Foundation held by it as a component fund in its corporate capacity and is not deemed a trust fund held by it in a trustee capacity. The Foundation has the ultimate authority and control over all property in the fund, even though it was not granted variance power.

As of December 31, 2019 and 2018, the fair market value was \$18,250,323 and \$16,413,233, respectively, which has been recorded and included as beneficial interest in funds held by others-endowment on the Statement of Financial Position. The underlying investments of the fund at December 31, 2019, consist of 48.2% public equities, 15.5% diversifying assets, 10.8% fixed income, 1.9% cash and equivalents, 2.8% real assets and 20.8% private investments. From December 31, 2019 through February 28, 2020, the fair market value decreased 3.9%. The investment policies regarding return objectives and risk strategies are determined by the Foundation.

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS - Continued

In accordance with the agreement, the Foundation shall pay and distribute the net income of the Fund to the United Way at least annually. This amount is used to reduce the beneficial interest. The receivable is also adjusted annually based on the earnings and change in fair market value of the fund. For the years ended December 31, 2019 and 2018, \$783,400 and \$1,345,200 was distributed to the United Way. Although these distributions are not shown as revenue on the Statements of Activities, it is the United Way's intention to utilize these amounts towards each year's campaign.

Also in accordance with the agreement, the United Way may request a distribution of up to 10% annually of the principal of the Fund. Distributions of principal in excess of the 10% may be made if the United Way demonstrates to the satisfaction of the Foundation that the additional distribution is required for emergency purposes or to offset a shortfall in the United Way's annual campaign. Principal distributions in excess of \$500,000 require the approval of two-thirds of the United Way's Board of Directors.

The Financial Accounting Standards Board (FASB) issued FASB ASC 958-205 (formerly FSP 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for all Endowment Funds"). The standard provides guidance on classifying net assets of donor restricted and board-designated endowment funds held by organizations and whether or not they are subject to an enacted version of UPMIFA. The State of Pennsylvania has not yet enacted UPMIFA.

The United Way's endowment fund activity consisted of the following:

|                                |                     |
|--------------------------------|---------------------|
| Net assets, beginning of year  | \$16,413,233        |
| Investment income, net of fees | 71,181              |
| Realized gains                 | 277,207             |
| Unrealized gains               | 2,264,218           |
| Contributions                  | 10,084              |
| Grants                         | ( 2,200 )           |
| Transfers to United Way        | ( <u>783,400</u> )  |
| Net assets, end of year        | <u>\$18,250,323</u> |

DESIGNATED BY THE BOARD FOR ALLOCATIONS AND OTHER INITIATIVES

In current and prior years, the Board designated amounts for the purpose of providing additional allocations to its funded partners and other initiatives. The balance of these designations at December 31, 2019 and 2018 was \$527,083 and \$484,242.

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS - Continued

During the year ended December 31, 2019, the Agency released \$402,959 from its previously designated amount towards operating expenses for other allocations and initiatives. However, an additional \$445,800 was designated for future use. During the year ended December 31, 2018, the Agency released \$544,870 from its previously designated amount towards operating expenses for other allocations and initiatives. However, an additional \$650,000 was designated for future use.

The following is a summary of all designated net assets:

|   |                     |
|---|---------------------|
| Designated for Stability                            | \$ 54,941           |
| Designated for Endowment                            | 18,250,323          |
| Designated for Allocations and<br>Other Initiatives | <u>527,083</u>      |
|   | <u>\$18,832,347</u> |

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 and 2018 consist of the following:

TEMPORARILY RESTRICTED

|  | <u>2019</u>        | <u>2018</u>        |
|--|--------------------|--------------------|
| <u>Subject to passage of time</u>                  |                    |                    |
| Subsequent year's campaign:                        |                    |                    |
| Pledges receivable                                 | \$ 755,084         | \$ 722,194         |
| Contributions received                             | 752,439            | 737,077            |
| Designations payable                               | ( 103,304)         | ( 55,342)          |
|  | <u>1,404,219</u>   | <u>1,403,929</u>   |
| <u>Subject to expenditure for specific purpose</u> |                    |                    |
| Dolly Parton Imagination Library:                  |                    |                    |
| Pledges receivable                                 | 52,820             | 58,310             |
| Contributions received                             | -                  | -                  |
| Community Schools                                  | 1,399,961          | 1,258,342          |
| Truancy  | 211,926            | 164,644            |
| Erie Free Taxes                                    | 15,668             | 6,982              |
| I Can See  | 38,805             | -                  |
| Other Purposes                                     | <u>32,817</u>      | <u>24,656</u>      |
|  | <u>1,751,997</u>   | <u>1,512,934</u>   |
|  | <u>\$3,156,216</u> | <u>\$2,916,863</u> |

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS - Continued

The subsequent year's campaign pledges receivable and contributions received represent public support resulting from the Agency's annual campaign conducted in the fall of each year for the purpose of providing the Agency the funds to operate in the subsequent year. The designations payable represents amounts included in the pledges receivable and contributions received, which are to be paid to non-United Way funded partners in accordance with the donors' requests.

The DPIL pledges receivable and contributions received represent public support and sponsorships which are restricted by the donors for DPIL program expenses. A fund (DPIL Operating Fund) has been established at the Erie Community Foundation to maintain the activity of the DPIL program. At December 31, 2019 and 2018 the portion of net assets that was on hand, in the form of cash, in that fund was \$259,900 and \$306,458, respectively. Those amounts have been reported as beneficial interest in funds held by others-Dolly Parton imagination library on the Statements of Financial Position.

Community Schools represent sponsorships from local businesses to provide funding for various schools as part of the Agency's community schools model. The remaining temporarily restricted net assets are set aside for various purposes as listed above.

PERMANENTLY RESTRICTED

|                            | 2019      | 2018      |
|----------------------------|-----------|-----------|
| <u>Emergency loan fund</u> |           |           |
| Cash                       | \$ 39,476 | \$ 39,181 |
| Loans receivable           | 15,300    | 15,300    |
|                            | \$ 54,776 | \$ 54,481 |

During the year ended December 31, 2007, the Agency received an anonymous donation in the amount of \$49,041 to set up an Emergency Loan Fund. This donation was included as other gifts and bequests on the Statement of Activities. The purpose of the fund is to make interest free loans to funded partners. In accordance with the agreement with the donor, all income of the fund will remain in the fund. For the years ended December 31, 2019 and 2018, loans were made from the fund in the amounts of \$0 and \$15,300, respectively.



United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE J - OTHER GIFTS AND BEQUESTS

During the years ended December 31, 2019 and 2018, the United Way received \$60,377 and \$27,065, respectively, in other gifts and bequests. Included in those amounts were donated goods and services of \$58,875 and \$25,800 for the years ended December 31, 2019 and 2018, respectively. The corresponding charges are included in the Statements of Functional Expenses as follows:

|   | 2019      | 2018      |
|---|-----------|-----------|
| Professional fees and contracted services | \$ 58,875 | \$ 25,800 |

NOTE K - OTHER PUBLIC SUPPORT

Other public support for the years ended December 31, 2019 and 2018 consists of the following:

|  | 2019               | 2018               |
|--|--------------------|--------------------|
| <u>Community Schools (CS)</u>  |                    |                    |
| American Tinning - Diehl   | \$ -               | \$ 60,000          |
| Custom Engineering - Diehl   | -                  | 30,000             |
| McInness Steel - Diehl   | -                  | 30,000             |
| Various companies - Diehl  | -                  | 67,500             |
| Erie Insurance - Pfeiffer Burleigh   | 180,000            | -                  |
| GE/Wabtec - Edison   | 180,000            | -                  |
| UPMC/Hamot - East  | 105,000            | -                  |
| Highmark - Strong Vincent  | 180,000            | -                  |
| Widget - Iroquois  | -                  | 45,000             |
| Erie School District/Susan Hirt Hagen Fund for Transformational Philanthropy - various schools | -                  | 660,000            |
| Eriez Magnetics - various schools  | -                  | 360,000            |
| Various businesses - various schools   | 16,000             | 10,000             |
| Erie School District - CS/Training   | 99,963             | -                  |
| <u>Other</u>   |                    |                    |
| Erie Community Foundation - Truancy  | 85,000             | 165,000            |
| VITA/Erie Free Taxes   | 130,381            | 104,644            |
| PA 211   | -                  | 54,106             |
| I Can See  | 38,805             | -                  |
| Other  | 165,934            | 85,479             |
|  | <u>\$1,181,083</u> | <u>\$1,671,729</u> |

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE L - LIQUIDITY

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In an effort to support this policy, the Board has established designated funds for Stability and Endowment (See Note H) with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical cycle of converting financial assets to cash or settling financial liabilities. Although the Agency does not intend to spend from its Endowment other than the allowable distribution from its annual income, amounts could be made available if necessary. However those amounts are subject to the limitations and approvals discussed in Note H.

Financial assets were \$22,762,343 as of December 31, 2019. Subsequent year receivables are subject to time restrictions, but will be collected within one year thus relieving the restriction. Certain other receivables - sponsorships will be collected in more than one year. The following represents the Agency's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the balance sheet date.

|  |                       |
|--|-----------------------|
| Financial assets at year end   | \$22,762,343          |
| Less those unavailable for general expenditures within one year due to:                |                       |
| Sponsorship a/r due > 1 year   | ( 367,500 )           |
| Designation for Stability  | ( 54,941 )            |
| Designation for Endowment  | ( <u>18,250,323</u> ) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u>4,089,579</u>   |

NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be directly identified to a program are charged to that program. Certain salaries and related taxes and benefits have been allocated among the programs and supporting services on the basis of estimates of time and effort. Those estimates are evaluated on an annual basis. Other expenses such as maintenance, occupancy and depreciation are allocated based on the salaries allocation. The Agency believes that the basis is reasonable and is consistently applied.

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE N - CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2019, the Agency adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2014-09 - *Revenue From Contracts With Customers* and Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope Accounting Guidance for Contributions Received and Contributions Made*. The Agency has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the recognition of revenue from grants received by the Agency. Instead of recognizing revenue as expenditures were incurred, revenue from grants is now treated as a non-exchange transaction and revenue is recognized as an unconditional contribution with donor restrictions as to its use. The change has the following effect on net assets and changes in net assets as follows:

|   | <u>As originally<br/>presented</u> | <u>As restated</u> |
|---|------------------------------------|--------------------|
| Net assets with donor restrictions,<br>temporarily restricted, at 1/1/2018      | \$ 1,801,922                       | \$ 2,566,331       |
| Total net assets, at 1/1/2018   | 22,234,159                         | 22,998,568         |
| 2018 change in net assets with donor<br>restrictions, temporarily<br>restricted | ( 339,683 )                        | 350,532            |
| 2018 net assets released from restrictions,<br>satisfied by payments            | ( 195,258 )                        | ( 550,281 )        |

NOTE O - SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, COVID-19, as a pandemic. The current economic environment due to this pandemic has shown an unprecedented decline and has presented a number of challenges and circumstances worldwide. The results may include large and unanticipated declines in the fair value of investments and other assets, declines in contributions and receivables, and overall constraints on liquidity. Given the volatility of these economic conditions, management is evaluating the impact to the Agency and their financial statements and believes the impact and duration cannot be reasonably estimated at this time.