

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
UNITED WAY OF ERIE COUNTY  
December 31, 2020 and 2019**

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# **Root, Spitznas & Smiley, Inc.**

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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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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. 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, 2020 and 2019, 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.

*Root, Spitznagel and Smiley, LLC*

ERIE, PENNSYLVANIA  
April 9, 2021

FINANCIAL STATEMENTS

**United Way of Erie County**

**STATEMENTS OF FINANCIAL POSITION**

**December 31,**

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,868,528	\$ 2,580,185
Pledges receivable		
Without donor restriction		
Current year less allowance for uncollectibles of \$66,665 and \$116,028	126,492	150,202
Prior year less allowance for uncollectibles of \$0 and \$0	-	-
With donor restriction		
Subsequent year less allowance for uncollectibles of \$59,948 and \$65,014	671,892	807,904
Other receivables		
Sponsorships	260,000	617,500
Miscellaneous	42,823	41,388
Prepaid expenses	57,813	56,889
Long-term investments	-	54,941
Beneficial interest in funds held by others		
Endowment	19,060,831	18,250,323
Dolly Parton imagination library	323,804	259,900
Land, building and equipment, net of accumulated depreciation	<u>656,958</u>	<u>768,921</u>
<b>Total assets</b>	<b><u>\$ 25,069,141</u></b>	<b><u>\$ 23,588,153</u></b>
<b>LIABILITIES</b>		
Allocations and designations payable	\$ 126,086	\$ 159,219
Accounts payable and accruals	146,494	57,320
Accrued emergency relief	100,117	25,136
Mortgage payable	-	324,013
<b>Total liabilities</b>	<b><u>372,697</u></b>	<b><u>566,688</u></b>
<b>NET ASSETS</b>		
Without donor restrictions		
Designated by the Board for:		
Agency Stability	-	54,941
Endowment	19,060,831	18,250,323
Allocations and Other Initiatives	1,143,583	527,083
Undesignated	<u>1,889,849</u>	<u>979,126</u>
	<u>22,094,263</u>	<u>19,811,473</u>
With donor restrictions		
Temporarily restricted	2,547,164	3,156,216
Permanently restricted	<u>55,017</u>	<u>54,776</u>
	<u>2,602,181</u>	<u>3,210,992</u>
<b>Total net assets</b>	<b><u>24,696,444</u></b>	<b><u>23,022,465</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 25,069,141</u></b>	<b><u>\$ 23,588,153</u></b>

The accompanying notes are an integral part of these statements.

United Way of Erie County

STATEMENTS OF ACTIVITIES

Year ended December 31,

	2020			Total
	Without Donor Restrictions	With Donor Restrictions		
		Temporarily Restricted	Permanently Restricted	
<b>Public support and revenue</b>				
Campaign revenue				
Direct contributions	\$ 1,284,765	\$ 1,550,908	\$ -	\$ 2,835,673
Net assets released from restrictions				
Expiration of time restrictions	1,457,039	(1,457,039)	-	-
Restriction satisfied by payments	864,254	(864,254)	-	-
Collection of prior year pledges, net	10,132	-	-	10,132
Less: donor designations	(190,780)	(74,280)	-	(265,060)
Less: estimated uncollectible pledges	(68,900)	-	-	(68,900)
Other public support	602,628	235,613	-	838,241
Net campaign revenue and other public support	3,959,138	(609,052)	-	3,350,086
Revenue				
Other gifts and bequests	553,278	-	-	553,278
Interest and dividends	5,478	-	241	5,719
Net gains/(losses) on investments reported at fair value	1,593,541	-	-	1,593,541
Service fees	3,644	-	-	3,644
Gain on sale of assets	243,739	-	-	243,739
Other income	1,301	-	-	1,301
Total revenue, net	2,400,981	-	241	2,401,222
Total public support and revenue	6,360,119	(609,052)	241	5,751,308
<b>Expenses</b>				
Program services				
Gross funds awarded/distributed				
Direct allocations to agencies	688,475	74,280	-	762,755
Other allocations, projects and grants	803,193	-	-	803,193
Less: donor designations	(190,780)	(74,280)	-	(265,060)
Net funds awarded/distributed	1,300,888	-	-	1,300,888
Community Impact	556,028	-	-	556,028
Labor Services Division	80,566	-	-	80,566
Erie Free Taxes	262,905	-	-	262,905
Community Schools	752,730	-	-	752,730
Dolly Parton Imagination Library	238,368	-	-	238,368
Total program services	3,191,485	-	-	3,191,485
Supporting services				
Fund Raising	581,685	-	-	581,685
Administration	304,159	-	-	304,159
Total supporting services	885,844	-	-	885,844
Total expenses	4,077,329	-	-	4,077,329
CHANGE IN NET ASSETS	2,282,790	(609,052)	241	1,673,979
Net assets at beginning of year	19,811,473	3,156,216	54,776	23,022,465
Net assets at end of year	\$ 22,094,263	\$ 2,547,164	\$ 55,017	\$ 24,696,444

The accompanying notes are an integral part of these statements.

2019

Without Donor Restrictions	With Donor Restrictions		Total
	Temporarily Restricted	Permanently Restricted	
\$ 1,695,442	\$ 1,676,811	\$ -	\$ 3,372,253
1,462,239	(1,462,239)	-	-
811,118	(811,118)	-	-
12,280	-	-	12,280
(226,831)	(103,304)	-	(330,135)
(121,724)	-	-	(121,724)
241,880	939,203	-	1,181,083
3,874,404	239,353	-	4,113,757
60,377	-	-	60,377
92,606	-	295	92,901
2,548,426	-	-	2,548,426
3,261	-	-	3,261
-	-	-	-
929	-	-	929
2,705,599	-	295	2,705,894
6,580,003	239,353	295	6,819,651
1,207,309	103,304	-	1,310,613
931,625	-	-	931,625
(226,831)	(103,304)	-	(330,135)
1,912,103	-	-	1,912,103
509,970	-	-	509,970
80,325	-	-	80,325
290,322	-	-	290,322
698,832	-	-	698,832
244,151	-	-	244,151
3,735,703	-	-	3,735,703
642,606	-	-	642,606
330,759	-	-	330,759
973,365	-	-	973,365
4,709,068	-	-	4,709,068
1,870,935	239,353	295	2,110,583
17,940,538	2,916,863	54,481	20,911,882
\$ 19,811,473	\$ 3,156,216	\$ 54,776	\$ 23,022,465



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

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,673,979	\$ 2,110,583
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,043	39,136
Realized gain on sale of investments	(37,352)	(277,210)
Unrealized gain loss on investments	(1,556,189)	(2,271,216)
Gain on sale of assets	(243,739)	-
Changes in operating assets and liabilities:		
Decrease in pledges receivable	159,722	19,353
Decrease in other receivables-sponsorships	357,500	2,500
Increase in other receivables-miscellaneous	(1,435)	(5,090)
Increase in prepaid expenses	(924)	(7,037)
Increase (decrease) in accounts payables and accruals	56,041	(15,706)
Increase in accrued emergency relief	74,981	2,083
	507,627	(402,604)
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash flows from investing activities:</b>		
Capital expenditures	(654,546)	(7,766)
Proceeds from sale of fixed assets	985,205	-
Net decrease in beneficial interest - endowment	780,428	704,335
Net (increase) decrease in beneficial interest - dpil	(63,904)	46,558
Net decrease (increase) in investments	57,546	(1,099)
	1,104,729	742,028
<b>Net cash provided by investing activities</b>		
<b>Cash flows from financing activities:</b>		
Repayments of debt	(324,013)	(36,706)
	(324,013)	(36,706)
<b>Net cash used in financing activities</b>		
Net increase in cash and cash equivalents	1,288,343	302,718
<b>Cash and cash equivalents at beginning of year</b>	2,580,185	2,277,467
<b>Cash and cash equivalents at end of year</b>	\$ 3,868,528	\$ 2,580,185
<u>Cash paid during the year for:</u>		
Interest	\$ 11,021	\$ 18,417
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,

	2020		
	Program Services		
	Allocations and Community Impact	Labor Services Division	Erie Free Taxes
Direct allocations to United Way agencies	\$ 688,475	\$ -	\$ -
Other allocations, projects and grants	803,193	-	42,600
Less: Donor designations	(190,780)	-	-
	<u>1,300,888</u>	<u>-</u>	<u>42,600</u>
Salaries	375,817	51,651	140,730
Employee benefits	37,196	10,960	13,196
Payroll taxes and unemployment benefits	29,602	4,175	9,097
	<u>442,615</u>	<u>66,786</u>	<u>163,023</u>
Professional fees and contract services	20,446	-	30,300
Supplies	4,511	567	924
Telephone	1,672	194	2,055
Postage and shipping	17	-	37
Occupancy	20,208	3,349	5,762
Equipment rentals and maintenance	19,253	1,955	3,477
Outside printing and marketing	1,539	260	9,128
Local transportation	224	938	-
Receptions, training and luncheon meetings	499	434	65
Conferences, meetings and major trips	5,290	910	-
Insurance	-	-	-
Membership dues	-	913	-
Campaign incentives	-	-	-
Bank and processing fees	-	-	-
Miscellaneous	2,004	-	481
Payments to affiliated organizations	15,750	-	-
DPIL book purchases	-	-	-
DPIL reading buddies and reading nook	-	-	-
DPIL fundraising	-	-	-
Depreciation	8,123	1,346	1,625
	<u>99,536</u>	<u>10,866</u>	<u>53,854</u>
United Way Worldwide dues	13,877	2,914	3,428
<b>Total expenses</b>	<u>\$ 1,856,916</u>	<u>\$ 80,566</u>	<u>\$ 262,905</u>

The accompanying notes are an integral part of these statements.

2020

		Supporting Services			
Community Schools	Dolly Parton Imagination Library	Fund Raising	Administration	Total	
\$ -	\$ -	\$ -	\$ -	\$ 688,475	
562,185	-	-	-	1,407,978	
-	-	-	-	(190,780)	
562,185	-	-	-	1,905,673	
153,342	-	335,169	163,555	1,220,264	
20,240	-	43,910	24,587	150,089	
12,276	-	30,333	12,152	97,635	
185,858	-	409,412	200,294	1,467,988	
-	-	4,600	16,548	71,894	
129	5,161	6,787	4,042	22,121	
-	-	1,937	846	6,704	
-	5,526	6,816	2,351	14,747	
-	-	21,420	13,279	64,018	
-	-	14,991	14,202	53,878	
3,933	2,809	58,244	308	76,221	
-	-	577	6,382	8,121	
-	-	5,949	2,442	9,389	
-	-	(825)	1,033	6,408	
-	-	-	11,344	11,344	
-	-	3,857	4,085	8,855	
-	-	10,535	-	10,535	
-	-	5,843	4,925	10,768	
625	600	3,575	4,919	12,204	
-	-	-	-	15,750	
-	224,272	-	-	224,272	
-	-	-	-	-	
-	-	-	-	-	
-	-	8,611	5,338	25,043	
4,687	238,368	152,917	92,044	652,272	
-	-	19,356	11,821	51,396	
<u>\$ 752,730</u>	<u>\$ 238,368</u>	<u>\$ 581,685</u>	<u>\$ 304,159</u>	<u>\$ 4,077,329</u>	

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

Year ended December 31,

	2019		
	Program Services		
	Allocations and Community Impact	Labor Services 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>-</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

Community Schools	Dolly Parton Imagination Library	Supporting Services		Total
		Fund Raising	Administration	
\$ -	\$ -	\$ -	\$ -	\$ 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Donated Services

A substantial number of volunteers have donated approximately 3,587 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, 2020 and 2019 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, 2020 and 2019

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, 2020 and 2019, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2017 and forward.

11. Date of Management's Review

Management has evaluated subsequent events through April 9, 2021, 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 39% of its annual pledge drive is generated from the contributions of four businesses and their employees and one individual within this geographic area; with the largest single employer accounting for approximately 22%.

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, 2020 and 2019

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, 2020 and 2019, cash and cash equivalents consist of the following:

	2020	2019
Demand deposits with banks	\$3,868,278	\$2,579,896
On hand	250	289
	<u>\$3,868,528</u>	<u>\$2,580,185</u>

NOTE C - LONG-TERM INVESTMENTS

Long-term investments at December 31, 2020 and 2019 consist of the following:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	\$ -	\$ -	\$ 3,485	\$ 3,485
Fixed income funds	-	-	23,976	23,362
Other funds	-	-	27,480	21,348
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,941</u>	<u>\$ 48,195</u>

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019 are the following:

	<u>2020</u>		
	<u>Investments</u>	<u>Endowment</u>	<u>Total</u>
Realized gain	\$ 2,605	\$ 34,747	\$ 37,352
Unrealized gain	<u>-</u>	<u>1,556,189</u>	<u>1,556,189</u>
	<u>\$ 2,605</u>	<u>\$ 1,590,936</u>	<u>\$1,593,541</u>
	<u>2019</u>		
	<u>Investments</u>	<u>Endowment</u>	<u>Total</u>
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>

NOTE D - SPONSORSHIP RECEIVABLES

Sponsorship receivables consist of \$260,000 and \$617,500 for the year ended December 31, 2020 and 2019, 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, 2020 and 2019, amounted to \$59,587 and \$58,842, respectively.

NOTE F - LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2020 and 2019 consist of the following:

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020 and 2019

NOTE F - LAND, BUILDING AND EQUIPMENT - Continued

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Life</u>
Land	\$ -	\$ 103,645	-
Land improvements	-	26,408	10 Years
Building	634,423	929,870	40 Years
Building improvements	-	63,856	18-28 Years
Building equipment	-	48,765	10 Years
Office furniture and equipment	84,348	84,762	10 Years
Computer equipment	100,674	90,449	5-8 Years
Vehicles	<u>3,213</u>	<u>3,213</u>	5 Years
	822,658	1,350,968	
Less accumulated depreciation	<u>165,700</u>	<u>582,047</u>	
	<u>\$ 656,958</u>	<u>\$ 768,921</u>	

Depreciation expense of \$25,043 and \$39,136 was incurred during the years ended December 31, 2020 and 2019, 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 was made during 2020. The note was paid off upon the sale of the building in July, 2020.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, the Board rescinded the designation and transferred the balance of the Stability Fund to unrestricted net assets in December, 2020. There were no transfers during the year ended December, 2019.

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, 2020 and 2019, the fair market value was \$19,060,831 and \$18,250,323, 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, 2020, consist of 44.6% public equities, 16.9% diversifying assets, 13.1% fixed income, 2.5% cash and equivalents, and 22.9% private investments. From December 31, 2020 through February 28, 2021, the fair market value increased 2.0%. 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, 2020 and 2019

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, 2020 and 2019, \$794,500 and \$783,400 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	\$18,250,323
Investment income, net of fees	514
Realized gains	34,747
Unrealized gains	1,556,189
Contributions	16,058
Grants	( 2,500 )
Transfers to United Way	( 794,500 )
Net assets, end of year	<u>\$19,060,831</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, 2020 and 2019 was \$1,143,583 and \$527,083.

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020 and 2019

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS - Continued

During the year ended December 31, 2020, the Agency released \$90,520 from its previously designated amount towards operating expenses for other allocations and initiatives. However, an additional \$707,020 was designated for future use. 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.

The following is a summary of all designated net assets:

Designated for Stability	\$ -
Designated for Endowment	19,060,831
Designated for Allocations and Other Initiatives	<u>1,143,583</u>
	<u>\$20,204,414</u>

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 consist of the following:

TEMPORARILY RESTRICTED

	2020	2019
<u>Subject to passage of time</u>		
Subsequent year's campaign:		
Pledges receivable	\$ 617,831	\$ 755,084
Contributions received	766,865	752,439
Designations payable	<u>( 74,280)</u>	<u>( 103,304)</u>
	<u>1,310,416</u>	<u>1,404,219</u>
 <u>Subject to expenditure for specific purpose</u>		
Dolly Parton Imagination Library:		
Pledges receivable	54,061	52,820
Community Schools	885,774	1,399,961
Truancy	153,911	211,926
Erie Free Taxes	20,842	15,668
I Can See	38,567	38,805
PA 211	35,429	-
Other Purposes	<u>48,164</u>	<u>32,817</u>
	<u>1,236,748</u>	<u>1,751,997</u>
	<u>\$2,547,164</u>	<u>\$3,156,216</u>

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019 the portion of net assets that was on hand, in the form of cash, in that fund was \$323,804 and \$259,900, 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

	<u>2020</u>	<u>2019</u>
<u>Emergency loan fund</u>		
Cash	\$ 55,017	\$ 39,476
Loans receivable	<u>-</u>	<u>15,300</u>
	<u>\$ 55,017</u>	<u>\$ 54,776</u>

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, 2020 and 2019, loans were made from the fund in the amounts of \$0 and \$0, respectively.



United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020 and 2019

NOTE J - OTHER GIFTS AND BEQUESTS

During the years ended December 31, 2020 and 2019, the United Way received \$553,278 and \$60,377, respectively, in other gifts and bequests. Included in those amounts were donated goods and services of \$53,278 and \$58,875 for the years ended December 31, 2020 and 2019, respectively. The corresponding charges are included in the Statements of Functional Expenses as follows:

	2020	2019
Professional fees and contracted services	\$ 53,278	\$ 58,875

NOTE K - OTHER PUBLIC SUPPORT

Other public support for the years ended December 31, 2020 and 2019 consists of the following:

	2020	2019
<u>Community Schools (CS)</u>		
Custom Engineering - Diehl	\$ 10,000	\$ -
McInness Steel - Diehl	10,000	-
Various companies - Diehl	35,000	-
Erie Insurance - Pfeiffer Burleigh	-	180,000
GE/Wabtec - Edison	-	180,000
UPMC/Hamot - East	-	105,000
Highmark - Strong Vincent	-	180,000
Widget - Iroquois	15,000	-
Various businesses - various schools	35,541	16,000
Erie School District - CS/Training	60,000	99,963
 <u>Other</u>		
PPP Loan Forgiveness	243,000	-
Erie Community Foundation - Truancy	-	85,000
VITA/Erie Free Taxes	129,458	130,381
County of Erie	100,000	-
PA 211	80,299	-
I Can See	-	38,805
Other	119,943	165,934
	<u>\$ 838,241</u>	<u>\$1,181,083</u>

United Way of Erie County  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 \$24,354,370 and \$22,762,343 as of December 31, 2020 and 2019, respectively. 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.

	<u>2020</u>	<u>2019</u>
Financial assets at year end	\$24,354,370	\$22,762,343
Less those unavailable for general expenditures within one year due to:		
Sponsorship a/r due > 1 year	( 65,000)	( 367,500)
Designation for Stability	( - )	( 54,941)
Designation for Endowment	<u>( 19,060,831)</u>	<u>( 18,250,323)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,228,539</u>	<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, 2020 and 2019

NOTE N - PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act) that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In May, 2020, the Agency obtained a PPP loan in the amount of \$243,000. The Agency used all of its proceeds from the loan for qualifying expenses and was notified in March, 2021 that the loan was forgiven. In accordance with ASC 958-605, the Agency has recognized that forgiveness as income which is included in other public support on the Statements of Activities.

NOTE O - RISKS AND UNCERTAINTIES

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.