

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
UNITED WAY OF ERIE COUNTY
June 30, 2022 and December 31, 2021**

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Independent Auditor's Report

Board of Directors
United Way of Erie County

Opinion

We have audited the accompanying financial statements of the United Way of Erie County, which comprise the statements of financial position as of June 30, 2022 and December 31, 2021, and the related statements of activities, cash flows and functional expenses for the six-month and twelve-month periods then ended, and the related notes to the financial statements.

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 June 30, 2022 and December 31, 2021, and the changes in its net assets and its cash flows for the six-month and twelve-month periods then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the United Way of Erie County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Root, Spitznagel and Smiley, Inc.

ERIE, PENNSYLVANIA
December 12, 2022

FINANCIAL STATEMENTS

United Way of Erie County

STATEMENTS OF FINANCIAL POSITION

As of

	June 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	\$ 3,466,159	\$ 4,101,573
Pledges receivable		
Without donor restriction		
Less allowance for uncollectibles of \$79,714 and \$70,667	747,539	108,523
With donor restriction		
Less allowance for uncollectibles of \$0 and \$41,254	2,393,188	2,707,624
Other receivables		
Sponsorships	165,000	230,000
Miscellaneous	118,634	43,979
Prepaid expenses	39,410	46,701
Long-term investments	87,585	105,155
Beneficial interest in funds held by others		
Endowment	19,709,548	21,626,696
Imagination library	416,467	416,467
Land, building and equipment, net of accumulated depreciation	1,046,723	1,092,266
 Total assets	 <u>\$ 28,190,253</u>	 <u>\$ 30,478,984</u>
LIABILITIES		
Allocations and designations payable	\$ 95,575	\$ 115,664
Accounts payable and accruals	179,518	174,405
Unearned revenue	394,311	255,213
Accrued emergency relief	100,117	100,117
 Total liabilities	 <u>769,521</u>	 <u>645,399</u>
NET ASSETS		
Without donor restrictions		
Designated by the Board for:		
Endowment	19,709,548	21,626,696
Undesignated	4,881,056	3,785,594
	<u>24,590,604</u>	<u>25,412,290</u>
With donor restrictions		
Temporarily restricted	2,775,004	4,366,198
Permanently restricted	55,124	55,097
	<u>2,830,128</u>	<u>4,421,295</u>
 Total net assets	 <u>27,420,732</u>	 <u>29,833,585</u>
 Total liabilities and net assets	 <u>\$ 28,190,253</u>	 <u>\$ 30,478,984</u>

The accompanying notes are an integral part of these statements.

United Way of Erie County

STATEMENTS OF ACTIVITIES

Period ended

	June 30, 2022			Total
	Without Donor Restrictions	With Donor Restrictions		
		Temporarily Restricted	Permanently Restricted	
Public support and revenue				
Campaign revenue				
Direct contributions	\$ 1,551,445	\$ 7,600	\$ -	\$ 1,559,045
Net assets released from restrictions				
Expiration of time restrictions	1,300,948	(1,300,948)	-	-
Restriction satisfied by payments	423,572	(423,572)	-	-
Collection of prior year pledges, net	18,906	-	-	18,906
Less: donor designations	(203,542)	(7,100)	-	(210,642)
Less: estimated uncollectible pledges	(80,000)	-	-	(80,000)
Other public support	498,475	132,826	-	631,301
Net campaign revenue and other public support	3,509,804	(1,591,194)	-	1,918,610
Revenue				
Other gifts and bequests	80,750	-	-	80,750
Interest and dividends, net of fees	(69,330)	-	27	(69,303)
Net gains on investments reported at fair value	(1,895,272)	-	-	(1,895,272)
Service fees	274	-	-	274
Gain on sale of assets	-	-	-	-
Other income	4,176	-	-	4,176
Total revenue, net	(1,879,402)	-	27	(1,879,375)
Total public support and revenue	1,630,402	(1,591,194)	27	39,235
Expenses				
Program services				
Gross funds awarded/distributed				
Direct allocations to agencies	63,125	7,100	-	70,225
Other allocations, projects and grants	349,178	-	-	349,178
Less: donor designations	(203,542)	(7,100)	-	(210,642)
Net funds awarded/distributed	208,761	-	-	208,761
Community Impact	104,560	-	-	104,560
Labor Services Division	17,238	-	-	17,238
Erie Free Taxes	242,510	-	-	242,510
Community Schools	1,097,936	-	-	1,097,936
Imagination Library	135,925	-	-	135,925
Total program services	1,806,930	-	-	1,806,930
Supporting services				
Fund Raising	193,816	-	-	193,816
Administration	451,342	-	-	451,342
Total supporting services	645,158	-	-	645,158
Total expenses	2,452,088	-	-	2,452,088
CHANGE IN NET ASSETS	(821,686)	(1,591,194)	27	(2,412,853)
Net assets at beginning of year	25,412,290	4,366,198	55,097	29,833,585
Net assets at end of year	\$ 24,590,604	\$ 2,775,004	\$ 55,124	\$ 27,420,732

The accompanying notes are an integral part of these statements.

December 31, 2021			
Without Donor Restrictions	With Donor Restrictions		Total
	Temporarily Restricted	Permanently Restricted	
\$ 1,677,136	\$ 3,150,370	\$ -	\$ 4,827,506
1,364,477	(1,364,477)	-	-
848,364	(848,364)	-	-
3,525	-	-	3,525
(204,352)	(74,231)	-	(278,583)
(78,000)	-	-	(78,000)
579,442	955,736	-	1,535,178
4,190,592	1,819,034	-	6,009,626
76,773	-	-	76,773
87,834	-	80	87,914
3,304,106	-	-	3,304,106
2,452	-	-	2,452
-	-	-	-
34,207	-	-	34,207
3,505,372	-	80	3,505,452
7,695,964	1,819,034	80	9,515,078
188,176	74,231	-	262,407
668,334	-	-	668,334
(204,352)	(74,231)	-	(278,583)
652,158	-	-	652,158
691,883	-	-	691,883
85,929	-	-	85,929
294,429	-	-	294,429
1,335,567	-	-	1,335,567
234,980	-	-	234,980
3,294,946	-	-	3,294,946
705,360	-	-	705,360
377,631	-	-	377,631
1,082,991	-	-	1,082,991
4,377,937	-	-	4,377,937
3,318,027	1,819,034	80	5,137,141
22,094,263	2,547,164	55,017	24,696,444
<u>\$ 25,412,290</u>	<u>\$ 4,366,198</u>	<u>\$ 55,097</u>	<u>\$ 29,833,585</u>

United Way of Erie County
STATEMENTS OF CASH FLOWS

Period ended

	June 30 2022	December 31, 2021
Cash flows from operating activities:		
Change in net assets	\$ (2,412,853)	\$ 5,137,141
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	47,760	56,200
Realized gain on sale of investments	(266,624)	(1,085,191)
Unrealized loss (gain) on investments	2,161,896	(2,218,915)
Changes in operating assets and liabilities:		
Increase in pledges receivable	(324,580)	(2,017,763)
Decrease in other receivables-sponsorships	65,000	30,000
Increase in other receivables-miscellaneous	(74,655)	(1,156)
Decrease in prepaid expenses	7,291	11,112
(Decrease) increase in accounts payables and accruals	(14,976)	17,489
Increase in unearned revenue	139,098	255,213
Net cash (used in) provided by operating activities	(672,643)	184,130
Cash flows from investing activities:		
Capital expenditures	(2,215)	(491,508)
Net decrease in beneficial interest - endowment	39,417	733,497
Net increase in beneficial interest - imagination library	-	(92,663)
Net decrease (increase) in investments	27	(100,411)
Net cash provided by investing activities	37,229	48,915
Cash flows from financing activities:		
Repayments of debt	-	-
Net cash used in financing activities	-	-
Net (decrease) increase in cash and cash equivalents	(635,414)	233,045
Cash and cash equivalents at beginning of year	4,101,573	3,868,528
Cash and cash equivalents at end of year	\$ 3,466,159	\$ 4,101,573
<u>Cash paid during the year for:</u>		
Interest	\$ -	\$ -

The accompanying notes are an integral part of these statements.

United Way of Erie County

STATEMENTS OF FUNCTIONAL EXPENSES

Period ended June 30,

	2022		
	Program Services		
	Allocations and Community Impact	Labor Services Division	Erie Free Taxes
Direct allocations to United Way agencies	\$ 63,125	\$ -	\$ -
Other allocations, projects and grants	349,178	-	35,975
Less: Donor designations	(203,542)	-	-
	208,761	-	35,975
Salaries	42,218	11,330	157,504
Employee benefits	12,574	1,795	3,981
Payroll taxes and unemployment benefits	3,226	891	2,727
	58,018	14,016	164,212
Professional fees and contract services	22	-	20,272
Supplies	1,820	-	958
Telephone	333	-	2,493
Postage and shipping	-	-	5
Occupancy	7,034	533	2,686
Equipment rentals and maintenance	7,471	101	621
Outside printing and marketing	1,000	-	7,010
Local transportation	218	-	490
Receptions, training and luncheon meetings	258	-	2,040
Conferences, meetings and major trips	4,148	-	-
Insurance	-	-	-
Membership dues	50	1,029	-
Campaign incentives	-	-	-
Bank and processing fees	-	-	-
Miscellaneous	473	-	293
Payments to affiliated organizations	-	-	-
IL book purchases	-	-	-
IL reading buddies and reading nook	-	-	-
IL fundraising	-	-	-
Depreciation	20,395	1,559	3,268
	43,222	3,222	40,136
United Way Worldwide dues	3,320	-	2,187
Total expenses	\$ 313,321	\$ 17,238	\$ 242,510

The accompanying notes are an integral part of these statements.

2022

Supporting Services				
Community Schools	Imagination Library	Fund Raising	Administration	Total
\$ -	\$ -	\$ -	\$ -	\$ 63,125
201,629	-	-	-	586,782
-	-	-	-	(203,542)
201,629	-	-	-	446,365
566,482	14,202	91,767	184,610	1,068,113
78,072	2,172	16,972	24,185	139,751
43,834	1,129	7,309	15,162	74,278
688,388	17,503	116,048	223,957	1,282,142
150,760	-	14,000	126,167	311,221
1,139	1,098	1,748	3,448	10,211
2,727	65	448	663	6,729
-	3,315	1,654	2,305	7,279
4,588	542	5,696	6,472	27,551
7,662	277	6,815	23,774	46,721
4,587	2,825	7,644	10,711	33,777
2,515	-	219	42	3,484
17,024	(65)	701	16,315	36,273
4,670	-	-	695	9,513
-	-	-	11,574	11,574
-	-	3,052	1,985	6,116
-	-	12,203	-	12,203
-	-	2,843	2,325	5,168
1,965	-	2,306	3,049	8,086
-	-	-	-	-
-	109,150	-	-	109,150
-	-	-	-	-
-	-	-	-	-
-	-	14,553	7,984	47,759
197,637	117,207	73,882	217,509	692,815
10,282	1,215	3,886	9,876	30,766
<u>\$ 1,097,936</u>	<u>\$ 135,925</u>	<u>\$ 193,816</u>	<u>\$ 451,342</u>	<u>\$ 2,452,088</u>

United Way of Erie County

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31,

	2021		
	Program Services		
	Allocations and Community Impact	Labor Services Division	Erie Free Taxes
Direct allocations to United Way agencies	\$ 188,176	\$ -	\$ -
Other allocations, projects and grants	668,334	-	26,849
Less: Donor designations	(204,352)	-	-
	652,158	-	26,849
Salaries	437,767	52,829	184,104
Employee benefits	52,475	12,128	12,793
Payroll taxes and unemployment benefits	34,375	4,267	5,829
	524,617	69,224	202,726
Professional fees and contract services	3,400	-	23,553
Supplies	2,212	364	3,804
Telephone	1,768	206	2,765
Postage and shipping	135	-	166
Occupancy	72,534	5,546	12,773
Equipment rentals and maintenance	23,766	2,357	1,030
Outside printing and marketing	38	260	9,828
Local transportation	255	1,150	371
Receptions, training and luncheon meetings	3,010	941	-
Conferences, meetings and major trips	-	775	-
Insurance	-	-	-
Membership dues	-	-	-
Campaign incentives	-	-	-
Bank and processing fees	-	-	-
Miscellaneous	5,637	171	3,071
Payments to affiliated organizations	15,750	-	-
IL book purchases	-	-	-
IL reading buddies and reading nook	-	-	-
IL fundraising	-	-	-
Depreciation	23,999	1,835	3,846
	152,504	13,605	61,207
United Way Worldwide dues	14,762	3,100	3,647
Total expenses	\$ 1,344,041	\$ 85,929	\$ 294,429

The accompanying notes are an integral part of these statements.

2021

Supporting Services				
Community Schools	Imagination Library	Fund Raising	Administration	Total
\$ -	\$ -	\$ -	\$ -	\$ 188,176
586,265	-	-	-	1,281,448
-	-	-	-	(204,352)
586,265	-	-	-	1,265,272
376,336	-	396,836	164,415	1,612,287
46,491	-	55,501	22,955	202,343
29,346	-	36,869	14,256	124,942
452,173	-	489,206	201,626	1,939,572
272,900	-	4,800	48,691	353,344
8,605	573	5,284	5,501	26,343
972	-	2,113	930	8,754
-	6,904	4,190	2,210	13,605
-	-	51,760	28,395	171,008
-	-	17,688	15,465	60,306
7,983	2,988	59,174	402	80,673
1,538	-	739	5,965	10,018
2,082	65	9,759	5,123	20,980
-	35	795	180	1,785
-	-	-	11,220	11,220
-	-	4,410	3,090	7,500
-	-	6,341	-	6,341
-	-	5,988	4,724	10,712
3,049	-	5,398	22,139	39,465
-	-	-	-	15,750
-	224,415	-	-	224,415
-	-	-	-	-
-	-	-	-	-
-	-	17,125	9,395	56,200
297,129	234,980	195,564	163,430	1,118,419
-	-	20,590	12,575	54,674
<u>\$ 1,335,567</u>	<u>\$ 234,980</u>	<u>\$ 705,360</u>	<u>\$ 377,631</u>	<u>\$ 4,377,937</u>

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

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 has chosen to change its year end to June starting with the period beginning July 1, 2022. 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.

Imagination Library (IL) - 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

June 30, 2022 and December 31, 2021

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

June 30, 2022 and December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Donated Services

A substantial number of volunteers have donated approximately 7,952 hours to the Agency's program services and fund-raising campaign during the six-month period; 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

The Agency'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 periods ended June 30, 2022 and December 31, 2021 are detailed in Note G.

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

June 30, 2022 and December 31, 2021

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 periods ended June 30, 2022 and December 31, 2021, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2018 and forward.

11. 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 61% 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 34%.

12. 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. 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."

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The carrying amounts reported in the accompanying Statements of Financial Position for other receivables, prepaids, allocations and designations payable, accounts payable, accruals, and unearned revenue 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 G 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.)

13. Date of Management's Review

Management has evaluated subsequent events through December 12, 2022, the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2022 and December 31, 2021, cash and cash equivalents consist of the following:

	<u>2022</u>	<u>2021</u>
Demand deposits with banks	\$3,465,909	\$4,101,323
On hand	<u>250</u>	<u>250</u>
	<u>\$3,466,159</u>	<u>\$4,101,573</u>

NOTE C - LONG-TERM INVESTMENTS

Long-term investments at June 30, 2022 and December 31, 2021 consist of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$ 7,536	\$ 7,536	\$ 7,514	\$ 7,514
Equities	51,303	65,500	65,607	65,500
Fixed income funds	23,997	27,540	27,130	27,540
Other funds	<u>4,749</u>	<u>5,000</u>	<u>4,904</u>	<u>5,000</u>
	<u>\$ 87,585</u>	<u>\$ 105,576</u>	<u>\$ 105,155</u>	<u>\$ 105,554</u>

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

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 periods ended June 30, 2022 and December 31, 2021 are the following:

	<u>2022</u>		
	<u>Investments</u>	<u>Endowment</u>	<u>Total</u>
Realized (loss)/gain	(\$ 49)	\$ 266,673	\$ 266,624
Unrealized loss	(<u>17,592</u>)	(<u>2,144,304</u>)	(<u>2,161,896</u>)
	<u>(\$ 17,641)</u>	<u>(\$ 1,877,631)</u>	<u>(\$1,895,272)</u>
	<u>2021</u>		
	<u>Investments</u>	<u>Endowment</u>	<u>Total</u>
Realized gain	\$ 5,144	\$ 1,080,047	\$1,085,191
Unrealized (loss)/gain	(<u>400</u>)	<u>2,219,315</u>	<u>2,218,915</u>
	<u>\$ 4,744</u>	<u>\$ 3,299,362</u>	<u>\$3,304,106</u>

NOTE D - SPONSORSHIP RECEIVABLES

Sponsorship receivables consist of \$165,000 and \$230,000 for the periods ended June 30, 2022 and December 31, 2021, 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 periods ended June 30, 2022 and December 31, 2021, amounted to \$53,271 and \$85,533, respectively.

NOTE F - LAND, BUILDING AND EQUIPMENT

Land, building and equipment at June 30, 2022 and December 31, 2021 consist of the following:

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

NOTE F - LAND, BUILDING AND EQUIPMENT - Continued

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Life</u>
Building	\$1,037,138	\$1,037,138	40 Years
Building equipment	30,678	30,678	10 Years
Office furniture and equipment	106,555	104,338	10 Years
Computer equipment	<u>128,202</u>	<u>128,202</u>	5-8 Years
	1,302,573	1,300,356	
Less accumulated depreciation	<u>255,850</u>	<u>208,090</u>	
	<u>\$1,046,723</u>	<u>\$1,092,266</u>	

Depreciation expense of \$47,760 and \$56,200 was incurred during the periods ended June 30, 2022 and December 31, 2021, respectively.

NOTE G - NET ASSETS WITHOUT DONOR RESTRICTIONS

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. The Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or specified organizations if, in the sole judgement of the Foundation, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

NOTE G - NET ASSETS WITHOUT DONOR RESTRICTIONS - Continued

As of June 30, 2022 and December 31, 2021, the fair market value was \$19,709,548 and \$21,626,696, respectively, which has been recorded and included as beneficial interest in funds held by others-endowment on the Statements of Financial Position. The underlying investments of the fund at the most recent available date of December 31, 2021, consist of 44.2% public equities, 15.0% diversifying assets, 12.2% fixed income, 1.3% cash and equivalents, and 27.3% private investments. From June 30, 2022 through August 31, 2022, the fair market value decreased 3.9%. The investment policies regarding return objectives and risk strategies are determined by the Foundation.

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 periods ended June 30, 2022 and December 31, 2021, \$0 and \$841,300 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.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

NOTE G - NET ASSETS WITHOUT DONOR RESTRICTIONS - Continued

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

Net assets, beginning of year	\$21,626,696
Investment income, net of fees	(70,314)
Realized gains	266,673
Unrealized losses	(2,144,304)
Contributions	30,797
Grants	-
Transfers to United Way	-
Net assets, end of year	<u>\$19,709,548</u>

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and December 31, 2021 consist of the following:

TEMPORARILY RESTRICTED

	<u>2022</u>	<u>2021</u>
<u>Subject to passage of time</u>		
Subsequent year's campaign:		
Pledges receivable	\$ -	\$ 330,849
Contributions received	7,600	1,003,029
Designations payable	(7,100)	(74,231)
	<u>500</u>	<u>1,259,647</u>
<u>Subject to expenditure for specific purpose</u>		
Imagination Library:		
Pledges receivable	1,775,191	1,816,492
Community Schools	429,799	699,539
Women United	481,874	479,561
Truancy	16,065	16,065
Erie Free Taxes	-	16,449
I Can See	12,381	30,381
PA 211	-	-
Other Purposes	<u>59,194</u>	<u>48,064</u>
	<u>2,774,504</u>	<u>3,106,551</u>
	<u>\$2,775,004</u>	<u>\$4,366,198</u>

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

NOTE H - 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 IL pledges receivable and contributions received represent public support and sponsorships which are restricted by the donors for IL program expenses. A fund (IL Operating Fund) has been established at the Erie Community Foundation to maintain the activity of the IL program. At June 30, 2022 and December 31, 2021 the portion of net assets that was on hand, in the form of cash, in that fund was \$416,467 and \$416,467, respectively. Those amounts have been reported as beneficial interest in funds held by others-Imagination library on the Statements of Financial Position.

Community Schools and Women United represent sponsorships from local businesses and business women 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>2022</u>	<u>2021</u>
<u>Emergency loan fund</u>		
Cash	\$ 55,124	\$ 55,097
Loans receivable	-	-
	<u>\$ 55,124</u>	<u>\$ 55,097</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 periods ended June 30, 2022 and December 31, 2021, loans were made from the fund in the amounts of \$0 and \$0, respectively.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

NOTE I - OTHER GIFTS AND BEQUESTS

During the periods ended June 30, 2022 and December 31, 2021, the United Way received \$80,750 and \$76,773, respectively, in other gifts and bequests. Included in those amounts were donated goods and services of \$80,465 and \$76,172 for the periods ended June 30, 2022 and December 31, 2021, respectively. The corresponding charges are included in the Statements of Functional Expenses as follows:

	<u>2022</u>	<u>2021</u>
Professional fees and contracted services	<u>\$ 80,465</u>	<u>\$ 76,172</u>

NOTE J - OTHER PUBLIC SUPPORT

Other public support for the periods ended June 30, 2022 and December 31, 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
<u>Community Schools (CS)</u>		
Custom Engineering - Diehl	\$ -	\$ 30,000
American Tinning - Diehl	-	60,000
Various companies - Diehl	-	67,500
Various businesses - Union City	-	75,000
Women United - various schools	37,490	509,002
Various businesses - various schools	22,978	136,251
<u>Other</u>		
Department of Education	181,358	292,163
City of Erie Public Schools	278,401	162,287
VITA/Erie Free Taxes	75,818	133,027
PA 211	-	37,063
Other	<u>35,936</u>	<u>32,885</u>
	<u>\$ 631,981</u>	<u>\$ 1,535,178</u>

NOTE K - 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.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and December 31, 2021

NOTE K - LIQUIDITY - Continued

In an effort to support this policy, the Board has established designated funds for Stability and Endowment (See Note G) 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 G.

Financial assets were \$27,104,120 and \$29,340,017 as of June 30, 2022 and December 31, 2021, 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>2022</u>	<u>2021</u>
Financial assets at year end	\$27,104,120	\$29,340,017
Less those unavailable for general expenditures within one year due to:		
Pledges receivable due > 1 year	(2,256,250)	(2,240,500)
Sponsorship a/r due > 1 year	(82,500)	(72,500)
Designation for Endowment	<u>(19,709,548)</u>	<u>(21,626,696)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,055,822</u>	<u>\$ 5,400,321</u>

NOTE L - 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.