

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
UNITED WAY OF ERIE COUNTY
December 31, 2017
With Comparative Totals for 2016**

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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, 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Erie County's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Root, Spitznagel and Smiley, Inc.

ERIE, PENNSYLVANIA
March 29, 2018

FINANCIAL STATEMENTS

United Way of Erie County

STATEMENTS OF FINANCIAL POSITION

December 31,

	2017	2016
ASSETS		
Cash and cash equivalents (Notes A3 and B)	\$ 1,515,030	\$ 1,736,790
Pledges receivable		
Subsequent year less allowance for uncollectibles of \$74,042 and \$82,992	910,047	1,100,365
Current year less allowance for uncollectibles of \$131,022 and \$106,704	193,481	289,946
Prior year less allowance for uncollectibles of \$0 and \$0	-	-
Other receivables		
Endowment (Notes A12 and G)	18,856,773	17,477,361
Dolly Parton imagination library (Note H)	313,552	409,915
Sponsorships (Note L)	596,250	-
Miscellaneous	25,293	72,144
Prepaid expenses	65,191	70,171
Long-term investments (Notes A8, A12 and C)	281,173	360,841
Land, building and equipment, net of accumulated depreciation (Notes A7 and E)	834,492	852,647
Total assets	\$ 23,591,282	\$ 22,370,180
LIABILITIES		
Allocations and designations payable	\$ 130,882	\$ 178,083
Accounts payable and accruals	53,264	31,322
Deferred revenue (Note K)	764,409	238,804
Accrued disaster relief	13,053	25,363
Mortgage payable (Note F)	395,515	428,502
Total liabilities	1,357,123	902,074
NET ASSETS		
Unrestricted (Note G)		
Designated by the Board for:		
Agency Stability	281,173	360,841
Endowment	18,856,773	17,477,361
Allocations and Other Initiatives	379,112	877,243
Undesignated	860,901	646,164
	20,377,959	19,361,609
Temporarily restricted (Note H)	1,801,922	2,052,388
Permanently restricted (Note I)	54,278	54,109
Total net assets	22,234,159	21,468,106
Total liabilities and net assets	\$ 23,591,282	\$ 22,370,180

The accompanying notes are an integral part of these statements.

United Way of Erie County
STATEMENTS OF ACTIVITIES

Year ended December 31,

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public support and revenue				
Campaign revenue				
Direct contributions (Note A4)	\$ 2,045,607	\$ 1,986,122	\$ -	\$ 4,031,729
Net assets released from restrictions				
Expiration of time restrictions	2,185,084	(2,185,084)	-	-
Collection of prior year pledges, net	8,132	-	-	8,132
Less: donor designations	(534,296)	(51,504)	-	(585,800)
Less: estimated uncollectible pledges	(146,500)	-	-	(146,500)
Net campaign revenue	3,558,027	(250,466)	-	3,307,561
Revenue				
Grants (Note K)	313,612	-	-	313,612
Other gifts and bequests (Note J)	20,798	-	-	20,798
Interest and dividends	101,889	-	169	102,058
Net gains/(losses) on investments reported at fair value (Note C)	2,533,022	-	-	2,533,022
Service fees	3,874	-	-	3,874
Other income - signature sponsorships	693,652	-	-	693,652
Other income	1,945	-	-	1,945
Total revenue, net	3,668,792	-	169	3,668,961
Total public support and revenue	7,226,819	(250,466)	169	6,976,522
Expenses				
Program services				
Gross funds awarded/distributed				
Direct allocations to agencies (Note A6)	2,627,508	51,504	-	2,679,012
Other allocations, projects and grants	1,452,383	-	-	1,452,383
Less: donor designations	(534,296)	(51,504)	-	(585,800)
Net funds awarded/distributed	3,545,595	-	-	3,545,595
Community impact	409,281	-	-	409,281
Labor services division	78,781	-	-	78,781
Success by 6	30,000	-	-	30,000
Erie free taxes	195,310	-	-	195,310
Erie together	89,691	-	-	89,691
Community schools	643,085	-	-	643,085
Dolly Parton imagination library	262,047	-	-	262,047
Total program services	5,253,790	-	-	5,253,790
Supporting services				
Fund raising	652,922	-	-	652,922
Administration	303,757	-	-	303,757
Total supporting services	956,679	-	-	956,679
Total expenses	6,210,469	-	-	6,210,469
CHANGE IN NET ASSETS (Note G)	1,016,350	(250,466)	169	766,053
Net assets at beginning of year	19,361,609	2,052,388	54,109	21,468,106
Net assets at end of year	<u>\$ 20,377,959</u>	<u>\$ 1,801,922</u>	<u>\$ 54,278</u>	<u>\$ 22,234,159</u>

The accompanying notes are an integral part of these statements.

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,377,444	\$ 2,286,651	\$ -	\$ 4,664,095
2,542,945	(2,542,945)	-	-
22,701	-	-	22,701
(767,373)	(68,772)	-	(836,145)
(115,600)	-	-	(115,600)
4,060,117	(325,066)	-	3,735,051
304,131	-	-	304,131
19,194	-	-	19,194
70,558	-	174	70,732
1,173,334	-	-	1,173,334
2,733	-	-	2,733
89,515	-	-	89,515
2,210	-	-	2,210
1,661,675	-	174	1,661,849
5,721,792	(325,066)	174	5,396,900
2,826,454	68,772	-	2,895,226
1,311,706	-	-	1,311,706
(767,373)	(68,772)	-	(836,145)
3,370,787	-	-	3,370,787
440,928	-	-	440,928
80,047	-	-	80,047
45,000	-	-	45,000
170,755	-	-	170,755
113,886	-	-	113,886
-	-	-	-
261,872	-	-	261,872
4,483,275	-	-	4,483,275
674,605	-	-	674,605
316,503	-	-	316,503
991,108	-	-	991,108
5,474,383	-	-	5,474,383
247,409	(325,066)	174	(77,483)
19,114,200	2,377,454	53,935	21,545,589
\$ 19,361,609	\$ 2,052,388	\$ 54,109	\$ 21,468,106

United Way of Erie County
STATEMENTS OF CASH FLOWS

Year ended December 31,

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 766,053	\$ (77,483)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	37,741	40,846
Loss on sale of fixed assets	92	-
Realized (gain) loss on sale of investments	(811,104)	112,799
Unrealized gain on investments	(1,721,918)	(1,286,133)
Changes in operating assets and liabilities:		
Decrease in pledges receivable	286,783	313,560
Increase in other receivables-sponsorships	(596,250)	-
Decrease in other receivables-miscellaneous	46,851	(14,819)
Decrease (increase) in prepaid expenses	4,980	(12,142)
Decrease in accounts payables and accruals	(25,259)	(21,420)
Increase in deferred revenue	525,605	201,928
(Decrease) increase in accrued disaster relief	(12,310)	2,514
Net cash used in operating activities	(1,498,736)	(740,350)
Cash flows from investing activities:		
Capital expenditures	(20,238)	(16,650)
Proceeds from sale of fixed assets	560	-
Net decrease in other receivables-endowment	1,124,197	724,286
Net decrease (increase) in other receivables-dpil	96,363	(59,737)
Net decrease (increase) in investments	109,081	(6,693)
Net cash provided by investing activities	1,309,963	641,206
Cash flows from financing activities:		
Repayments of debt	(32,987)	(31,205)
Net cash used in financing activities	(32,987)	(31,205)
Net decrease in cash and cash equivalents	(221,760)	(130,349)
Cash and cash equivalents at beginning of year	1,736,790	1,867,139
Cash and cash equivalents at end of year	\$ 1,515,030	\$ 1,736,790

Cash paid during the year for:

Interest	\$ 22,136	\$ 23,917
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, 2017
with comparative totals for 2016

	2017			
	Program Services			
	Allocations and Community Impact	Labor Services Division	Success By 6	Erie Free Taxes
Direct allocations to United Way agencies	\$ 2,627,508	\$ -	\$ 30,000	\$ -
Other allocations, projects and grants	1,452,383	-	-	-
Less: Donor designations	(534,296)	-	-	-
	<u>3,545,595</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Salaries	260,932	48,193	-	127,870
Employee benefits	33,066	8,128	-	8,255
Payroll taxes and unemployment benefits	20,523	3,976	-	4,261
	<u>314,521</u>	<u>60,297</u>	<u>-</u>	<u>140,386</u>
Professional fees and contract services	3,500	-	-	21,355
Supplies	2,128	1,011	-	1,053
Telephone	750	185	-	1,981
Postage and shipping	46	217	-	603
Occupancy	22,467	3,996	-	6,754
Equipment rentals and maintenance	15,416	1,894	-	229
Outside printing, art work and films	2,683	130	-	14,536
Local transportation	1,022	1,130	-	754
Receptions, training and luncheon meetings	1,202	448	-	1,311
Conferences, meetings and major trips	3,801	2,991	-	-
Insurance	-	-	-	-
Loaned rep expense	-	-	-	-
Day of caring	-	-	-	-
Membership dues	383	866	-	-
Campaign incentives	-	-	-	-
Bank and processing fees	-	-	-	-
Miscellaneous	2,599	135	-	715
Payments to affiliated organizations	15,750	-	-	-
DPIL book purchases	-	-	-	-
DPIL reading buddies and reading nook	-	-	-	-
DPIL Imagination ball	-	-	-	-
DPIL fundraising	-	-	-	-
Depreciation	9,167	2,291	-	2,695
	<u>80,914</u>	<u>15,294</u>	<u>-</u>	<u>51,986</u>
United Way Worldwide dues	13,846	3,190	-	2,938
Total expenses	<u>\$ 3,954,876</u>	<u>\$ 78,781</u>	<u>\$ 30,000</u>	<u>\$ 195,310</u>

The accompanying notes are an integral part of these statements.

2017						
Erie Together	Community Schools	Dolly Parton Imagination Library	Supporting Services		Total Expenses	
			Fund Raising	Administration	2017	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,657,508	\$ 2,871,454
-	505,385	-	-	-	1,957,768	1,311,706
-	-	-	-	-	(534,296)	(767,373)
-	505,385	-	-	-	4,080,980	3,415,787
59,501	94,385	-	375,099	166,537	1,132,517	1,010,768
7,847	17,693	-	52,216	26,988	154,193	140,955
4,696	7,439	-	29,867	13,302	84,064	83,980
72,044	119,517	-	457,182	206,827	1,370,774	1,235,703
-	10,905	-	3,085	12,348	51,193	53,649
1,005	824	854	8,285	3,239	18,399	20,375
218	-	-	1,175	718	5,027	5,473
5	-	9,954	7,174	2,332	20,331	22,788
4,394	-	-	25,468	14,906	77,985	92,695
692	-	-	14,621	11,753	44,605	43,951
607	1,241	3,294	38,823	343	61,657	80,412
314	614	53	2,887	7,104	13,878	15,824
2,663	3,571	-	29,024	5,656	43,875	63,850
3,377	949	-	5,844	(513)	16,449	12,694
-	-	-	-	9,738	9,738	9,691
-	-	-	-	-	-	-
-	-	-	-	-	-	62
833	-	-	6,772	3,422	12,276	11,585
-	-	-	11,138	-	11,138	17,065
-	-	-	3,405	3,279	6,684	7,449
844	79	-	3,544	5,831	13,747	11,700
-	-	-	-	-	15,750	15,000
-	-	245,408	-	-	245,408	235,433
-	-	584	-	-	584	1,043
-	-	-	-	-	-	-
-	-	1,900	-	-	1,900	2,268
2,695	-	-	14,692	6,201	37,741	40,846
17,647	18,183	262,047	175,937	86,357	708,365	763,853
-	-	-	19,803	10,573	50,350	59,040
<u>\$ 89,691</u>	<u>\$ 643,085</u>	<u>\$ 262,047</u>	<u>\$ 652,922</u>	<u>\$ 303,757</u>	<u>\$ 6,210,469</u>	<u>\$ 5,474,383</u>

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 bring the community together to provide resources that help people in need or at risk solve their problems. 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.

Success By 6 - The Early Care and Education Initiative for Erie County whose goal is to ensure that all children in Erie County are adequately prepared to enter the education system.

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.

Erie Together - A community-wide, cross-sector effort to address the high rates of poverty in the Erie region.

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.

Community Schools - This strategy brings resources into schools to address social needs of students and their families. They improve academic performance by removing barriers to learning commonly found in low income areas.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

Contributions received and unconditional promises to give 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support. The Agency reports gifts of goods and equipment as unrestricted support 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.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Donated Services

A substantial number of volunteers have donated approximately 10,978 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.

6. Direct Allocations to Agencies

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

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. 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, 2017 and 2016

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, 2017 and 2016, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2014 and forward.

10. Date of Management's Review

Management has evaluated subsequent events through March 29, 2018, the date the financial statements were available to be issued.

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 63% 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 21.6%.

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.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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-miscellaneous, prepaids, allocations and designations payable, accounts payable, deferred revenue 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 Other receivables-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.)

NOTE B - CASH AND CASH EQUIVALENTS

At December 31, 2017 and 2016, cash and cash equivalents consist of the following:

	<u>2017</u>	<u>2016</u>
Demand deposits with banks	\$1,514,700	\$1,736,460
On hand	<u>330</u>	<u>330</u>
	<u>\$1,515,030</u>	<u>\$1,736,790</u>

NOTE C - LONG-TERM INVESTMENTS

Long-term investments at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$ 17,879	\$ 17,879	\$ 34,769	\$ 34,769
Fixed income funds	109,248	109,180	144,027	144,870
Other funds	<u>154,046</u>	<u>116,585</u>	<u>182,045</u>	<u>156,355</u>
	<u>\$ 281,173</u>	<u>\$ 243,644</u>	<u>\$ 360,841</u>	<u>\$ 335,994</u>

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 G). Included in net gains (losses) for the years ended December 31, 2017 and 2016 are the following:

	2017		
	<u>Investments</u>	<u>Endowment</u>	<u>Total</u>
Realized gain	\$ 17,925	\$ 793,179	\$ 811,104
Unrealized gain	<u>11,488</u>	<u>1,710,430</u>	<u>1,721,918</u>
	<u>\$ 29,413</u>	<u>\$ 2,503,609</u>	<u>\$2,533,022</u>
	2016		
	<u>Investments</u>	<u>Endowment</u>	<u>Total</u>
Realized gain/(loss)	\$ 2,717	(\$ 115,516)	(\$ 112,799)
Unrealized gain	<u>7,816</u>	<u>1,278,317</u>	<u>1,286,133</u>
	<u>\$ 10,533</u>	<u>\$ 1,162,801</u>	<u>\$1,173,334</u>

NOTE D - 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, 2017 and 2016, amounted to \$60,608 and \$56,094, respectively.

NOTE E - LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2017 and 2016 consist of the following:

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E - LAND, BUILDING AND EQUIPMENT - Continued

	<u>2017</u>	<u>2016</u>	<u>Estimated 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	45,194	10 Years
Office furniture and equipment	81,700	80,096	10 Years
Computer equipment	119,982	110,800	5-8 Years
Vehicles	<u>3,213</u>	<u>-</u>	5 Years
	1,377,439	1,359,869	
Less accumulated depreciation	<u>542,947</u>	<u>507,222</u>	
	<u>\$ 834,492</u>	<u>\$ 852,647</u>	

Depreciation expense of \$37,741 and \$40,846 was incurred during the years ended December 31, 2017 and 2016, respectively.

NOTE F - 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, 2017. The maturities of long-term debt in each of the five years subsequent to December 31, 2017 are as follows:

<u>Year</u>	<u>Total</u>
2018	\$ 35,461
2019	37,380
2020	39,402
2021	41,533
2022	43,780
Thereafter	<u>197,959</u>
	<u>\$ 395,515</u>

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE G - UNRESTRICTED NET ASSETS 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. In 2017 the Board approved a \$116,000 transfer from the Stability Fund to operations. An additional transfer of \$238,962 was approved in February, 2018.

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 other receivables-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, 2017 and 2016, the fair market value was \$18,856,773 and \$17,477,361, respectively, which has been recorded and included as other receivables-endowment on the Statement of Financial Position. The underlying investments of the fund at December 31, 2017, consist of 54.4% global equities, 14.7% diversifying assets, 11.7% fixed income, 0.6% cash and equivalents, 11.2% real assets and 7.4% private equity. From December 31, 2017 through February 28, 2018, the fair market value increased .6%, after adjusting for an additional transfer of \$350,000 in 2018.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE G - UNRESTRICTED NET ASSETS DESIGNATED BY THE BOARD - 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 receivable.

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, 2017 and 2016, \$1,220,100 and \$801,500 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	\$17,477,361
Investment income, net of fees	89,963
Realized gains	793,179
Unrealized gains	1,710,430
Contributions	8,390
Grants	(2,450)
Transfers to United Way	(<u>1,220,100</u>)
Net assets, end of year	<u>\$18,856,773</u>

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, 2017 and 2016 was \$379,112 and \$877,243.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE G - UNRESTRICTED NET ASSETS DESIGNATED BY THE BOARD - Continued

The following is a summary of all designated net assets:

Designated for Stability	\$ 281,173
Designated for Endowment	18,856,773
Designated for Allocations and Other Initiatives	<u>379,112</u>
	<u>\$19,517,058</u>

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Subsequent year's campaign:		
Pledges receivable	\$ 867,196	\$1,079,710
Contributions received	866,958	891,444
Designations payable	(<u>51,504</u>)	(<u>68,772</u>)
	<u>1,682,650</u>	<u>1,902,382</u>
Dolly Parton Imagination Library:		
Pledges receivable	42,851	20,655
Contributions received	<u>76,421</u>	<u>129,351</u>
	<u>119,272</u>	<u>150,006</u>
	<u>\$1,801,922</u>	<u>\$2,052,388</u>

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, 2017 and 2016 the portion of net assets that was on hand, in the form of cash, in that fund was \$313,552 and \$409,915, respectively. Those amounts have been reported as other receivables-Dolly Parton imagination library on the Statements of Financial Position.

United Way of Erie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE I - PERMANENTLY RESTRICTED NET ASSETS

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, 2017 and 2016, loans were made from the fund in the amounts of \$0 and \$15,500, respectively. The balance of the fund at December 31, 2017 and 2016 consist of cash in the amount of \$54,278 and \$38,243, and receivables of \$0 and \$15,866 respectively.

NOTE J - OTHER GIFTS AND BEQUESTS

During the years ended December 31, 2017 and 2016, the United Way received \$20,798 and \$19,194, respectively, in other gifts and bequests. Included in those amounts were donated goods and services of \$19,458 and \$16,296 for the years ended December 31, 2017 and 2016, respectively. The corresponding charges are included in the Statements of Functional Expenses as follows:

	<u>2017</u>	<u>2016</u>
Professional fees and contracted services	<u>\$ 19,458</u>	<u>\$ 16,296</u>

NOTE K - GRANT REVENUE AND DEFERRED REVENUE

Grant revenue for the years ended December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Erie Community Foundation-DPIL	\$ 50,000	\$ 50,000
Erie Community Foundation - Erie Together	25,000	37,500
VITA	52,389	53,088
Berks Co. IU - Early Childhood Education Community Education Zone	118,902	69,515
Erie Community Foundation - Erie Free Taxes	40,000	75,000
ECGRA - Block by Block	10,919	4,081
Erie County - Byrne Grant	-	3,000
Miscellaneous	3,352	-
Erie Free Taxes - Miscellaneous	<u>13,050</u>	<u>11,947</u>
	<u>\$313,612</u>	<u>\$304,131</u>

United Way of Erie County
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017 and 2016

NOTE K - GRANT REVENUE AND DEFERRED REVENUE - Continued

Deferred revenue at December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Highmark - Community Schools	\$120,000	\$ 60,000
Erie Insurance - Community Schools	120,000	60,000
UPMC/Hamot - Community Schools	255,000	-
Lord Corporation - Community Schools	120,000	-
General Electric - Community Schools	120,000	-
Anonymous - Community Schools	-	60,000
ECGRA - Block by Block	-	10,919
Berks Co. IU - Early Childhood Education Community Education Zone	-	17,379
GradNation Summitt	4,774	8,275
Various - Erie Free Taxes	22,906	9,616
PA 211	-	7,765
2017 Imagination Golf	-	4,500
Other	<u>1,729</u>	<u>350</u>
	<u>\$764,409</u>	<u>\$238,804</u>

NOTE L - SPONSORSHIP RECEIVABLES

Sponsorship receivables consist of \$596,250 and \$0 for the year ended December 31, 2017 and 2016, respectively. The receivables were related to funding for the Community Schools program.

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. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefitted.