

CENTRE COUNTY UNITED WAY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

CENTRE COUNTY UNITED WAY
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FIORE FEDELI SNYDER CAROTHERS, LLP

Certified Public Accountants and Consultants

Patrick J. Fiore, CPA
Joseph P. Fedeli, CPA
Robert P. Snyder, CPA
Stanley N. Roseberry IV, CPA

Independent Auditors' Report

Board of Directors
Centre County United Way
Pine Grove Mills, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Centre County United Way, which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MEMBERS: AMERICAN AND PENNSYLVANIA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

2013 SANDY DRIVE, SUITE 200 + STATE COLLEGE, PENNSYLVANIA 16803 + (814) 237-8999 + FAX (814) 237-0990

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 Centre County United Way as of March 31, 2020, and results of its operations, and changes in its net assets, and its cash flows for the year months then ended in accordance with accounting principles generally accepted in the United States of America.

Fiona Fabeli Snyder Lauther, LLP

State College, Pennsylvania
October 13, 2020

CENTRE COUNTY UNITED WAY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 1,227,880
Pledges receivable, net of allowance for uncollected pledges of \$71,883.	705,835
Prepaid expenses and other current assets	<u>7,511</u>
Total Current Assets	1,941,226
Property and Equipment, Net	14,193
Certificates of Deposit	328,030
Investment in Assets Held by Others	134,676
Investments - Restricted	<u>1,195,170</u>
Total Assets	<u>\$ 3,613,295</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 7,472
Allocations and designations payable	55,135
Accrued salaries and wages	8,557
Accrued compensated absences	4,844
Accrued payroll liabilities	<u>851</u>
Total Liabilities	<u>76,859</u>
Net Assets:	
Without Donor Restrictions	
Board designated	1,658,431
Undesignated	<u>653,187</u>
Total net assets without donor restrictions	<u>2,311,618</u>
With Donor Restrictions	<u>1,224,818</u>
Total Net Assets	<u>3,536,436</u>
Total Liabilities and Net Assets	<u>\$ 3,613,295</u>

See Accompanying Notes to Financial Statements

CENTRE COUNTY UNITED WAY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2020

Changes in Net Assets Without Donor Restrictions	
Revenue and support	
Contributions	\$ 1,603,730
Special events, net of expenses of \$52,599	184,403
Miscellaneous	608
Depreciation in value of assets held by others	(714)
Interest income	4,986
	<hr/>
Total revenue and support	1,793,013
Net assets released from restrictions	33,874
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Total revenues and support and assets released from restrictions	1,826,887
Expenses	
Program Services	
Agency allocations	1,559,068
Other programs	134,022
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Total program services	1,693,090
Supporting Services	
Administration	24,894
Fundraising	140,650
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Total supporting services	165,544
Total expenses	1,858,634
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Decrease in unrestricted net assets	(31,747)
Changes in Net Assets with Donor Restrictions	
Contributions	10,020
Grants	35,000
Investment income	59,240
Unrealized losses	(166,902)
Net assets released from restrictions due to payment	(33,874)
	<hr/>
Decrease in net assets with donor restrictions	(96,516)
Change in Net Assets	(128,263)
Net Assets, beginning	3,664,699
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Net Assets, end	\$ 3,536,436
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See Accompanying Notes to Financial Statements

CENTRE COUNTY UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2020

	<u>PROGRAM</u>			<u>ADMINISTRATION</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
	<u>ALLOCATIONS</u>	<u>OTHER PROGRAMS</u>	<u>TOTAL</u>			
Agency allocations	\$1,354,889		\$1,354,889			\$ 1,354,889
Program payments	--	\$ 70,154	70,154			70,154
Total agency payments	<u>1,354,889</u>	<u>70,154</u>	<u>1,425,043</u>			<u>1,425,043</u>
Salaries and wages	93,021	32,091	125,112	\$ 8,179	\$ 87,755	221,046
Employee benefits	21,995	10,440	32,435	2,120	22,750	57,305
Payroll taxes	9,001	2,090	11,091	725	7,780	19,596
Total salaries and benefits	<u>124,017</u>	<u>44,621</u>	<u>168,638</u>	<u>11,024</u>	<u>118,285</u>	<u>297,947</u>
Dues/subscriptions	29,004	--	29,004	--	--	29,004
Professional fees	--	--	--	12,970	--	12,970
Campaign	--	--	--	--	5,986	5,986
Occupancy	1,489	2,185	3,674	141	5,679	9,494
Miscellaneous	1,963	102	2,065	34	181	2,280
Advertising	11,133	3,825	14,958	--	5,066	20,024
Equipment rent/maintenance	6,435	6,183	12,618	206	1,108	13,932
Postage	--	--	--	--	1,563	1,563
Day of caring	--	5,391	5,391	--	--	5,391
Office supplies	2,710	140	2,850	47	250	3,147
Telephone	3,969	206	4,175	68	366	4,609
Information technology	10,016	519	10,535	172	925	11,632
Insurance	2,730	141	2,871	47	252	3,170
Conference/meetings	7,487	388	7,875	129	691	8,695
Depreciation	2,839	147	2,986	49	262	3,297
Travel	387	20	407	7	36	450
Total other expenses	<u>80,162</u>	<u>19,247</u>	<u>99,409</u>	<u>13,870</u>	<u>22,365</u>	<u>135,644</u>
Total functional expenses	<u>\$1,559,068</u>	<u>\$ 134,022</u>	<u>\$1,693,090</u>	<u>\$ 24,894</u>	<u>\$ 140,650</u>	<u>\$ 1,858,634</u>

See Accompanying Notes to Financial Statements

CENTRE COUNTY UNITED WAY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from benefactors and others	\$ 1,874,629
Interest received	4,986
Cash paid to agencies, employees and vendors	(1,858,467)
Net cash provided by operating activities	<u>21,148</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of assets	(15,282)
Increase in cash and cash equivalents	5,866
Cash and cash equivalents, beginning	<u>1,222,014</u>
Cash and cash equivalents, ending	\$ <u><u>1,227,880</u></u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Change in net assets	\$ (128,263)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,297
Return on investments	107,662
Change in certificates of deposit	(2,893)
Change in assets held by others	15,230
(Increase)/decrease in assets:	
Pledges receivable	43,484
Prepaid expenses and other current assets	(1,318)
Increase/(decrease) in liabilities:	
Accounts payable	4,450
Allocations and designations payable	(14,239)
Accrued expenses	(6,262)
Net cash provided by operating activities	\$ <u><u>21,148</u></u>

See Accompanying Notes to Financial Statements

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

A. Nature of Operations And Summary of Significant Accounting Policies

Nature of Operations

The Centre County United Way (the "Organization") is a non-profit organization formed to raise community funds and allocate money to a group of member service agencies providing health, welfare, and social services in Centre County, Pennsylvania.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958-205, Not-for-Profit Entities Financial Statement Presentation. Under FASB ASC 958-205, Centre County United Way is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from assets without donor restrictions, net assets for board-designated purposes.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basis of Accounting

Centre County United Way prepares its financial statements on the accrual basis of accounting. Therefore, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

Use of Estimates

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

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020
(Continued)

A. Nature of Operations And Summary of Significant Accounting Policies
(continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments purchased with an original maturity of three months or less.

Certificates of Deposit

Certificates of deposit are recorded in the financial statements as long-term assets based on their long-term maturity date or management's intentions to rollover the certificates of deposit over a long-term maturity.

Pledges Receivable

Pledged support is considered available for unrestricted use unless specifically restricted by the donor. Unpaid pledges are written off a year and a half after the end of the campaign year.

Investments and Investment Risks

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

The Organization's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amount reported in the accompanying financial statements could change materially in the near term.

Contribution of Services

A substantial number of volunteers have contributed significant amounts of time to the Organization's program services and to its fundraising campaigns. These services are not recorded in the financial statements since they do not meet the criteria for recognition in accounting standards established for not-for-profit organizations. Services provided for Day of Caring would be evaluated by the agency receiving the benefit of the services.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020
(Continued)

A. Nature of Operations And Summary of Significant Accounting Policies
(continued)

Property and Equipment

The Organization capitalizes property and equipment purchases of \$1,000 or greater. Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. Repairs and maintenance are expensed and major betterments are capitalized.

Depreciation expense during the year ended March 31, 2020 was \$3,297.

Functional Expenses

The costs of providing activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefitted.

Restricted and Unrestricted Revenues and Contributions

Centre County United Way has adopted FASB ASC 958-605, Not-for-Profit Entities Revenue Recognition. Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated 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 restriction.

The Organization used the allowance method to determine uncollectible amounts of receivables resulting from unconditional promises to give. The allowance is based on prior years' experience and management analysis of specific promises made. The allowance for uncollectible pledges was \$71,883 at March 31, 2020.

Advertising

Advertising costs are charged to expense as incurred and were \$20,024 for the year ended March 31, 2020.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020
(Continued)

A. Nature of Operations And Summary of Significant Accounting Policies
(continued)

Member Agency Allocations

Allocations to member agencies are recorded based on the campaign allocation recommended by the Fund Distribution Committee and approved by the Board of Directors.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2020.

The Organization's federal income tax returns for years subsequent to 2016 remain subject to examination by the Internal Revenue Service.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by an organization has been limited to a specific time period or purpose.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through October 13, 2020 the date the financial statements were available to be issued.

B. Concentration of Credit Risk

The bank balances and certificates of deposit are held at various local banks and secured by federal deposit insurance coverage for interest bearing accounts. At March 31, 2020, \$520,129 of the Organization's accounts were exposed to credit risk.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020
(Continued)

C. Investments

Investments consist of the following at March 31, 2020:

Vanguard Account	
Cash and cash equivalents	\$ 63,944
Exchange traded funds	45,952
Mutual funds	<u>1,085,274</u>
Total held at Vanguard	1,195,170
Certificates of Deposit	<u>328,030</u>
Total Investments	\$ <u>1,523,200</u>

Total investment return for the year ended March 31, 2020 are as follows:

Interest and dividend income	\$ 59,240
Change in unrealized (losses) on investments other than trading securities	(166,902)
Investment loss	\$ (107,662)

D. Fair Value Measurement of Assets

Financial assets measured at fair market value are categorized based upon the following characteristics or inputs to the valuation techniques:

Level 1 - Quoted prices are available in the active market for identical assets or liabilities as of the reported date.

Level 2 - Pricing inputs are other than quoted prices in active markets for identical assets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020
 (Continued)

D. Fair Value Measurement of Assets (continued)

This hierarchy requires the use of observable market data when available.

Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table presents those financial assets that are remeasured annually at their fair market value, as of March 31, 2020, by level within the fair value hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments:	
Cash and cash equivalents	\$ 63,944
Certificates of deposit	328,030
Global equity mutual funds	335,812
Domestic equity mutual funds	133,169
Domestic fixed income mutual funds	242,922
International equity mutual funds	304,451
International fixed income mutual funds	68,920
Exchange traded products (ETFs)	<u>45,952</u>
	 \$ <u>1,523,200</u>

At March 31, 2020, the Organization did not have any assets whose fair value were measured using Level 2 or 3 inputs.

Fair values of financial instruments were determined as follows:

Cash and cash equivalents and certificates of deposit: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: Mutual funds, equities and ETFs in the investment portfolio are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs.

E. Property and Equipment, Net

Property and equipment consist of the following at March 31, 2020:

Equipment	\$ 27,289
Less accumulated depreciation	(<u>13,096</u>)
Property and equipment, net	\$ <u>14,193</u>

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020
(Continued)

F. Designated Payables

Donations received and designated specifically to an agency are classified as revenue for each agency and as accounts payable for the Organization. Designated payables amounted to \$55,135 at March 31, 2020.

G. Net Assets Without Donor Restrictions

Net assets without donor restrictions - board designated were available for the following purposes as of March 31, 2020:

Agency Allocation	\$ 1,300,000
Board Reserve	320,000
Community Impact	27,164
Young Leaders	667
Women's Leadership Group	<u>10,600</u>
Total	\$ <u>1,658,431</u>

H. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of March 31, 2020:

Disaster Fund	\$ 1,195,170
Day of Caring	8,554
Pre K for PA	<u>21,094</u>
	\$ <u>1,224,818</u>

I. Employee Benefit Plans

On January 1, 2014, the Organization switched from a 403(b) voluntary savings plan to a SEP IRA available to all eligible employees. Pension expense was \$15,817 for the year ended March 31, 2020.

K. Interest in Assets Held by Others

Centre County United Way's programs also benefit from endowment funds created at the Foundation by others. Distributions are recorded as contributions when received since Centre County United Way is the beneficiary of the fund but not the resource provider.

During 1998, the Centre County United Way established an endowment fund with the Centre County Community Foundation, Inc. ("the Foundation"). The value of Centre County United Way's interest in the Centre County United Way Fund honoring Ellie Beaver, as reported by the Foundation at March 31, 2020 was \$134,676.

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020
(Continued)

K. Interest in Assets Held by Others (continued)

Since the transfers were made in exchange for returns of, or returns on, the amount transferred, they are reported in the statement of financial position.

At the time of the transfers, the Organization granted variance power to the Foundation. That power gives the Foundation the right to make payments to other qualified organizations, if, at any time in the future, it becomes unnecessary, impossible or inconsistent with the charitable need as determined by the Foundation, to make payments as originally intended at the inception of the Fund.

L. Leases

The Organization leases its office under a non-cancellable operating lease through May 2020. The Organization also leases storage space on a month to month basis. Rent expense was \$7,572 for the year ended March 31, 2020.

The Organization also leases office equipment, under two non-cancellable operating lease through July 2024 and March 2025. Expense under these leases was \$4,436 for the year ended March 31, 2020. Future minimum lease commitments under these leases are as follows:

Year Ending March 31:

2021	\$ 13,731
2022	13,881
2023	13,881
2024	8,931
2025	<u>3,925</u>
Total	\$ <u>54,349</u>

M. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,227,880
Investments	<u>328,030</u>
	\$ <u>1,555,910</u>

CENTRE COUNTY UNITED WAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020
(Continued)

N. Subsequent Event - Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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