

**LYCOMING COUNTY UNITED WAY, INC.**  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2020 AND 2019

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Lycoming County United Way, Inc.  
Williamsport, Pennsylvania:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Lycoming County United Way, Inc. (a Pennsylvania nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 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 auditors' 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.

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 Lycoming County United Way, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Larson, Kellett & Associates, P.C.*

Montoursville, Pennsylvania  
February 22, 2021

**LYCOMING COUNTY UNITED WAY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	\$ 478,333	\$ 465,560
Pledges receivable, net	235,051	269,296
Prepaid expense	3,049	2,957
Investments	1,528,626	1,616,618
Beneficial interest in assets held by First Community Foundation of Pennsylvania	442,412	438,306
Equipment, furniture and leasehold improvements, net	25,655	31,242
<b>TOTAL ASSETS</b>	<b>\$ 2,713,126</b>	<b>\$ 2,823,979</b>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 52,064	\$ 46,661
Accrued payroll and payroll taxes withheld	12,516	10,702
Community impact grants payable	61,753	55,264
Donor designations payable	26,425	10,009
Obligation under capital lease		1,863
Refundable advances	87,090	
Total liabilities	239,848	124,499
NET ASSETS:		
Without donor restrictions:		
Undesignated	2,078,038	2,262,686
Board designated:		
Community Building	97,811	107,811
Wellsboro Area United Fund	35,748	60,748
Total without donor restrictions	2,211,597	2,431,245
With donor restrictions:		
Time and purpose restrictions	27,529	34,083
Perpetuity	234,152	234,152
Total with donor restrictions	261,681	268,235
Total net assets	2,473,278	2,699,480
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,713,126</b>	<b>\$ 2,823,979</b>

See Notes to Financial Statements

**LYCOMING COUNTY UNITED WAY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>		
Campaign revenue applicable to current year:		
Contributions received - current year	\$ 1,146,589	\$ 1,156,691
Contributions received in prior year (released from restriction)	33,323	58,935
Less provision for uncollectible pledges	<u>(47,207)</u>	<u>(67,327)</u>
Total campaign revenue applicable to current year	1,132,705	1,148,299
Federal and state grants	153,112	153,114
Program fees	652	5,750
Investment return, net	145	85,688
Donated goods and services	210,882	83,361
Reimbursed expenses	<u>1,228</u>	<u>802</u>
Total revenues, gains and other support	<u>1,498,724</u>	<u>1,477,014</u>
<b>ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES:</b>		
<b>Program services:</b>		
Community impact grants	762,110	800,911
Federal and state grants	148,672	148,672
Funds distribution	123,103	57,304
Marketing/communications	<u>104,118</u>	<u>99,959</u>
Total program services	<u>1,138,003</u>	<u>1,106,846</u>
<b>Supporting services:</b>		
Management and general	154,329	164,843
Resource development	<u>426,040</u>	<u>182,474</u>
Total supporting services	<u>580,369</u>	<u>347,317</u>
Total allocations and other functional expenses	<u>1,718,372</u>	<u>1,454,163</u>
Change in net assets without donor restrictions	<u>(219,648)</u>	<u>22,851</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Campaign revenue applicable to next allocation year:		
Pledges received - next allocation year	26,769	23,323
Contributions received in prior year (released from restriction)	<u>(33,323)</u>	<u>(58,935)</u>
Change in net assets with donor restrictions	<u>(6,554)</u>	<u>(35,612)</u>
CHANGE IN NET ASSETS	(226,202)	(12,761)
NET ASSETS, BEGINNING	<u>2,699,480</u>	<u>2,712,241</u>
NET ASSETS, ENDING	<u>\$ 2,473,278</u>	<u>\$ 2,699,480</u>

**LYCOMING COUNTY UNITED WAY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	COMMUNITY IMPACT GRANTS	FEDERAL AND STATE GRANTS	FUNDS DISTRIBUTION	MARKETING/ COMMUNICATIONS	TOTAL PROGRAM SERVICES
Allocations	<u>\$ 762,110</u>	<u>\$ 148,672</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 910,782</u>
Community and agency services provided by the United Way:					
Salaries			38,016	38,983	76,999
Employee benefits			8,939	9,167	18,106
Payroll taxes	<u>_____</u>	<u>_____</u>	<u>2,903</u>	<u>2,976</u>	<u>5,879</u>
Total personnel	<u>_____</u>	<u>_____</u>	<u>49,858</u>	<u>51,126</u>	<u>100,984</u>
Professional fees			3,725	39,820	43,545
Materials and supplies			1,616	1,657	3,273
Telephone			870	892	1,762
Postage and shipping			579	594	1,173
Occupancy			4,433	4,545	8,978
Rental and maintenance of equipment			454	466	920
Printing and publications			1,418	1,455	2,873
Local staff travel			393	404	797
Local meetings and conferences			73	75	148
Membership dues			194	198	392
Miscellaneous			805	825	1,630
Interest			18	18	36
National and state dues					
Liability insurance					
Depreciation			857	878	1,735
Credit card fees			1,135	1,165	2,300
Crisis response			56,675		56,675
Special events					
In-kind expenses	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Total other	<u>_____</u>	<u>_____</u>	<u>73,245</u>	<u>52,992</u>	<u>126,237</u>
<b>TOTAL</b>	<u><b>\$ 762,110</b></u>	<u><b>\$ 148,672</b></u>	<u><b>\$ 123,103</b></u>	<u><b>\$ 104,118</b></u>	<u><b>\$ 1,138,003</b></u>

See Notes to Financial Statements

**LYCOMING COUNTY UNITED WAY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	MANAGEMENT AND GENERAL	RESOURCE DEVELOPMENT	TOTAL SUPPORTING SERVICES	COMBINED TOTAL 2020
Allocations	\$ _____	\$ _____	\$ _____	\$ 910,782
Community and agency services provided by the United Way:				
Salaries	76,478	94,506	170,984	247,983
Employee benefits	17,983	22,223	40,206	58,312
Payroll taxes	<u>5,840</u>	<u>7,216</u>	<u>13,056</u>	<u>18,935</u>
Total personnel	<u>100,301</u>	<u>123,945</u>	<u>224,246</u>	<u>325,230</u>
Professional fees	7,494	9,260	16,754	60,299
Materials and supplies	3,251	4,018	7,269	10,542
Telephone	1,750	2,162	3,912	5,674
Postage and shipping	1,166	1,440	2,606	3,779
Occupancy	8,918	11,020	19,938	28,916
Rental and maintenance of equipment	914	1,129	2,043	2,963
Printing and publications	2,854	3,526	6,380	9,253
Local staff travel	792	979	1,771	2,568
Local meetings and conferences	147	181	328	476
Membership dues	389	480	869	1,261
Miscellaneous	1,619	2,000	3,619	5,249
Interest	36	44	80	116
National and state dues	19,805		19,805	19,805
Liability insurance	885		885	885
Depreciation	1,723	2,129	3,852	5,587
Credit card fees	2,285	2,824	5,109	7,409
Crisis response				56,675
Special events		58,701	58,701	58,701
In-kind expenses	<u>          </u>	<u>202,202</u>	<u>202,202</u>	<u>202,202</u>
Total other	<u>54,028</u>	<u>302,095</u>	<u>356,123</u>	<u>482,360</u>
<b>TOTAL</b>	<b><u>\$ 154,329</u></b>	<b><u>\$ 426,040</u></b>	<b><u>\$ 580,369</u></b>	<b><u>\$ 1,718,372</u></b>

See Notes to Financial Statements



**LYCOMING COUNTY UNITED WAY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	COMMUNITY IMPACT GRANTS	FEDERAL AND STATE GRANTS	FUNDS DISTRIBUTION	MARKETING/ COMMUNICATIONS	TOTAL PROGRAM SERVICES
Allocations	<u>\$ 800,911</u>	<u>\$ 148,672</u>	<u>\$</u>	<u>\$</u>	<u>\$ 949,583</u>
Community and agency services provided by the United Way:					
Salaries			33,664	37,574	71,238
Employee benefits			5,078	5,667	10,745
Payroll taxes			<u>2,685</u>	<u>2,997</u>	<u>5,682</u>
Total personnel			<u>41,427</u>	<u>46,238</u>	<u>87,665</u>
Professional fees			3,163	39,531	42,694
Materials and supplies			997	1,113	2,110
Telephone			884	986	1,870
Postage and shipping			757	845	1,602
Occupancy			3,606	4,025	7,631
Rental and maintenance of equipment			225	251	476
Printing and publications			1,178	1,315	2,493
Local staff travel			684	763	1,447
Local meetings and conferences			1,137	1,268	2,405
Membership dues			207	231	438
Miscellaneous			1,048	1,170	2,218
Interest			47	53	100
National and state dues					
Liability insurance					
Depreciation			1,141	1,273	2,414
Credit card fees			803	897	1,700
Special events					
In-kind expenses					
Total other			<u>15,877</u>	<u>53,721</u>	<u>69,598</u>
<b>TOTAL</b>	<u><b>\$ 800,911</b></u>	<u><b>\$ 148,672</b></u>	<u><b>\$ 57,304</b></u>	<u><b>\$ 99,959</b></u>	<u><b>\$ 1,106,846</b></u>

See Notes to Financial Statements

**LYCOMING COUNTY UNITED WAY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	MANAGEMENT AND GENERAL	RESOURCE DEVELOPMENT	TOTAL SUPPORTING SERVICES	COMBINED TOTAL 2019
Allocations	\$ _____	\$ _____	\$ _____	\$ 949,583
Community and agency services provided by the United Way:				
Salaries	82,808	73,262	156,070	227,308
Employee benefits	12,490	11,050	23,540	34,285
Payroll taxes	<u>6,605</u>	<u>5,843</u>	<u>12,448</u>	<u>18,130</u>
Total personnel	<u>101,903</u>	<u>90,155</u>	<u>192,058</u>	<u>279,723</u>
Professional fees	7,781	6,883	14,664	57,358
Materials and supplies	2,452	2,170	4,622	6,732
Telephone	2,174	1,924	4,098	5,968
Postage and shipping	1,863	1,648	3,511	5,113
Occupancy	8,871	7,848	16,719	24,350
Rental and maintenance of equipment	553	490	1,043	1,519
Printing and publications	2,898	2,564	5,462	7,955
Local staff travel	1,682	1,487	3,169	4,616
Local meetings and conferences	2,796	2,474	5,270	7,675
Membership dues	509	451	960	1,398
Miscellaneous	2,578	2,281	4,859	7,077
Interest	116	102	218	318
National and state dues	22,999		22,999	22,999
Liability insurance	885		885	885
Depreciation	2,807	2,483	5,290	7,704
Credit card fees	1,976	1,747	3,723	5,423
Special events		6,639	6,639	6,639
In-kind expenses	<u>                    </u>	<u>51,128</u>	<u>51,128</u>	<u>51,128</u>
Total other	<u>62,940</u>	<u>92,319</u>	<u>155,259</u>	<u>224,857</u>
<b>TOTAL</b>	<b><u>\$ 164,843</u></b>	<b><u>\$ 182,474</u></b>	<b><u>\$ 347,317</u></b>	<b><u>\$ 1,454,163</u></b>

See Notes to Financial Statements

**LYCOMING COUNTY UNITED WAY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (226,202)	\$ (12,761)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,587	7,704
Investment (gain) loss	32,419	(38,043)
Provision for uncollectible pledges	47,207	67,327
Contributions of equipment, furniture and leasehold improvements		(25,000)
Change in:		
Pledges receivable, net	(12,962)	(18,453)
Prepaid expense	(92)	6,783
Accounts payable	5,403	3,155
Accrued payroll and payroll taxes withheld	1,814	(1,571)
Community impact grants payable	6,489	28,048
Donor designations payable	16,416	1,059
Refundable advances	<u>87,090</u>	<u>          </u>
Net cash provided (used) by operating activities	<u>(36,831)</u>	<u>18,248</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(602,265)	(438,635)
Proceeds from sale of investments	657,838	470,109
Increase in beneficial interest in assets held by First Community Foundation of Pennsylvania, net	<u>(4,106)</u>	<u>(2,345)</u>
Net cash provided by investing activities	<u>51,467</u>	<u>29,129</u>
<b>CASH USED BY FINANCING ACTIVITIES,</b>		
Repayment of obligation under capital lease	<u>(1,863)</u>	<u>(1,664)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>12,773</b>	<b>45,713</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u><b>465,560</b></u>	<u><b>419,847</b></u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><b>\$ 478,333</b></u>	<u><b>\$ 465,560</b></u>

**1. GENERAL:**

Lycoming County United Way, Inc. (Organization) was organized as a nonprofit organization for the purpose of raising funds to distribute to charitable organizations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

- **Net Assets without Donor Restrictions** - Net assets that are not subjected to donor-imposed restrictions and are available for use in the Organization's ongoing operations, including funds designated by the Board of Trustees.
- **Net Assets with Donor Restrictions** - Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by action of the Organization pursuant to those restrictions, and/or upon receipt of funding or passage of date upon which funds were due.

**Contributions and Refundable Advances**

Contributions are classified as either conditional or unconditional. Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. Unconditional contributions are recorded as either with donor restriction or without donor restriction. Conditional contributions are subject to one or more barriers that must be overcome before the Organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when conditions have been met. Funding received before conditions are met is reported as refundable advances.

Contributions are recognized as contributions with donor restrictions if they are restricted for future periods or donor-restricted for specific purposes. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

### **Investments**

Investments in marketable securities with readily determinable fair values are valued at their fair value in the statements of financial position. Unrealized gains and losses are included as increases or decreases in net assets. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. See Note 6 for a discussion on fair value measurements.

For purposes of determining realized gain or loss on sale, the cost of securities sold is determined by using the specific identification method.

### **Pledges Receivable and Uncollectible Pledges**

Pledges receivable are stated net of an allowance for uncollectible pledges, which was \$105,873 and \$119,534 at June 30, 2020 and 2019, respectively. Pledges receivable are written off against the allowance account when they are deemed to be uncollectible. The allowance account is revised periodically based upon a review of its adequacy by the Organization's management.

### **Equipment, Furniture and Leasehold Improvements and Depreciation**

Equipment, furniture and leasehold improvements purchases are stated at cost. Donated assets are recorded at their estimated fair value at the date of donation. If donors stipulate how long the assets must be used, then the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of equipment, furniture and leasehold improvements are recorded as support without donor restrictions.

Depreciation of equipment, furniture and leasehold improvements is provided using the straight-line method over the estimated useful lives of the assets.

### **Donated Goods and Services**

The Organization recognizes donated goods and services in the accompanying statements of activities at their estimated value at the date of receipt. Donated goods and services recorded totaled \$210,882 and \$83,361 at June 30, 2020 and 2019, respectively. Donated goods and services consist primarily of advertising services, campaign supplies, furniture and fixtures and leasehold improvements. Additionally, a substantial number of volunteers have donated significant amounts of their time providing the Organization's services, where no value has been determined.

### **Leasing**

The Organization leases office space and parking spaces under an operating lease arrangement (See Note 11).

The Organization leased a copier under a capital lease arrangement which expired during 2020 (See Note 9).

### **Functional Expenses**

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time for the related activities.

### **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 regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates. A material estimate that is susceptible to significant change relates to the determination of the adequacy of the allowance for uncollectible pledges. Management believes that the allowance for uncollectible pledges is adequate. While management uses available information to determine the allowance, changes in economic conditions may require revisions of the estimate in future years.

### **Fair Value of Financial Instruments**

The Organization's financial instruments consist of cash and cash equivalents, pledges receivable, investments, accounts payable and obligation under capital lease. The carrying value of these financial instruments approximate their fair value at June 30, 2020 and 2019.

### **Income Taxes**

The Organization is a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(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 or 2019.

The Organization's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in expense.

### **Cash Flows**

For purposes of the statements of cash flows, the Organization considers all short-term investments purchased with an original maturity of three months or less to be cash and cash equivalents.

### **Reclassification**

Certain amounts in 2019 have been reclassified to conform to the 2020 presentation. Such reclassification had no effect on change in net assets or net assets.

### **Recent Accounting Standards to be Adopted**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which clarifies some narrow aspects of ASU 2016-02. In August 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method that permits a cumulative-effect adjustment to adopt the new lease standard. This ASU also provides a practical expedient for lessors to elect to not separate non-lease components of a contract from lease components. In March 2019, FASB issued ASU 2019-01, *Leases (Topic 842): Codification Improvements*, which further clarifies some narrow aspects of ASU 2016-02. In November 2019, FASB issued ASU 2019-10, *Leases (Topic 842): Effective Dates*, which defers the effective date for not-for-profit entities by an additional year. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 by an additional year. These ASUs are effective for fiscal years beginning after December 31, 2021. The Organization has not determined the effect of the adoption of these standards on the financial statements.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 amends existing guidance by eliminating and modifying certain requirements for disclosing fair value of assets and liabilities. This ASU is effective for annual periods beginning after December 15, 2019. The Organization has not determined the effect of the adoption of this standard on the financial statements.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit entities by enhancing presentation and disclosure. This ASU requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This ASU also requires disclosure of a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial asset. This ASU is effective for annual periods beginning after June 15, 2021. The Organization has not determined the effect of the adoption of this standard on the financial statements.

### **Recent Accounting Standard Adopted**

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies guidance on when a revenue transaction is an exchange transaction or a contribution. This ASU also provides guidance on determining whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 for the year ended June 30, 2020 under a modified prospective basis. Accordingly, the implementation of ASU 2018-08 did not have an effect on change in net assets or net assets.

**LYCOMING COUNTY UNITED WAY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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**3. PLEDGES RECEIVABLE:**

Pledges receivable consisted of the following unconditional promises to give as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year:		
Prior campaigns	\$ 80,633	\$ 75,116
Current year campaign	<u>260,291</u>	<u>313,714</u>
Gross unconditional pledges	340,924	388,830
Less allowance for uncollectible pledges	<u>105,873</u>	<u>119,534</u>
Pledges receivable, net	<u>\$235,051</u>	<u>\$269,296</u>

**4. INVESTMENTS:**

Investments at fair value by major category consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mutual funds	<u>\$1,528,626</u>	<u>\$1,616,618</u>

The following schedule summarizes the net investment return in the statements of activities:

	<u>2020</u>	<u>2019</u>
<u>Unrestricted</u>		
Interest and dividends	\$ 37,550	\$ 37,804
Increase in beneficial interest in assets held		
by First Community Foundation of Pennsylvania	10,020	24,766
Net realized and unrealized gain (loss) on investments	(32,419)	38,043
Investment expenses	<u>(15,006)</u>	<u>(14,925)</u>
Total investment return, net	<u>\$ 145</u>	<u>\$ 85,688</u>

**5. BENEFICIAL INTEREST IN ASSETS HELD BY FIRST COMMUNITY FOUNDATION OF PENNSYLVANIA:**

The Organization transferred net assets with donor restrictions and donor contributed funds to the First Community Foundation of Pennsylvania (Foundation). The Foundation maintains and administers these funds solely for the benefit of the Organization; however, the Foundation has been granted variance power to modify any restriction on these funds.



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The Foundation is required to distribute annually all or part of the income earned on these funds as the Foundation deems reasonable and proper, after consultation with the Organization. Principal may be distributed upon request by the Organization, approval by the Foundation and in accordance with the donor's original restrictions.

The cumulative amount recognized in the statements of financial position as beneficial interest in assets held by the Foundation totaled \$442,412 and \$438,306 at June 30, 2020 and 2019, respectively, as valued by the Foundation.

**6. FAIR VALUE MEASUREMENTS:**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are described as follows:

Level I: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level II: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability.

Level III: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Organization at year end. Valued at the daily closing prices as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Beneficial interest in assets held by others:* Fair value as determined by the custodian.

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The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds	\$1,528,626			\$1,528,626
Beneficial interest in assets held by First Community Foundation of Pennsylvania	_____	_____	\$442,412	442,412
Total	<u>\$1,528,626</u>	<u>\$ _____</u>	<u>\$442,412</u>	<u>\$1,971,038</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds	\$1,616,618			\$1,616,618
Beneficial interest in assets held by First Community Foundation of Pennsylvania	_____	_____	\$438,306	438,306
Total	<u>\$1,616,618</u>	<u>\$ _____</u>	<u>\$438,306</u>	<u>\$2,054,924</u>

Changes in fair value measurements for Level III financial assets for the years ended June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Beginning of year	\$438,306	\$435,961
Settlements		(16,581)
Investment return, net of fees of \$5,914 in 2020 and \$5,840 in 2019	<u>4,106</u>	<u>18,926</u>
End of year	<u>\$442,412</u>	<u>\$438,306</u>

**7. EQUIPMENT, FURNITURE AND LEASEHOLD IMPROVEMENTS:**

Equipment, furniture and leasehold improvements at June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Equipment	\$22,013	\$22,013
Furniture	3,633	3,633
Leasehold improvements	<u>22,000</u>	<u>22,000</u>
Total	47,646	47,646

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	<u>2020</u>	<u>2019</u>
Less accumulated depreciation	\$21,991	\$16,404
Equipment, furniture and leasehold improvements, net	\$25,655	\$31,242

Depreciation expense included in the statements of functional expenses amounted to \$5,587 and \$7,704 for the years ended June 30, 2020 and 2019, respectively.

**8. EMPLOYEE BENEFIT PLAN:**

The Organization maintains a tax deferred annuity benefit plan covering all eligible employees. Contributions to the plan amounted to \$19,354 and \$8,676 for the years ended June 30, 2020 and 2019, respectively.

**9. OBLIGATION UNDER CAPITAL LEASE:**

The Organization leased a copier under the terms of a capital lease which expired during the year ended June 30, 2020. The asset and liability under capital lease are recorded at the fair value of the asset. Equipment acquired under capital lease with a cost of \$7,529 is included in equipment, furniture and leasehold improvements in the accompanying statements of financial position and is depreciated over its estimated useful life. Accumulated depreciation related to equipment totaled \$7,529 and \$6,023 for the years ended June 30, 2020 and 2019, respectively.

The interest rate on the capital lease is 11.92% and is imputed based on the lessor's implicit rate of return.

**10. REFUNDABLE ADVANCES**

Refundable advances consist of unearned revenue which is the result of current year advances or funds that have not yet been expended for program purposes and whose conditions have not been met or waived as of June 30, 2020.

Refundable advances at June 30, 2020 consisted of the following:

Paycheck Protection Program (PPP) loan	\$48,590
Home visiting program	25,000
Other advances	<u>13,500</u>
Total	<u>\$87,090</u>

In April 2020, the Organization received a PPP loan from the Small Business Administration (SBA) in the amount of \$48,590 to cover eligible costs during an 8-week period. Subject to certain guidelines, some or all of the loan may be forgiven. Interest on the portion of the loan that is not forgiven is charged at 1% and will be paid in 18 monthly installments of \$2,735 beginning on November 30, 2020. Interest payments are deferred for the first six months. The Organization has used the funds received on qualifying expenses and therefore believes the requirements for loan forgiveness will be met and no amounts will be required to be paid back. The proceeds of the loan are recognized as a refundable advance in accordance with Accounting Standards Codification 958-605.

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**11. COMMITMENT:**

The Organization leases office space under a non-cancellable lease arrangement which expires June 30, 2023, with minimum monthly payments commencing September 1, 2018. Rent expense totaled \$25,000 and \$21,553 for the years ended June 30, 2020, and 2019, respectively.

The following schedule represents future minimum rental payments required under the operating lease:

2021	\$12,000
2022	12,000
2023	<u>12,000</u>
Total	<u>\$36,000</u>

**12. RISKS, UNCERTAINTIES AND CONCENTRATIONS:**

As a result of the COVID-19 pandemic, economic uncertainties have arisen which negatively impacted revenues and change in net assets during the year ended June 30, 2020. The Organization obtained a PPP loan which was forgiven subsequent to year end (See Note 10).

Management assessed the impacts of the pandemic on the estimates and assumptions that affect reported amounts and related disclosures. If economic conditions caused by the pandemic do not improve, the Organization's financial position, results of activities, and cash flows may be further impacted.

The Organization has concentrated its credit risk for cash by maintaining deposits in two financial institutions. The maximum loss that would result from that risk at June 30, 2020 and 2019 totaled \$237,625 and \$234,171 for the excess of the deposit liabilities reported by the institutions over the amounts that are insured by the Federal Deposit Insurance Corporation.

**13. CONTINGENT LIABILITY - GRANTS:**

The Organization receives grants from federal, state and local governments. Subsequent audits may disallow expenditures financed by governmental grant programs. It is the opinion of management that requests for reimbursement, if any, by either the federal, state, or local government based on subsequent audits will not be material in relation to the Organization's financial statements as of June 30, 2020.

**14. SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES:**

During the year ended June 30, 2019 the Organization received investments totaling \$3,189 in payment of outstanding pledges receivable.

During the years ended June 30, 2020 and 2019, the Organization paid interest of \$116 and \$318, respectively.

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During the year ended June 30, 2019, the Organization received contributions of equipment and leasehold improvements totaling \$25,000.

**15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:**

The Organization manages its liquidity by managing its working capital.

Financial assets available for general expenditure at June 30, 2020, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

Cash	\$ 478,333
Pledges receivable, net	235,051
Prepaid expenses	3,049
Investments	1,528,626
Less financial assets not available for general expenditure:	
Amounts donor designated	(26,425)
Board designated	<u>(133,559)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$2,085,076</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages its cash available to meet general expenditures following these guiding principles:

- Operating with a prudent range of financial soundness and stability;
- Sustaining adequate liquid assets.

**16. SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through February 22, 2021, which is the date the financial statements were available to be issued.

On December 7, 2020, the PPP loan in the amount of \$48,590 was forgiven by the SBA.

On December 16, 2020, the Organization received \$49,350 of relief funds under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The CARES Act was created to provide relief funds to organizations to support expenses or lost revenue attributable to COVID-19.