

UNITED WAY OF THE LAUREL HIGHLANDS

FINANCIAL REPORT

June 30, 2021 and 2020



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Analyzing Yesterday. Adjusting Today. Planning Tomorrow.



UNITED WAY OF THE LAUREL HIGHLANDS

**FINANCIAL REPORT
June 30, 2021 and 2020**

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-23

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of the Laurel Highlands
Johnstown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the United Way of the Laurel Highlands (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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 or 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 the Laurel Highlands as of June 30, 2021 and 2020, 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.

Baines & Company, P.C.

Johnstown, Pennsylvania
February 22, 2022

UNITED WAY OF THE LAUREL HIGHLANDS

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 610,451	\$ 481,946
Campaign pledges receivable, net of allowance for uncollectible pledges	153,995	212,009
Pledge receivable	500,000	500,000
Other receivables	46,730	17,210
Prepaid expenses and other assets	22,156	21,945
Investments	1,349,686	1,046,523
Total current assets	2,683,018	2,279,633
Other assets		
Equipment, net of accumulated depreciation	8,640	10,683
Pledge receivable - long term	500,000	500,000
Total other assets	508,640	510,683
Total assets	\$ 3,191,658	\$ 2,790,316
LIABILITIES and NET ASSETS		
Current liabilities		
Accounts payable	\$ 44,989	\$ 22,541
Accrued vacation	26,825	21,871
Designations payable	18,396	14,177
Deferred revenue	46,758	32,972
Paycheck protection program loan	71,209	68,422
Total current liabilities	208,177	159,983
Total liabilities	208,177	159,983
Net Assets		
Net assets without donor restrictions	1,778,740	1,482,882
Net assets with donor restrictions	1,204,741	1,147,451
Total net assets	2,983,481	2,630,333
Total liabilities and net assets	\$ 3,191,658	\$ 2,790,316

See Notes to Financial Statements.

UNITED WAY OF THE LAUREL HIGHLANDS

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Public support:			
Contributions:			
Campaign	\$ 555,924	\$ 500,000	\$ 1,055,924
Contributed services	6,117	-	6,117
Grant revenue	26,429	50,000	76,429
Less provision for uncollectible pledges	(26,415)	-	(26,415)
Less donor designations	(37,683)	-	(37,683)
Net campaign contributions	<u>524,372</u>	<u>550,000</u>	<u>1,074,372</u>
COVID-19 emergency funding	-	33,917	33,917
Other support	255	-	255
Grant revenue - food pantry	408,537	-	408,537
PPP loan forgiveness	68,422	-	68,422
Sponsorship - gift cards	10,700	-	10,700
Direct cost of gift cards	<u>(15,161)</u>	<u>-</u>	<u>(15,161)</u>
Total public support	997,125	583,917	1,581,042
Investment income	303,163	-	303,163
Administrative fee income	41,699	-	41,699
Other revenue	5,479	-	5,479
Net assets released from restrictions	<u>526,627</u>	<u>(526,627)</u>	<u>-</u>
Total public support and revenues	<u>1,874,093</u>	<u>57,290</u>	<u>1,931,383</u>
Expenses:			
Program services			
Funds awarded/distributed	661,015	-	661,015
Community outreach services	47,899	-	47,899
PA Department of Agriculture grant	427,803	-	427,803
Community impact	56,650	-	56,650
Grant expenses	99,689	-	99,689
Management and general	82,060	-	82,060
Fundraising - campaign	<u>203,119</u>	<u>-</u>	<u>203,119</u>
Total expenses	<u>1,578,235</u>	<u>-</u>	<u>1,578,235</u>
Change in net assets	295,858	57,290	353,148
Net assets, July 1, 2020	<u>1,482,882</u>	<u>1,147,451</u>	<u>2,630,333</u>
Net assets, June 30, 2021	<u>\$ 1,778,740</u>	<u>\$ 1,204,741</u>	<u>\$ 2,983,481</u>

See Notes to Financial Statements.

UNITED WAY OF THE LAUREL HIGHLANDS

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Public support:			
Contributions:			
Campaign	\$ 755,381	\$ 500,000	\$ 1,255,381
Contributed services	9,117	-	9,117
Grant revenue	6,035	33,500	39,535
Less provision for uncollectible pledges	(45,483)	-	(45,483)
Less donor designations	(33,308)	-	(33,308)
Net campaign contributions	<u>691,742</u>	<u>533,500</u>	<u>1,225,242</u>
COVID-19 emergency funding	-	178,550	178,550
Bequests	4,262	-	4,262
Grant revenue - food pantry	222,930	-	222,930
Fundraising revenue, net of \$30,231 of expenses	35,998	-	35,998
Sponsorship - automobile/television	9,000	-	9,000
Direct cost of automobile/television	(15,155)	-	(15,155)
Total public support	<u>948,777</u>	<u>712,050</u>	<u>1,660,827</u>
Investment income	56,024	-	56,024
Administrative fee income	22,364	-	22,364
Other revenue	2,902	-	2,902
Net assets released from restrictions	<u>664,599</u>	<u>(664,599)</u>	<u>-</u>
Total public support and revenues	<u>1,694,666</u>	<u>47,451</u>	<u>1,742,117</u>
Expenses:			
Program services			
Funds awarded/distributed	780,891	-	780,891
Community outreach services	51,322	-	51,322
PA Department of Agriculture grant	242,405	-	242,405
Community impact	59,257	-	59,257
Grant expenses	87,367	-	87,367
Management and general	91,595	-	91,595
Fundraising - campaign	<u>233,678</u>	<u>-</u>	<u>233,678</u>
Total expenses	<u>1,546,515</u>	<u>-</u>	<u>1,546,515</u>
Change in net assets	148,151	47,451	195,602
Net assets, July 1, 2019	<u>1,334,731</u>	<u>1,100,000</u>	<u>2,434,731</u>
Net assets, June 30, 2020	<u>\$ 1,482,882</u>	<u>\$ 1,147,451</u>	<u>\$ 2,630,333</u>

See Notes to Financial Statements.

UNITED WAY OF THE LAUREL HIGHLANDS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services							Total
	Funds Awarded/ Distributed	Community Outreach Services	PA Dept. of Agriculture Grant	Community Impact	Grant Expense	Management and General	Fundraising - Campaign	
Salaries and wages	\$ -	\$ 28,844	\$ 11,064	\$ 40,725	\$ 52,970	\$ 47,726	\$ 113,358	\$ 294,687
Payroll taxes	-	2,490	679	2,716	3,294	3,622	9,734	22,535
Employee benefits	-	4,590	1,252	5,007	6,361	5,138	17,943	40,291
Office supplies and expense	-	229	65	82	88	919	1,826	3,209
Telephone	-	511	426	170	426	767	1,959	4,259
Postage	-	87	87	87	44	349	3,705	4,359
Insurance	-	267	213	107	133	347	1,600	2,667
Printing and publications	-	181	121	121	60	301	5,244	6,028
Conferences and meetings	-	-	-	-	11	-	-	11
Dues and subscriptions	-	4,006	616	1,849	1,541	7,397	15,409	30,818
Promotion	-	585	245	616	-	34	7,418	8,898
Equipment rent and repair	-	550	248	1,030	609	2,145	1,555	6,137
Occupancy	-	3,180	2,156	1,060	1,168	3,288	10,709	21,561
Administrative fees	-	-	32,683	-	-	-	-	32,683
Professional fees	-	1,568	1,717	2,739	1,619	3,437	10,084	21,164
Bank fees	-	-	35	-	-	3,101	320	3,456
Agency Awards and Allocations:								
Agencies	640,788	-	-	-	-	-	-	640,788
COVID-19 funding distributions	20,227	-	-	-	-	-	-	20,227
Food pantries	-	-	375,867	-	-	-	-	375,867
Travel	-	490	8	20	233	3,168	649	4,568
Grant distributions	-	-	-	-	30,811	-	-	30,811
Depreciation	-	321	321	321	321	321	1,606	3,211
Total expenses	\$ 661,015	\$ 47,899	\$ 427,803	\$ 56,650	\$ 99,689	\$ 82,060	\$ 203,119	\$ 1,578,235

See Notes to Financial Statements.

UNITED WAY OF THE LAUREL HIGHLANDS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services							Total
	Funds Awarded/ Distributed	Community Outreach Services	PA Dept. of Agriculture Grant	Community Impact	Grant Expense	Management and General	Fundraising - Campaign	
Salaries and wages	\$ -	\$ 28,981	\$ 10,261	\$ 38,323	\$ 51,909	\$ 45,952	\$ 119,030	\$ 294,456
Payroll taxes	-	2,459	671	2,683	3,254	3,577	9,614	22,258
Employee benefits	-	4,753	1,296	5,185	6,581	8,452	18,579	44,846
Office supplies and expense	-	279	196	133	47	442	884	1,981
Telephone	-	425	354	142	354	637	1,629	3,541
Postage	-	19	24	19	9	74	6,291	6,436
Insurance	-	183	146	73	91	238	1,098	1,829
Printing and publications	-	173	115	115	58	288	5,003	5,752
Conferences and meetings	-	-	-	-	43	-	-	43
Dues and subscriptions	-	3,374	519	1,557	1,298	6,227	12,978	25,953
Promotion	-	1,236	482	1,256	-	248	14,243	17,465
Equipment rent and repair	-	810	271	1,619	900	3,150	2,250	9,000
Occupancy	-	3,643	2,467	1,214	1,329	3,758	12,260	24,671
Administrative fees	-	-	18,339	-	-	-	-	18,339
Professional fees	-	3,341	2,245	6,305	4,626	9,440	25,014	50,971
Bank fees	-	-	-	-	-	5,818	250	6,068
Agency Awards and Allocations:								
Agencies	642,292	-	-	-	-	-	-	642,292
COVID-19 funding distributions	138,599	-	-	-	-	-	-	138,599
Food pantries	-	-	204,616	-	-	-	-	204,616
Travel	-	1,252	9	239	2,567	2,900	2,584	9,551
Grant expenditures	-	-	-	-	13,907	-	-	13,907
Depreciation	-	394	394	394	394	394	1,971	3,941
Total expenses	\$ 780,891	\$ 51,322	\$ 242,405	\$ 59,257	\$ 87,367	\$ 91,595	\$ 233,678	\$ 1,546,515

See Notes to Financial Statements.

UNITED WAY OF THE LAUREL HIGHLANDS

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 353,148	\$ 195,602
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck protection loan forgiveness	(68,422)	-
Depreciation	3,211	3,941
Net realized and unrealized (gains) on investments	(290,057)	(39,103)
(Increase) Decrease in operating assets:		
Campaign pledges receivable	58,014	40,680
Other receivable	(29,520)	9,893
Prepaid expenses and other assets	(211)	1,511
Increase (Decrease) in operating liabilities:		
Accounts payable	21,379	(12,316)
Agency payable	-	(75,000)
Accrued payroll and related liabilities	6,023	2,353
Due to other agencies	4,219	1,498
Deferred revenue	13,786	(3,398)
	71,570	125,661
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(497,074)	(364,488)
Proceeds from sale of investments	483,968	382,804
Purchase of equipment	(1,168)	(4,821)
	(14,274)	13,495
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payroll protection loan proceeds	71,209	68,422
Line of credit advances	-	80,000
Line of credit payments	-	(80,000)
	71,209	68,422
Net cash provided by financing activities		
Net increase in cash and cash equivalents	128,505	207,578
Cash and cash equivalents, beginning of year	481,946	274,368
Cash and cash equivalents, end of year	\$ 610,451	\$ 481,946
Non-cash items		
Donation of facilities	\$ 6,117	\$ 9,117

See Notes to Financial Statements.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The mission of the United Way of the Laurel Highlands (the "Organization"), a nonprofit voluntary health and welfare organization, is to improve lives by mobilizing the caring power of our community. The Organization builds civic infrastructure around shared community goals, with evidence-based outcomes, and collaborative actions that are sustainable. The Organization partners with many diverse individuals and organizations that come together to solve complex social problems and provide needed services in Cambria and Somerset Counties in southwestern Pennsylvania. The Organization is governed by a volunteer Board of Directors. Administrative offices are located in Johnstown, Pennsylvania with satellite offices in Ebensburg and Somerset.

The Organization conducts a traditional social service fund raising program headed by the Organization's Campaign Chairperson and Campaign Committee. An annual pledge campaign is conducted in the fall of each year with the help of various Cambria and Somerset County community leaders to raise funds which are distributed to approximately twenty-five (25) social service agencies within these local counties. Funding for community programs are directed primarily towards the priority areas of (1) helping children and youth succeed, (2) strengthening and supporting family, (3) promoting self-sufficiency, (4) supporting vulnerable and aging population and (5) promoting health and wellness. The Organization also provides extensive community outreach and community impact services for health and human services that are available to residents of Cambria and Somerset counties. The Organization also receives funding from grants from governmental entities. The Organization administers several food and shelter programs for Cambria County, such as the Emergency Food and Shelter Program. The Organization will also act as an agent for funds restricted by donors for specific agencies or specific purposes.

Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor imposed restrictions and are available for use in United Way's ongoing operations, including funds designated by the Board of Directors. This category replaced the previous category of unrestricted net assets.

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 United Way pursuant to those restrictions, and/or upon receipt of funding or passage of date upon which funds were due. This category also includes net assets subject to donor-imposed restrictions that the principal be maintained permanently by the United Way and generally allow the use of investment earnings. This net asset category combined the previous categories of temporarily restricted net assets and permanently restricted net assets.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or designated for future periods. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expenses are reported as decreases in net assets without donor restrictions. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as net assets with donor restrictions. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with donor restrictions are released to net assets without donor restrictions. These satisfactions of donor-imposed restrictions are reported as net assets released from restrictions on the statement of activities. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting year in which the support is recognized. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions of assets other than cash, such as equipment, are recorded at their estimated fair value at the date of donation. Grant awards are classified as deferred revenue until expended for the purposes of the grant.

Annual campaigns are conducted in the fall of each year to raise support for charitable distributions. An unconditional promise to give is recognized as revenue at the time of the pledge, net of an allowance for unfilled pledges. These contributions to the annual campaign, which are in the form of cash and pledges, are recorded as support when the cash or pledges are received and are considered to be available with no restrictions unless specifically restricted by the donor.

Donors have the option to designate all or part of their contribution to a specific organization. In accordance with current accounting standards, these transactions are not reported in the statement of activities as revenue and expenses but are included in the total campaign amounts raised on the statement of activities and then deducted as amounts designated to other organizations (donor designation) before arriving at net current year campaign contributions. The collection of these contributions and distribution to donor specified agencies or other regional United Way Organizations is transactions in which the Organization is acting as an intermediary. Amounts designated are recorded as "designations payable" until paid to the designated charitable organizations.

The Organization employs a grant writer to secure grants for the Organization and other non-profit organizations serving Cambria and Somerset Counties. Other than management fees, grants awarded directly to these non-profit organizations are not reflected within these financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Money market funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Pledges Receivable

Unconditional promises to give are recognized as revenue in the period received and when the conditions on which they depend have been substantially met. Campaign pledge receivables are generally paid within one year of being recorded. Allowances for uncollectible pledges are provided for each campaign currently opened based on the Organization's recent collection history and consideration of the general economy for the local region. The allowances are adjusted at the end of each period to reflect management's current estimate of collectability. The ability of the Organization's contributors to continue contributing amounts comparable with prior years is dependent upon current and future economic conditions within the local and national economies.

Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The resulting discounts on those amounts are computed using a risk-free interest rate as of the date of the pledge and are reported as contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the gift becomes unconditional.

Investments

Debt and equity securities with readily determinable fair values purchased for investments are recorded at fair value based upon quoted market prices in the statements of financial position. Gains and losses (including unrealized gains and losses) are reported as an increase or decrease in net assets without donor restrictions in the statements of activities unless their use is restricted by explicit donor stipulations or law, in which case they are reported as increases or decreases in net assets with donor restrictions. Investment income is presented net of investment advisory and custodial fees.

Equipment and Depreciation

Equipment is stated at cost at the date of acquisition or fair value if the equipment is donated. Maintenance and repairs which are not considered to extend the useful life of assets are charged to operations as incurred. Depreciation of equipment is provided on straight-line basis over the estimated useful lives of the assets, as follows:

Office furniture and equipment	3-10 years
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Accrued Vacation

A liability amounting to \$26,825 and \$21,871 was recorded as of June 30, 2021 and 2020, respectively. This liability represents the value of vacation time earned by employees but not yet used as of June 30, 2021 and 2020.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Tax Status

The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes is included in the accompanying financial statements. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization's tax returns for the years 2018 and forward are open to examination by federal and state authorities.

Concentration of Credit Risk

Campaign pledges receivable are primarily from individuals and businesses in the Cambria and Somerset area. Concentration of credit risk is limited due to the large number of donors comprising the Organization's donor base. Other pledges receivable recorded on the statements of financial position total \$1,000,000 and is from a single organization as of June 30, 2021 and 2020. A significant reduction in this level of support may have a significant effect on the Organization's programs and activities. See Note 3 for further discussion of this pledge receivable.

Financial instruments which potentially subject the Organization to concentrations of credit risk include bank deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") limits. The Organization mitigates its risk by investing with reputable commercial institutions with satisfactory credit ratings. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk therein. The Organization maintains its cash deposits with various local financial institutions. The Organization had uninsured cash deposits of \$253,053 and \$62,767 as of June 30, 2021 and 2020, respectively. Throughout the year, account balances may at times exceed FDIC insured limits.

Advertising and Fundraising Expenses

The cost of advertising and fundraising is expensed when incurred. Advertising/promotion expense was \$4,886 and \$8,223 for the years ending June 30, 2021 and 2020, respectively.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Donated Services and In-Kind Donation

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. The Organization did not receive any donated services during the years ended June 30, 2021 and 2020 that requires recognition. The Organization is provided office space free of charge for offices located in Ebensburg and Somerset. The statement of activities for the years ended June 30, 2021 and 2020 reflect in-kind contributions and occupancy expense in the amount of \$6,117 and \$9,117 for this office space for the years ended June 30, 2021 and 2020, respectively.

A substantial number of community volunteers donated significant amounts of their time and performed a variety of tasks that assist the Organization in campaign solicitations and in fulfilling their program and supporting services throughout the year. However, these services are not recognized as contributions in the financial statements since the recognition criteria under current accounting standards were not met.

Expense Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses are charged to each program based on direct expenditures incurred. Salaries, fringe benefits and other program expenditures not directly chargeable to a program are allocated to program services, management and general and fundraising expense categories in proportion to the time worked and travel incurred in activities related to each category, based on periodic time and expense studies. Allocations to member agencies are recorded when paid.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to fair value measurements, the recording of pledges receivable and the allowance for uncollectible pledges receivable, the recording of designations payable and the allocation of functional expenses.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Risks and Uncertainties

The Organization's investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is at least possible that changes in risk in the near term could materially affect investment balances as reported in the statements of financial position and the statements of activities.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year ending June 30, 2022.

Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the audit report which is the date the financial statements were available to be issued. The results of this evaluation indicated that there are no material subsequent events or transactions that are required to be disclosed in these financial statements, other than disclosed in Note 15.

Recent Accounting Pronouncements

During the year ended June 30, 2020, the Organization implemented ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The ASU is intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. United Way adopted ASU 2018-08 as of and for the year ended June 30, 2020 using a modified prospective basis. Accordingly, there was no effect on the net assets related to the implementation of this standard.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all lease terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This update is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is currently evaluating the impact ASU 2016-02 will have on the Organization's financial statements.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 2: Campaign Pledges Receivable

Campaign pledges receivable and the related allowances for uncollectible pledges are as follows as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Pledges receivable-2020 campaign year	\$ 187,209	\$ -
Pledges receivable-2019 campaign year	34,286	251,639
Pledges receivable-2018 campaign year	<u>-</u>	<u>34,370</u>
	\$ 221,495	\$ 286,009
Less allowance for uncollectible pledges	<u>67,500</u>	<u>74,000</u>
Total pledges receivable, net	<u>\$ 153,995</u>	<u>\$ 212,009</u>

Campaign pledges receivable are not discounted for those pledges received in excess of one year from the date recorded since collections are normally expected within one year of the pledge date.

The Organization's annual pledge campaign will typically start in early fall of each year. During the Organization's fiscal year, three pledge campaign years may receive cash collections.

Note 3: Pledges Receivable

Pledges receivable consist of an unconditional promise from the 1889 Foundation, payable on a three-year rolling period of \$500,000 annually. A payment of \$500,000 was received in each year ending June 30, 2021 and 2020, and is included in campaign contributions on the statements of activities. The remaining \$1,000,000 will be received as follows: \$500,000 in each of the years ending June 30, 2022 and 2023, respectively. Pledge receivable due in more than one year have not been discounted. The president of the 1889 Foundation is a member of the Organization's board of directors.

Note 4: Long-Term Investments and Fair Value Measurements

Investments are summarized as follows as of June 30, 2021 and 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 10,000	\$ 10,000	\$ 16,041	\$ 16,041
Fixed income securities	447,479	467,489	422,601	434,710
Common trust fund	124,927	155,721	117,661	131,681
Equity securities	<u>494,127</u>	<u>716,476</u>	<u>394,196</u>	<u>464,091</u>
	<u>\$ 1,076,533</u>	<u>\$ 1,349,686</u>	<u>\$ 950,499</u>	<u>\$ 1,046,523</u>

Equity securities consist of mutual funds and are invested in both domestic and international equities. Fixed income securities consist principally of mutual funds invested in United States Treasury and Agency obligations and corporate bonds. The common trust fund holds a combination of equity and fixed income securities.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 4: Long-Term Investments and Fair Value Measurements (continued)

The following schedule reflects net investment income for the years ending June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 22,718	\$ 25,131
Investment fees	(9,612)	(8,210)
Net realized and unrealized gains	<u>290,057</u>	<u>39,103</u>
Total investment income	<u>\$ 303,163</u>	<u>\$ 56,024</u>

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes criteria to be considered when measuring fair value and summarizes disclosures about fair value measurements required to be presented.

ASC 820 requires that a fair value measurement reflects the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model.

Fair value is defined as 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. Three levels of input that may be used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 4: Long-Term Investments and Fair Value Measurements (continued)

Mutual funds - Investments in mutual funds are valued at the daily closing price 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.

Common trust fund - Value based on the fair value of the securities within the common trust fund at the daily closing price as reported and valued by the fund.

Fair value of assets measured on a recurring basis as of June 30, 2021 and 2020 were as follows:

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Investments</u>				
Money market funds	\$ 10,000	\$ -	\$ -	\$ 10,000
Fixed income mutual funds	467,489	-	-	467,489
Mutual funds (equities)	716,476	-	-	716,476
Common trust fund	-	155,721	-	155,721
Total	<u>\$ 1,193,965</u>	<u>\$ 155,721</u>	<u>\$ -</u>	<u>\$ 1,349,686</u>
<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Investments</u>				
Money market funds	\$ 16,041	\$ -	\$ -	\$ 16,041
Fixed income bond funds	434,710	-	-	434,710
Mutual funds (equities)	464,091	-	-	464,091
Common trust fund	-	131,681	-	131,681
Total	<u>\$ 914,842</u>	<u>\$ 131,681</u>	<u>\$ -</u>	<u>\$ 1,046,523</u>

Note 5: Equipment

Equipment consists of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Office furniture	\$ 12,093	\$ 12,093
Office equipment	<u>40,351</u>	<u>39,531</u>
	\$ 52,444	\$ 51,624
Less accumulated depreciation	<u>43,804</u>	<u>40,941</u>
	<u>\$ 8,640</u>	<u>\$ 10,683</u>
Depreciation expense	<u>\$ 3,211</u>	<u>\$ 3,941</u>

Office equipment with an original cost basis of \$350 and \$1,020 was disposed of during the years ending June 30, 2021 and 2020, respectively. These assets were fully depreciated and therefore no gain or loss on the disposal of these assets have been recorded on the statements of activities.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 6: Paycheck Protection Program Loans

In April 2020, the Organization received an unsecured Paycheck Protection Program (“PPP”) Loan in the amount of \$68,422 from 1st Summit Bank (“1st Summit”) under the PPP established under the Coronavirus Aid, Relief and Economic Security Act (“Cares Act”). Under the Cares Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments and covered utilities during the measurement period beginning on the date of first disbursement of the PPP loan. To the extent it is not forgiven, the Organization would be required to repay that portion at an interest rate of 1% over a period of two years. The PPP loan may be prepaid in whole or in part at any time without penalty. In December 2020, the Organization was notified by 1st Summit that \$68,422 in loan principal was remitted to 1st Summit by the U.S. Small Business Administration (“SBA”), thereby providing forgiveness to the Organization for the payment of the loan principal.

In February 2021, the Organization received a second unsecured Paycheck Protection Program (“PPP2”) Loan in the amount of \$71,209 from 1st Summit, which was established under the 2021 Consolidated Appropriations Act (“CCA Act”). Eligibility requirements for PPP2 include among other requirements, using up the first PPP loan for eligible expenses, having 300 or fewer employees and experiencing a revenue reduction of 25% or greater in 2020 as compared to 2019 for one quarter in 2020. Under the CCA Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered utilities and certain other operational costs during the measurement period beginning on the date of first disbursement of the PPP2 loan. The Organization is using the proceeds from the PPP loan to fund payroll costs in accordance with the relevant terms and conditions of the CCA Act. To the extent it is not forgiven, the Organization would be required to repay that portion at an interest rate of 1% over a period of five years. The PPP2 loan may be prepaid in whole or in part at any time without penalty. In September 2021, the Organization was notified by 1st Summit that \$71,209 in loan principal was remitted to 1st Summit by the U.S. Small Business Administration (“SBA”), thereby providing forgiveness to the Organization for the payment of the loan principal.

Note 7: Net Assets Without Donor Restrictions – Board Designated Endowment and Reserve Funds

Current authoritative accounting guidance provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Current authoritative accounting guidance also requires enhanced disclosures about an organization’s endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA

The Commonwealth of Pennsylvania has not adopted UPMIFA. The Commonwealth of Pennsylvania has enacted Act 141 (the Act). The Act permits the Organization to elect a “total return policy”. The Act allows an organization’s trustees to define “income” as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of assets averaged over a period of the three preceding years or over a shorter period in cases of assets held less than three years) without regard to actual interest, dividends, or realized or unrealized capital gains. Income derived from the endowments is used to support operations and programs which meet the Organization’s mission. These endowment funds are composed of a \$100,000 restricted asset (earnings which are available for general operation or programs of the Organization) and net assets without donor restrictions that are board-designated for specific purposes.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 7: Net Assets Without Donor Restrictions – Board Designated Endowment and Reserve Funds (continued)

The Organization’s investment objective is to maximize returns through a diversified portfolio of assets consisting of equity, fixed income and cash. The Organization’s endowment and reserve funds are collectively managed in this diversified portfolio. The board of directors is responsible for the approval of investment policies and for reviewing the selection of investment advisors and investment performance. The endowment and reserve assets are invested in a manner that is intended to produce growth and income while assuming a moderate investment risk. Annual returns in any given year may vary from this amount. The Organization relies on an active asset allocation strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Organization will provide distributions of up to 5% of its endowment funds based on a 5 year moving average market value on an annual basis. The Organization expects the current spending policy to allow its endowment funds to grow at an average rate over the long term. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth over time through investment return.

Endowment and reserve net assets consist of assets set aside by the Board of Directors for a specified purpose. At June 30, 2021 and 2020, the Board of Directors has established the following designations:

Endowment Fund

The Board of Directors designated these funds to be used to provide a way of funding projects or programs which meets the Organization’s mission. A summary of these funds as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Endowment fund, beginning of year	\$ 656,382	\$ 631,682
Contributions	-	4,262
Withdrawals	-	(23,000)
Investment income:		
Interest and dividends, net of fees	9,483	11,400
Net realized and unrealized gains	<u>226,303</u>	<u>32,038</u>
Total investment income	<u>235,786</u>	<u>43,438</u>
Endowment fund-total	<u>\$ 892,168</u>	<u>\$ 656,382</u>

Presented on the statements of financial position, under net assets, as follows:

Net assets without donor restrictions	\$ 792,168	\$ 556,382
Net assets with donor restrictions	<u>100,000</u>	<u>100,000</u>
	<u>\$ 892,168</u>	<u>\$ 656,382</u>

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 7: Net Assets Without Donor Restrictions – Board Designated Endowment and Reserve Funds (continued)

Reserve Funds

Reserve established for potential future budget adjustments which may result from a request by a member agency for an emergency allocation due to a financial crisis that may arise after the allocation for the year has been determined; or to provide reserve funds available to cover a downturn in receipts on pledges.

The balance of net assets designated as reserves as of June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Reserve fund, beginning of year	\$ <u>390,141</u>	\$ <u>394,054</u>
Contributions/ (Withdrawals)	<u> -</u>	<u> (16,500)</u>
Investment income:		
Interest and dividends, net of fees	3,655	5,524
Net realized and unrealized gains	<u>63,722</u>	<u>7,063</u>
Total investment income	<u>67,377</u>	<u>12,587</u>
Reserve fund, end of year	\$ <u>457,518</u>	\$ <u>390,141</u>

The above endowment and reserve funds are invested in a portfolio of money market, fixed income and equity securities, which may reflect varying risks and rates of returns. The investments and related income generated by the above funds are considered net assets without donor restrictions. As of June 30, 2021 and 2020, the above funds are presented in investments in the statements of financial position. Amounts are appropriated for expenditure at the discretion and approval of the board of directors.

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 and 2020 consist of the pledge receivable in the amount of \$1,000,000 due to a time restriction since the pledge receivable will be used to fund programs in future periods.

Net assets with donor restrictions as of June 30, 2021 and 2020 also include a \$100,000 cash bequest received in a prior year. In accordance with the donor’s stipulation, the principal is restricted in perpetuity. Earnings are available for the funding of additional allocation to Cambria County human service organizations.

Net assets with donor restrictions as of June 30, 2021 and 2020 also included \$104,741 and \$47,451, respectively, in funding received pertaining to Covid-19 emergency funding and other grant funding that remained to be spent.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 9: Grant Revenue

Included in administrative fee income is revenue earned on grants from the U.S. Federal Emergency Management Agency (FEMA). This includes a two percent (2%) administrative fee received by the Organization for sponsoring a Local Board on behalf of the Emergency Food and Shelter National Board Program. Cambria County was selected to receive a federal grant to supplement and extend emergency food and shelter. FEMA selected the Organization as its lead agency to administer the grant. The Emergency Food and Shelter Committee select the shelters or entities to receive the funding and the National Board Program distributes the grant funds directly to these shelters or entities. Accordingly, only the administrative fee income from the National Board Program is reflected in the financial statements of the Organization.

Note10: Retirement Plan

The Organization has a defined contribution annuity plan under Internal Revenue Code Section 403(b). All employees are eligible for participation in the plan after reaching age 21 and completion of one year of employment. Hourly employees become eligible in the year following the successful completion of 1,000 hours of employment in the previous year. The Organization will match employee contributions to the plan up to a maximum of six percent (6%) of the employee's compensation.

Organization contributions to employee accounts amounted to \$7,692 and \$8,622 for the years ended June 30, 2021 and 2020, respectively.

Note 11: Lease Expense

The Organization leases its office space under an operating lease with an expiration date of September 30, 2021. The Organization is responsible for gas and electric and any abnormal maintenance costs during the term of the lease. The monthly rent expense for the office space is \$1,375 as of June 30, 2021 and 2020. The lessor is providing a monthly in-kind contribution of \$238 that is included under campaign contributions in the statements of activities. Total rent paid on this lease amounted to \$16,494 for each of the years ending June 30, 2021 and 2020. The lease allows a renewal option of three years. Based on the current lease in effect, future minimum lease payments are as follows: \$4,124 in fiscal year ending June 30, 2022.

Note 12: Line of Credit

In September 2018, the Organization opened a line of credit with a local financial institution with a credit limit of \$150,000. The line of credit's interest rate as of June 30, 2021 was 5.00%. The line of credit is subject to annual renewal. There was no balance outstanding on the line of credit as of June 30, 2021 and 2020.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 13: Liquidity and Availability of Resources

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows as of June 30, 2021:

Cash and cash equivalents	\$ 610,451
Campaign pledges receivable, net	153,995
Pledges receivable	500,000
Other receivables	46,730
Investments	<u>1,349,686</u>
Total financial assets available within one year	2,660,862
Less:	
Donor restricted endowment funds	(100,000)
Donor restricted funding	(104,741)
Amounts unavailable to management without Board approval	<u>(1,249,686)</u>
Total financial assets available within one year	<u>\$ 1,206,435</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, future planned program funding allocations and other obligations come due. To help manage unanticipated liquidity needs, the Organization has secured a line of credit of \$150,000, which it could draw upon. Additionally, the Organization has Board Designated net assets without donor restrictions that, while the Organization does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

Note 14: Calculation of Overhead Ratio

The overhead ratio as reflected below has been calculated by management using standards prescribed by the United Way Worldwide. The following calculation is based on the Organization's federal form 990. The amounts as shown for the year ending June 30, 2021 are the amounts that are anticipated to be shown in the Form 990 which had not been filed as of this year's audit. The overhead ratio is an efficiency ratio utilized throughout the nonprofit industry.

	<u>2021</u>	<u>2020</u>
Management and general expenses	\$ 81,140	\$ 89,469
Fundraising expense	<u>200,061</u>	<u>226,594</u>
Total Overhead Expenses	<u>\$ 281,201</u>	<u>\$ 316,063</u>
Total Revenues	<u>\$ 1,786,876</u>	<u>\$ 1,771,783</u>
Overhead Ratio Percentage	<u>15.7%</u>	<u>17.8%</u>

In comparison to overall nonprofit standards, the state of Pennsylvania utilizes a 25% overhead ratio as within its guidelines and the Better Business Bureau considers a maximum 33% overhead ratio as adequate. The above calculation has been impacted by the employment of a grant writer by the Organization to pursue grants on behalf of the Organization and other non-profit entities within the Cambria and Somerset service area.

UNITED WAY OF THE LAUREL HIGHLANDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

Note 15: Subsequent Events

As disclosed in Note 6, the Organization's second PPP loan was forgiven by the SBA in September 2021.

In October 2021, the Organization entered into a new lease for office space with a term of sixty-two months, commencing on November 1, 2021 and ending on December 31, 2026. The monthly rental will be \$2,326 from November 2021 through November 2024 and \$2,372 from December 2024 through December 2026. The Organization will be responsible for gas and electric and any abnormal maintenance costs during the term of the lease.