

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
UNITED WAY OF ERIE COUNTY
December 31, 2021 and 2020**

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Independent Auditor's Report

Board of Directors
United Way of Erie County

Opinion

We have audited the accompanying financial statements of the United Way of Erie County, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Erie County as of December 31, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Root, Spitznagel and Smiley, LLC

ERIE, PENNSYLVANIA
April 12, 2022

FINANCIAL STATEMENTS

United Way of Erie County

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 4,101,573	\$ 3,868,528
Pledges receivable		
Without donor restriction		
Current year less allowance for uncollectibles of \$70,667 and \$66,665	108,523	126,492
With donor restriction		
Subsequent year less allowance for uncollectibles of \$41,254 and \$59,948	2,707,624	671,892
Other receivables		
Sponsorships	230,000	260,000
Miscellaneous	43,979	42,823
Prepaid expenses	46,701	57,813
Long-term investments	105,155	-
Beneficial interest in funds held by others		
Endowment	21,626,696	19,060,831
Imagination library	416,467	323,804
Land, building and equipment, net of accumulated depreciation	<u>1,092,266</u>	<u>656,958</u>
Total assets	<u>\$ 30,478,984</u>	<u>\$ 25,069,141</u>
LIABILITIES		
Allocations and designations payable	\$ 115,664	\$ 126,086
Accounts payable and accruals	174,405	146,494
Unearned revenue	255,213	-
Accrued emergency relief	<u>100,117</u>	<u>100,117</u>
Total liabilities	<u>645,399</u>	<u>372,697</u>
NET ASSETS		
Without donor restrictions		
Designated by the Board for:		
Endowment	21,626,696	19,060,831
Allocations and Other Initiatives	1,277,973	1,143,583
Undesignated	<u>2,507,621</u>	<u>1,889,849</u>
	<u>25,412,290</u>	<u>22,094,263</u>
With donor restrictions		
Temporarily restricted	4,366,198	2,547,164
Permanently restricted	<u>55,097</u>	<u>55,017</u>
	<u>4,421,295</u>	<u>2,602,181</u>
Total net assets	<u>29,833,585</u>	<u>24,696,444</u>
Total liabilities and net assets	<u>\$ 30,478,984</u>	<u>\$ 25,069,141</u>

The accompanying notes are an integral part of these statements.

United Way of Erie County

STATEMENTS OF ACTIVITIES

Year ended December 31,

	2021			Total
	Without Donor Restrictions	With Donor Restrictions		
		Temporarily Restricted	Permanently Restricted	
Public support and revenue				
Campaign revenue				
Direct contributions	\$ 1,677,136	\$ 3,150,370	\$ -	\$ 4,827,506
Net assets released from restrictions				
Expiration of time restrictions	1,364,477	(1,364,477)	-	-
Restriction satisfied by payments	848,364	(848,364)	-	-
Collection of prior year pledges, net	3,525	-	-	3,525
Less: donor designations	(204,352)	(74,231)	-	(278,583)
Less: estimated uncollectible pledges	(78,000)	-	-	(78,000)
Other public support	579,442	955,736	-	1,535,178
Net campaign revenue and other public support	4,190,592	1,819,034	-	6,009,626
Revenue				
Other gifts and bequests	76,773	-	-	76,773
Interest and dividends	87,834	-	80	87,914
Net gains on investments reported at fair value	3,304,106	-	-	3,304,106
Service fees	2,452	-	-	2,452
Gain on sale of assets	-	-	-	-
Other income	34,207	-	-	34,207
Total revenue, net	3,505,372	-	80	3,505,452
Total public support and revenue	7,695,964	1,819,034	80	9,515,078
Expenses				
Program services				
Gross funds awarded/distributed				
Direct allocations to agencies	188,176	74,231	-	262,407
Other allocations, projects and grants	668,334	-	-	668,334
Less: donor designations	(204,352)	(74,231)	-	(278,583)
Net funds awarded/distributed	652,158	-	-	652,158
Community Impact	691,883	-	-	691,883
Labor Services Division	85,929	-	-	85,929
Erie Free Taxes	294,429	-	-	294,429
Community Schools	1,335,567	-	-	1,335,567
Imagination Library	234,980	-	-	234,980
Total program services	3,294,946	-	-	3,294,946
Supporting services				
Fund Raising	705,360	-	-	705,360
Administration	377,631	-	-	377,631
Total supporting services	1,082,991	-	-	1,082,991
Total expenses	4,377,937	-	-	4,377,937
CHANGE IN NET ASSETS	3,318,027	1,819,034	80	5,137,141
Net assets at beginning of year	22,094,263	2,547,164	55,017	24,696,444
Net assets at end of year	\$ 25,412,290	\$ 4,366,198	\$ 55,097	\$ 29,833,585

The accompanying notes are an integral part of these statements.

2020			
Without Donor Restrictions	With Donor Restrictions		Total
	Temporarily Restricted	Permanently Restricted	
\$ 1,284,765	\$ 1,550,908	\$ -	\$ 2,835,673
1,457,039	(1,457,039)	-	-
864,254	(864,254)	-	-
10,132	-	-	10,132
(190,780)	(74,280)	-	(265,060)
(68,900)	-	-	(68,900)
602,628	235,613	-	838,241
3,959,138	(609,052)	-	3,350,086
553,278	-	-	553,278
5,478	-	241	5,719
1,593,541	-	-	1,593,541
3,644	-	-	3,644
243,739	-	-	243,739
1,301	-	-	1,301
2,400,981	-	241	2,401,222
6,360,119	(609,052)	241	5,751,308
688,475	74,280	-	762,755
803,193	-	-	803,193
(190,780)	(74,280)	-	(265,060)
1,300,888	-	-	1,300,888
556,028	-	-	556,028
80,566	-	-	80,566
262,905	-	-	262,905
752,730	-	-	752,730
238,368	-	-	238,368
3,191,485	-	-	3,191,485
581,685	-	-	581,685
304,159	-	-	304,159
885,844	-	-	885,844
4,077,329	-	-	4,077,329
2,282,790	(609,052)	241	1,673,979
19,811,473	3,156,216	54,776	23,022,465
<u>\$ 22,094,263</u>	<u>\$ 2,547,164</u>	<u>\$ 55,017</u>	<u>\$ 24,696,444</u>

United Way of Erie County
STATEMENTS OF CASH FLOWS

Year ended December 31,

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 5,137,141	\$ 1,673,979
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,200	25,043
Realized gain on sale of investments	(1,085,191)	(37,352)
Unrealized gain loss on investments	(2,218,915)	(1,556,189)
Gain on sale of assets	-	(243,739)
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable	(2,017,763)	159,722
Decrease in other receivables-sponsorships	30,000	357,500
Increase in other receivables-miscellaneous	(1,156)	(1,435)
Decrease (increase) in prepaid expenses	11,112	(924)
Increase in accounts payables and accruals	17,489	56,041
Increase in accounts payables and accruals	255,213	-
Increase in accrued emergency relief	-	74,981
Net cash provided by operating activities	184,130	507,627
Cash flows from investing activities:		
Capital expenditures	(491,508)	(654,546)
Proceeds from sale of fixed assets	-	985,205
Net decrease in beneficial interest - endowment	733,497	780,428
Net increase in beneficial interest - imagination library	(92,663)	(63,904)
Net (increase) decrease in investments	(100,411)	57,546
Net cash provided by investing activities	48,915	1,104,729
Cash flows from financing activities:		
Repayments of debt	-	(324,013)
Net cash used in financing activities	-	(324,013)
Net increase in cash and cash equivalents	233,045	1,288,343
Cash and cash equivalents at beginning of year	3,868,528	2,580,185
Cash and cash equivalents at end of year	\$ 4,101,573	\$ 3,868,528

Cash paid during the year for:

Interest	\$ -	\$ 11,021
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The accompanying notes are an integral part of these statements.

United Way of Erie County

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31,

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

The accompanying notes are an integral part of these statements.

2021

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

United Way of Erie County
STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31,

	2020		
	Program Services		
	Allocations and Community Impact	Labor Services Division	Erie Free Taxes
Direct allocations to United Way agencies	\$ 688,475	\$ -	\$ -
Other allocations, projects and grants	803,193	-	42,600
Less: Donor designations	(190,780)	-	-
	<u>1,300,888</u>	<u>-</u>	<u>42,600</u>
Salaries	375,817	51,651	140,730
Employee benefits	37,196	10,960	13,196
Payroll taxes and unemployment benefits	29,602	4,175	9,097
	<u>442,615</u>	<u>66,786</u>	<u>163,023</u>
Professional fees and contract services	20,446	-	30,300
Supplies	4,511	567	924
Telephone	1,672	194	2,055
Postage and shipping	17	-	37
Occupancy	20,208	3,349	5,762
Equipment rentals and maintenance	19,253	1,955	3,477
Outside printing and marketing	1,539	260	9,128
Local transportation	224	938	-
Receptions, training and luncheon meetings	499	434	65
Conferences, meetings and major trips	5,290	910	-
Insurance	-	-	-
Membership dues	-	913	-
Campaign incentives	-	-	-
Bank and processing fees	-	-	-
Miscellaneous	2,004	-	481
Payments to affiliated organizations	15,750	-	-
IL book purchases	-	-	-
IL reading buddies and reading nook	-	-	-
IL fundraising	-	-	-
Depreciation	8,123	1,346	1,625
	<u>99,536</u>	<u>10,866</u>	<u>53,854</u>
United Way Worldwide dues	13,877	2,914	3,428
Total expenses	<u><u>\$ 1,856,916</u></u>	<u><u>\$ 80,566</u></u>	<u><u>\$ 262,905</u></u>

The accompanying notes are an integral part of these statements.

2020

Supporting Services				
Community Schools	Imagination Library	Fund Raising	Administration	Total
\$ -	\$ -	\$ -	\$ -	\$ 688,475
562,185	-	-	-	1,407,978
-	-	-	-	(190,780)
562,185	-	-	-	1,905,673
153,342	-	335,169	163,555	1,220,264
20,240	-	43,910	24,587	150,089
12,276	-	30,333	12,152	97,635
185,858	-	409,412	200,294	1,467,988
-	-	4,600	16,548	71,894
129	5,161	6,787	4,042	22,121
-	-	1,937	846	6,704
-	5,526	6,816	2,351	14,747
-	-	21,420	13,279	64,018
-	-	14,991	14,202	53,878
3,933	2,809	58,244	308	76,221
-	-	577	6,382	8,121
-	-	5,949	2,442	9,389
-	-	(825)	1,033	6,408
-	-	-	11,344	11,344
-	-	3,857	4,085	8,855
-	-	10,535	-	10,535
-	-	5,843	4,925	10,768
625	600	3,575	4,919	12,204
-	-	-	-	15,750
-	224,272	-	-	224,272
-	-	-	-	-
-	-	-	-	-
-	-	8,611	5,338	25,043
4,687	238,368	152,917	92,044	652,272
-	-	19,356	11,821	51,396
<u>\$ 752,730</u>	<u>\$ 238,368</u>	<u>\$ 581,685</u>	<u>\$ 304,159</u>	<u>\$ 4,077,329</u>

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Organization and Purpose

The United Way of Erie County is a nonprofit organization governed locally by a volunteer board of directors. The Agency is affiliated with the United Way Worldwide and is permitted to solicit contributions in Erie County, Pennsylvania. The Agency's mission is to mobilize resources to break the cycle of poverty and improve our community. The Agency conducts an annual campaign starting in the fall to seek pledges for the following year which are then allocated to its funded partners. In addition, the Agency uses the following program service categories for reporting purposes:

Community Impact - Involves bringing people and resources together to tackle the issues that matter most in an effort to improve lives and shape a caring community.

Labor Services - Involves a working relationship through which the Agency and the local AFL-CIO provide services to members of organized labor, their families and their communities.

Erie Free Taxes - Program established to help eligible low to moderate wage earners claim the Federal Earned Income Tax Credit, a cash refund, by providing them with free tax preparation and filing services at volunteer tax sites.

Community Schools - The community schools model is a strategy (not a program) for organizing school and community resources around student success. A community school is both a place and set of partnerships that help address health, wellness and the social needs of its students, families and the surrounding neighborhood. Schools become centers of the community, open to everyone, all day, every day, evenings and weekends.

Imagination Library (IL) - Provides a high-quality, age-appropriate book to any child in Erie County under the age of five. Also recruits and trains volunteer Reading Buddies who help parents and caregivers better understand how to read and interact with young children.

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Estimates in Financial Statements

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and cash equivalents

Cash and cash equivalents consist of cash held in checking, savings and money market accounts and certificates of deposit with initial maturities of less than 90 days.

4. Pledges and Contributions

Unconditional promises to give and contributions received, including grants which are considered non-exchange transactions, are measured at their fair values and are reported as an increase in net assets. The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated for support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restriction. The Agency reports gifts of goods and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Substantially all of United Way's public support is derived from contributions from individuals and businesses located in the County of Erie, Pennsylvania. Pledges for contributions are recorded as received and allowances are provided for amounts estimated to be uncollectible. The provision for uncollectible pledges is based on management estimates of current economic factors, applied to gross campaign, including donor designations. Direct contributions represent pledges to be paid directly to the United Way and are available for unrestricted use unless specifically restricted by the donor.

5. Direct Allocations to Agencies

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

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Donated Services

A substantial number of volunteers have donated approximately 8,224 hours to the Agency's program services and fund-raising campaign during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded in the accompanying financial statements at their fair values at the date of receipt.

7. Land, Building and Equipment and Related Depreciation

Land, building and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred, while major renewals and betterments are capitalized. The cost and related allowance for depreciation of assets sold or otherwise disposed of are removed from the related property accounts and resulting gains or losses are reflected in revenues or expenses. Depreciation of the building and equipment has been provided on a straight-line basis over the estimated useful lives of the respective assets.

8. Investments

The Agency's investments consist primarily of marketable debt and equity securities and are stated at fair value based on quoted market prices.

9. Measure of Operations

The Agency's operating revenues in excess of expenses includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions and transfers from Board designated funds to support current operating activities. The amounts transferred from Board designated funds to support operations for the year ended December 31, 2021 and 2020 are detailed in Note H.

10. Tax Status

The United Way of Erie County has received a determination letter from the Internal Revenue Service (IRS) that grants an exemption from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code. The Agency files annual informational returns with the IRS and Commonwealth of Pennsylvania. The Agency has adopted the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken in a tax return.

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Agency records any related interest expense and penalties, if any, as a tax expense. For the years ended December 31, 2021 and 2020, there were no unrecognized tax benefits or interest and penalty expense incurred. Tax years that remain subject to examination are years 2018 and forward.

11. Concentration of Credit Risk

The Agency's financial instruments that are exposed to concentrations of credit risk consist primarily of cash (Note B), long-term investments (Note C) and pledges receivable. The Agency's cash is primarily in one bank account and is FDIC insured up to \$250,000. The long-term investments are maintained by a trust department at a local bank. The individual investments, whose market value may fluctuate, are not insured or collateralized. The Agency's pledge receivables result from its annual pledge drive and are due from businesses and individuals located in northwestern Pennsylvania. Approximately 64% of its annual pledge drive is generated from the contributions of three businesses and their employees and one individual within this geographic area; with the largest single employer accounting for approximately 13.5%.

12. Fair Value Measurement

Fair value, as defined in FASB ASC 820, *Fair Value Measurements and Disclosures*, is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. Level 1 consists of quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 2 consists of observable prices that are based on inputs not quoted on active markets, but corroborated by market data. Level 3 consists of unobservable inputs which are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The fair market value of a financial instrument is defined in FASB ASC 825 as "the amount at which the instrument could be exchanged in a current transaction between willing parties."

United Way of Erie County
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The carrying amounts reported in the accompanying Statements of Financial Position for other receivables, prepaids, allocations and designations payable, accounts payable, accruals, and unearned revenue approximate fair value given the short-term nature of the financial instruments or conversely are based on a non-recurring assessment of fair value.

Fair value for Investments is measured using Level 1 inputs. Fair value of Beneficial interest in funds held by others-Endowment is reported as Level 3 measurements as they represent an interest in investments pooled with other organizations' funds at the Erie Community Foundation. Such interest is not publicly traded nor can it be valued on observable direct or indirect inputs. However, a substantial portion of the underlying assets is measured at fair value using Level 1 and 2 inputs by the Erie Community Foundation. (See Note H for a further description of the agreement with the Erie Community Foundation and a detail of the changes in Level 3 investments measured at fair value on a recurring basis.)

13. Date of Management's Review

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

NOTE B - CASH AND CASH EQUIVALENTS

At December 31, 2021 and 2020, cash and cash equivalents consist of the following:

	2021	2020
Demand deposits with banks	\$4,101,323	\$3,868,278
On hand	250	250
	<u>\$4,101,573</u>	<u>\$3,868,528</u>

NOTE C - LONG-TERM INVESTMENTS

Long-term investments at December 31, 2021 and 2020 consist of the following:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	\$ 7,514	\$ 7,514	\$ -	\$ -
Equities	65,607	65,500	-	-
Fixed income funds	27,130	27,540	-	-
Other funds	4,904	5,000	-	-
	<u>\$ 105,155</u>	<u>\$ 105,554</u>	<u>\$ -</u>	<u>\$ -</u>

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE C - LONG-TERM INVESTMENTS - Continued

Net gains (losses) on investments, reported at fair value using Level 1 inputs, as reflected in the Statements of Activities, represent both realized and unrealized gains (losses) on investments as well as on the Endowment Fund (Note H). Included in net gains (losses) for the years ended December 31, 2021 and 2020 are the following:

	2021		
	Investments	Endowment	Total
Realized gain	\$ 5,144	\$ 1,080,047	\$1,085,191
Unrealized (loss)/gain	(400)	2,219,315	2,218,915
	\$ 4,744	\$ 3,299,362	\$3,304,106
	2020		
	Investments	Endowment	Total
Realized gain	\$ 2,605	\$ 34,747	\$ 37,352
Unrealized gain	-	1,556,189	1,556,189
	\$ 2,605	\$ 1,590,936	\$1,593,541

NOTE D - SPONSORSHIP RECEIVABLES

Sponsorship receivables consist of \$230,000 and \$260,000 for the years ended December 31, 2021 and 2020, respectively. The receivables were related to funding for the Community Schools program.

NOTE E - PENSION PLAN

Effective July 1, 1996, the Agency adopted a defined contribution plan covering substantially all of its employees. Contributions are at the discretion of the Board and were approved at six percent of eligible compensation. Pension expense relating to this plan for the years ended December 31, 2021 and 2020, amounted to \$85,533 and \$59,587, respectively.

NOTE F - LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2021 and 2020 consist of the following:

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE F - LAND, BUILDING AND EQUIPMENT - Continued

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Life</u>
Building	\$1,037,138	\$ 634,423	40 Years
Building equipment	30,678	-	10 Years
Office furniture and equipment	104,338	84,348	10 Years
Computer equipment	128,202	100,674	5-8 Years
Vehicles	<u>-</u>	<u>3,213</u>	5 Years
	1,300,356	822,658	
Less accumulated depreciation	<u>208,090</u>	<u>165,700</u>	
	<u>\$1,092,266</u>	<u>\$ 656,958</u>	

Depreciation expense of \$56,200 and \$25,043 was incurred during the years ended December 31, 2021 and 2020, respectively.

NOTE G - DEBT

During 2005, the Agency borrowed \$541,875 in the form of a promissory note bearing interest at 0.25 percent under the prime rate, due April 15, 2006, with monthly payments of interest only, secured by a building. Upon completion of renovations to the Agency's new building, the Agency re-financed this note with a fixed rate mortgage using tax exempt bonds, issued through a local government authority, with a term of 20 years. The mortgage bears interest at 5.28 percent unless a Determination of Loss of Bank Qualification occurs, at which time the note shall bear interest at 5.99 percent. If a Determination of Taxability occurs, the note shall bear interest at 7.86 percent. No such determination was made during 2020. The note was paid off upon the sale of the building in July, 2020.

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS

DESIGNATED BY THE BOARD FOR AGENCY STABILITY

A Board Designated Stability Fund (Stability Fund) was created in 1981 to segregate the assets held in trust accounts and the related investment income into a separate fund. In light of the Endowment (see below) that has been created since that time, the Board rescinded the designation and transferred the balance of the Stability Fund to unrestricted net assets in December, 2020.

DESIGNATED BY THE BOARD FOR ENDOWMENT

In January, 1986, the United Way entered into an agreement with the Erie Community Foundation ("the Foundation"), a non-profit corporation, that established a fund on the books of the Foundation for the purpose of supporting the charitable and educational purposes of the United Way and its affiliated agencies. In May, 1996, the United Way amended and restated their agreement with the Foundation to include an additional contribution for endowment of \$995,367. In October, 2007, the United Way was notified of an additional contribution to the Endowment. That additional contribution, which totaled \$12,488,232, was distributed to the United Way and placed in the Foundation over a three year period ending December 31, 2010. In accordance with FASB ASC 958-650 *Not-For-Profit Entities Revenue Recognition*, those amounts are recorded on the books of the United Way and included in beneficial interest in funds held by others-endowment on the Statements of Financial Position. Furthermore, any future bequests received by the United Way are designated for endowment and transferred to the Foundation.

The fund is the property of the Foundation held by it as a component fund in its corporate capacity and is not deemed a trust fund held by it in a trustee capacity. The Foundation has the ultimate authority and control over all property in the fund, even though it was not granted variance power.

As of December 31, 2021 and 2020, the fair market value was \$21,626,696 and \$19,060,831, respectively, which has been recorded and included as beneficial interest in funds held by others-endowment on the Statements of Financial Position. The underlying investments of the fund at December 31, 2021, consist of 44.2% public equities, 15.0% diversifying assets, 12.2% fixed income, 1.3% cash and equivalents, and 27.3% private investments. From December 31, 2021 through February 28, 2022, the fair market value decreased 4.2%. The investment policies regarding return objectives and risk strategies are determined by the Foundation.

United Way of Erie County
 NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS - Continued

In accordance with the agreement, the Foundation shall pay and distribute the net income of the Fund to the United Way at least annually. This amount is used to reduce the beneficial interest. The receivable is also adjusted annually based on the earnings and change in fair market value of the fund. For the years ended December 31, 2021 and 2020, \$841,300 and \$794,500 was distributed to the United Way. Although these distributions are not shown as revenue on the Statements of Activities, it is the United Way's intention to utilize these amounts towards each year's campaign.

Also in accordance with the agreement, the United Way may request a distribution of up to 10% annually of the principal of the Fund. Distributions of principal in excess of the 10% may be made if the United Way demonstrates to the satisfaction of the Foundation that the additional distribution is required for emergency purposes or to offset a shortfall in the United Way's annual campaign. Principal distributions in excess of \$500,000 require the approval of two-thirds of the United Way's Board of Directors.

The Financial Accounting Standards Board (FASB) issued FASB ASC 958-205 (formerly FSP 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for all Endowment Funds"). The standard provides guidance on classifying net assets of donor restricted and board-designated endowment funds held by organizations and whether or not they are subject to an enacted version of UPMIFA. The State of Pennsylvania has not yet enacted UPMIFA.

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

Net assets, beginning of year	\$19,060,831
Investment income, net of fees	85,931
Realized gains	1,080,047
Unrealized gains	2,219,315
Contributions	22,872
Grants	(1,000)
Transfers to United Way	(841,300)
Net assets, end of year	<u>\$21,626,696</u>

DESIGNATED BY THE BOARD FOR ALLOCATIONS AND OTHER INITIATIVES

In current and prior years, the Board designated amounts for the purpose of providing additional allocations to its funded partners and other initiatives. The balance of these designations at December 31, 2021 and 2020 was \$1,277,973 and \$1,143,583.

United Way of Erie County
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS - Continued

During the year ended December 31, 2021, the Agency released \$140,610 from its previously designated amount towards operating expenses for other allocations and initiatives. However, an additional \$275,000 was designated for future use. During the year ended December 31, 2020, the Agency released \$90,520 from its previously designated amount towards operating expenses for other allocations and initiatives. However, an additional \$707,020 was designated for future use.

The following is a summary of all designated net assets:

Designated for Endowment	\$21,626,696
Designated for Allocations and Other Initiatives	<u>1,277,973</u>
	<u>\$22,904,669</u>

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020 consist of the following:

TEMPORARILY RESTRICTED

	2021	2020
<u>Subject to passage of time</u>		
Subsequent year's campaign:		
Pledges receivable	\$ 330,849	\$ 617,831
Contributions received	1,003,029	766,865
Designations payable	(74,231)	(74,280)
	<u>1,259,647</u>	<u>1,310,416</u>
 <u>Subject to expenditure for specific purpose</u>		
Imagination Library:		
Pledges receivable	1,816,492	54,061
Community Schools	699,539	885,774
Women United	479,561	-
Truancy	16,065	153,911
Erie Free Taxes	16,449	20,842
I Can See	30,381	38,567
PA 211	-	35,429
Other Purposes	<u>48,064</u>	<u>48,164</u>
	<u>3,106,551</u>	<u>1,236,748</u>
	<u>\$4,366,198</u>	<u>\$2,547,164</u>

United Way of Erie County
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS - Continued

The subsequent year's campaign pledges receivable and contributions received represent public support resulting from the Agency's annual campaign conducted in the fall of each year for the purpose of providing the Agency the funds to operate in the subsequent year. The designations payable represents amounts included in the pledges receivable and contributions received, which are to be paid to non-United Way funded partners in accordance with the donors' requests.

The IL pledges receivable and contributions received represent public support and sponsorships which are restricted by the donors for IL program expenses. A fund (IL Operating Fund) has been established at the Erie Community Foundation to maintain the activity of the IL program. At December 31, 2021 and 2020 the portion of net assets that was on hand, in the form of cash, in that fund was \$416,467 and \$323,804, respectively. Those amounts have been reported as beneficial interest in funds held by others-Imagination library on the Statements of Financial Position.

Community Schools and Women United represent sponsorships from local businesses and business women to provide funding for various schools as part of the Agency's community schools model. The remaining temporarily restricted net assets are set aside for various purposes as listed above.

PERMANENTLY RESTRICTED

	2021	2020
<u>Emergency loan fund</u>		
Cash	\$ 55,097	\$ 55,017
Loans receivable	-	-
	\$ 55,097	\$ 55,017

During the year ended December 31, 2007, the Agency received an anonymous donation in the amount of \$49,041 to set up an Emergency Loan Fund. This donation was included as other gifts and bequests on the Statement of Activities. The purpose of the fund is to make interest free loans to funded partners. In accordance with the agreement with the donor, all income of the fund will remain in the fund. For the years ended December 31, 2021 and 2020, loans were made from the fund in the amounts of \$0 and \$0, respectively.

United Way of Erie County
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE J - OTHER GIFTS AND BEQUESTS

During the years ended December 31, 2021 and 2020, the United Way received \$76,773 and \$53,278, respectively, in other gifts and bequests. Included in those amounts were donated goods and services of \$76,172 and \$53,278 for the years ended December 31, 2021 and 2020, respectively. The corresponding charges are included in the Statements of Functional Expenses as follows:

	2021	2020
Professional fees and contracted services	\$ 76,172	\$ 53,278

NOTE K - OTHER PUBLIC SUPPORT

Other public support for the years ended December 31, 2021 and 2020 consists of the following:

	2021	2020
<u>Community Schools (CS)</u>		
Custom Engineering - Diehl	\$ 30,000	\$ 10,000
American Tinning - Diehl	60,000	-
McInness Steel - Diehl	-	10,000
Various companies - Diehl	67,500	35,000
Various businesses - Union City	75,000	-
Women United - various schools	509,002	-
Widget - Iroquois	-	15,000
Various businesses - various schools	136,251	35,541
Erie School District - CS/Training	-	60,000
 <u>Other</u>		
PPP Loan Forgiveness	-	243,000
Department of Education	292,163	-
City of Erie Public Schools	162,287	-
VITA/Erie Free Taxes	133,027	129,458
County of Erie	-	100,000
PA 211	37,063	80,299
Other	32,885	119,943
	<u>\$1,535,178</u>	<u>\$ 838,241</u>

United Way of Erie County
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021 and 2020

NOTE L - LIQUIDITY

As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In an effort to support this policy, the Board has established designated funds for Stability and Endowment (See Note H) with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical cycle of converting financial assets to cash or settling financial liabilities. Although the Agency does not intend to spend from its Endowment other than the allowable distribution from its annual income, amounts could be made available if necessary. However those amounts are subject to the limitations and approvals discussed in Note H.

Financial assets were \$29,340,017 and \$24,354,370 as of December 31, 2021 and 2020, respectively. Subsequent year receivables are subject to time restrictions, but will be collected within one year thus relieving the restriction. Certain other receivables - sponsorships will be collected in more than one year. The following represents the Agency's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the balance sheet date.

	2021	2020
Financial assets at year end	\$29,340,017	\$24,354,370
Less those unavailable for general expenditures within one year due to:		
Pledges receivable due > 1 year	(240,500)	(-)
Sponsorship a/r due > 1 year	(72,500)	(65,000)
Designation for Stability	(-)	(-)
Designation for Endowment	(<u>21,626,696</u>)	(<u>19,060,831</u>)
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 7,400,321</u>	 <u>\$ 5,228,539</u>

NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be directly identified to a program are charged to that program. Certain salaries and related taxes and benefits have been allocated among the programs and supporting services on the basis of estimates of time and effort. Those estimates are evaluated on an annual basis. Other expenses such as maintenance, occupancy and depreciation are allocated based on the salaries allocation. The Agency believes that the basis is reasonable and is consistently applied.

United Way of Erie County
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE N - PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act) that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In May, 2020, the Agency obtained a PPP loan in the amount of \$243,000. The Agency used all of its proceeds from the loan for qualifying expenses and was notified in March, 2021 that the loan was forgiven. In accordance with ASC 958-605, the Agency recognized that forgiveness as income as of December 31, 2021, and is included in other public support on the Statements of Activities.

NOTE O - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, COVID-19, as a pandemic. The current economic environment due to this pandemic has shown an unprecedented decline and has presented a number of challenges and circumstances worldwide. The results may include large and unanticipated declines in the fair value of investments and other assets, declines in contributions and receivables, and overall constraints on liquidity. Given the continued volatility of these economic conditions, management is evaluating the impact to the Agency and their financial statements and believes the impact and duration cannot be reasonably estimated at this time.