

LYCOMING COUNTY UNITED WAY, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lycoming County United Way, Inc. (a Pennsylvania nonprofit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lycoming County United Way, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Larson, Kellett & Associates, P.C.

Montoursville, Pennsylvania
February 6, 2020

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
Cash and cash equivalents	\$ 465,560	\$ 419,847
Pledges receivable, net	269,296	318,170
Prepaid expense	2,957	9,740
Investments	1,616,618	1,610,049
Beneficial interest in assets held by First Community Foundation of Pennsylvania	438,306	435,961
Equipment, furniture and leasehold improvements, net	<u>31,242</u>	<u>13,946</u>
TOTAL ASSETS	<u>\$2,823,979</u>	<u>\$2,807,713</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 46,661	\$ 43,506
Accrued payroll and payroll taxes withheld	10,702	12,273
Allocations payable	55,264	27,216
Donor designations payable	10,009	8,950
Obligation under capital lease	<u>1,863</u>	<u>3,527</u>
Total liabilities	<u>124,499</u>	<u>95,472</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	2,262,686	2,297,654
Board designated:		
Community Building Panel	107,811	44,992
Wellsboro Area United Fund	<u>60,748</u>	<u>65,748</u>
Total without donor restrictions	<u>2,431,245</u>	<u>2,408,394</u>
With donor restrictions:		
Time and purpose restrictions	34,083	69,695
Perpetuity	<u>234,152</u>	<u>234,152</u>
Total with donor restrictions	<u>268,235</u>	<u>303,847</u>
Total net assets	<u>2,699,480</u>	<u>2,712,241</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,823,979</u>	<u>\$2,807,713</u>

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES, GAINS AND OTHER SUPPORT:		
Campaign revenue applicable to current year:		
Contributions received - current year	\$1,156,691	\$1,254,083
Contributions received in prior year (released from restriction)	58,935	23,703
Less provision for uncollectible pledges	<u>(67,327)</u>	<u>(52,126)</u>
Total campaign revenue applicable to current year	1,148,299	1,225,660
Federal and state grants	153,114	153,798
Other grants		15,000
Program fees	5,750	4,499
Investment return, net	100,613	162,514
Donated goods and services	83,361	149,124
Reimbursed expenses	<u>802</u>	<u>3,240</u>
Total revenues, gains and other support	<u>1,491,939</u>	<u>1,713,835</u>
ALLOCATIONS AND OTHER FUNCTIONAL EXPENSES:		
Program services:		
Agency allocations	800,911	787,785
Federal and state grants	148,672	148,672
Other allocations and grants		13,335
Funds distribution	59,514	67,795
Marketing/communications	<u>102,426</u>	<u>89,110</u>
Total program services	<u>1,111,523</u>	<u>1,106,697</u>
Supporting services:		
Management and general	170,280	191,979
Resource development	<u>187,285</u>	<u>295,261</u>
Total supporting services	<u>357,565</u>	<u>487,240</u>
Total allocations and other functional expenses	<u>1,469,088</u>	<u>1,593,937</u>
Change in net assets without donor restrictions	<u>22,851</u>	<u>119,898</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Campaign revenue applicable to next allocation year:		
Pledges received - next allocation year	23,323	69,695
Contributions received in prior year (released from restriction)	<u>(58,935)</u>	<u>(23,703)</u>
Change in net assets with donor restrictions	<u>(35,612)</u>	<u>45,992</u>
CHANGE IN NET ASSETS	(12,761)	165,890
NET ASSETS, BEGINNING	<u>2,712,241</u>	<u>2,546,351</u>
NET ASSETS, ENDING	<u>\$2,699,480</u>	<u>\$2,712,241</u>

See Notes to Financial Statements

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

	AGENCY ALLOCATIONS	FEDERAL AND STATE GRANTS	FUNDS DISTRIBUTION	MARKETING/ COMMUNICATIONS	TOTAL PROGRAM SERVICES
Allocations to agencies	<u>\$ 800,911</u>	<u>\$ 148,672</u>	<u>\$</u>	<u>\$</u>	<u>\$ 949,583</u>
Community and agency services provided by the United Way:					
Salaries			33,664	37,574	71,238
Employee benefits			5,078	5,667	10,745
Payroll taxes	<u> </u>	<u> </u>	<u>2,685</u>	<u>2,997</u>	<u>5,682</u>
Total personnel	<u> </u>	<u> </u>	<u>41,427</u>	<u>46,238</u>	<u>87,665</u>
Professional fees			3,163	39,531	42,694
Materials and supplies			997	1,113	2,110
Telephone			884	986	1,870
Postage and shipping			757	845	1,602
Occupancy			3,606	4,025	7,631
Rental and maintenance of equipment			225	251	476
Printing and publications			1,178	1,315	2,493
Local staff travel			684	763	1,447
Local meetings and conferences			1,137	1,268	2,405
Membership dues			207	231	438
Miscellaneous			1,048	1,170	2,218
Interest			47	53	100
National and state dues					
Liability insurance					
Trustee fees			2,210	2,467	4,677
Depreciation			1,141	1,273	2,414
Credit card fees			803	897	1,700
Special events					
In-kind expenses	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other	<u> </u>	<u> </u>	<u>18,087</u>	<u>56,188</u>	<u>74,275</u>
TOTAL	<u>\$ 800,911</u>	<u>\$ 148,672</u>	<u>\$59,514</u>	<u>\$102,426</u>	<u>\$1,111,523</u>

See Notes to Financial Statements

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

	MANAGEMENT AND GENERAL	RESOURCE DEVELOPMENT	TOTAL SUPPORTING SERVICES	COMBINED TOTAL 2019
Allocations to agencies	\$ _____	\$ _____	\$ _____	\$ 949,583
Community and agency services provided by the United Way:				
Salaries	82,808	73,262	156,070	227,308
Employee benefits	12,490	11,050	23,540	34,285
Payroll taxes	<u>6,605</u>	<u>5,843</u>	<u>12,448</u>	<u>18,130</u>
Total personnel	<u>101,903</u>	<u>90,155</u>	<u>192,058</u>	<u>279,723</u>
Professional fees	7,781	6,883	14,664	57,358
Materials and supplies	2,452	2,170	4,622	6,732
Telephone	2,174	1,924	4,098	5,968
Postage and shipping	1,863	1,648	3,511	5,113
Occupancy	8,871	7,848	16,719	24,350
Rental and maintenance of equipment	553	490	1,043	1,519
Printing and publications	2,898	2,564	5,462	7,955
Local staff travel	1,682	1,487	3,169	4,616
Local meetings and conferences	2,796	2,474	5,270	7,675
Membership dues	509	451	960	1,398
Miscellaneous	2,578	2,281	4,859	7,077
Interest	116	102	218	318
National and state dues	22,999		22,999	22,999
Liability insurance	885		885	885
Trustee fees	5,437	4,811	10,248	14,925
Depreciation	2,807	2,483	5,290	7,704
Credit card fees	1,976	1,747	3,723	5,423
Special events		6,639	6,639	6,639
In-kind expenses	_____	<u>51,128</u>	<u>51,128</u>	<u>51,128</u>
Total other	<u>68,377</u>	<u>97,130</u>	<u>165,507</u>	<u>239,782</u>
TOTAL	<u>\$170,280</u>	<u>\$187,285</u>	<u>\$357,565</u>	<u>\$1,469,088</u>

See Notes to Financial Statements

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	AGENCY ALLOCATIONS	FEDERAL AND STATE GRANTS	OTHER ALLOCATIONS AND GRANTS	FUNDS DISTRIBUTION	MARKETING/ COMMUNICATIONS	TOTAL PROGRAM SERVICES
Allocations to agencies	<u>\$ 787,785</u>	<u>\$ 148,672</u>	<u>\$ 13,335</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 949,792</u>
Community and agency services provided by the United Way:						
Salaries				38,870	28,731	67,601
Employee benefits				8,009	5,919	13,928
Payroll taxes	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>3,177</u>	<u>2,348</u>	<u>5,525</u>
Total personnel	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>50,056</u>	<u>36,998</u>	<u>87,054</u>
Professional fees				3,063	41,264	44,327
Materials and supplies				1,632	1,206	2,838
Telephone				544	402	946
Postage and shipping				506	374	880
Occupancy				5,191	3,836	9,027
Rental and maintenance of equipment				309	229	538
Printing and publications				1,188	877	2,065
Local staff travel				351	260	611
Local meetings and conferences				622	460	1,082
Membership dues				125	92	217
Miscellaneous				805	595	1,400
Interest				79	59	138
National and state dues						
Liability insurance						
Trustee fees				2,227	1,646	3,873
Depreciation				305	226	531
Credit card fees				792	586	1,378
Special events						
In-kind expenses	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Total other	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>17,739</u>	<u>52,112</u>	<u>69,851</u>
TOTAL	<u>\$ 787,785</u>	<u>\$ 148,672</u>	<u>\$ 13,335</u>	<u>\$ 67,795</u>	<u>\$ 89,110</u>	<u>\$ 1,106,697</u>

See Notes to Financial Statements

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	MANAGEMENT AND GENERAL	RESOURCE DEVELOPMENT	TOTAL SUPPORTING SERVICES	COMBINED TOTAL 2018
Allocations to agencies	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 949,792</u>
Community and agency services provided by the United Way:				
Salaries	97,780	76,050	173,830	241,431
Employee benefits	20,147	15,670	35,817	49,745
Payroll taxes	<u>7,992</u>	<u>6,217</u>	<u>14,209</u>	<u>19,734</u>
Total personnel	<u>125,919</u>	<u>97,937</u>	<u>223,856</u>	<u>310,910</u>
Professional fees	7,705	5,992	13,697	58,024
Materials and supplies	4,106	3,193	7,299	10,137
Telephone	1,368	1,064	2,432	3,378
Postage and shipping	1,273	990	2,263	3,143
Occupancy	13,057	10,156	23,213	32,240
Rental and maintenance of equipment	778	606	1,384	1,922
Printing and publications	2,987	2,323	5,310	7,375
Local staff travel	884	687	1,571	2,182
Local meetings and conferences	1,565	1,217	2,782	3,864
Membership dues	314	245	559	776
Miscellaneous	2,026	1,575	3,601	5,001
Interest	199	155	354	492
National and state dues	19,853		19,853	19,853
Liability insurance	1,582		1,582	1,582
Trustee fees	5,603	4,358	9,961	13,834
Depreciation	767	597	1,364	1,895
Credit card fees	1,993	1,550	3,543	4,921
Special events		13,492	13,492	13,492
In-kind expenses		<u>149,124</u>	<u>149,124</u>	<u>149,124</u>
Total other	<u>66,060</u>	<u>197,324</u>	<u>263,384</u>	<u>333,235</u>
TOTAL	<u>\$ 191,979</u>	<u>\$ 295,261</u>	<u>\$ 487,240</u>	<u>\$1,593,937</u>

See Notes to Financial Statements

LYCOMING COUNTY UNITED WAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (12,761)	\$ 165,890
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,704	1,895
Investment gains	(38,043)	(90,062)
Provision for uncollectible pledges	67,327	52,126
Contributions of equipment, furniture and leasehold improvements	(25,000)	
Change in:		
Pledges receivable, net	(18,453)	(29,574)
Grant receivable		10,000
Prepaid expense	6,783	(7,093)
Accounts payable	3,155	15,831
Accrued payroll and payroll taxes withheld	(1,571)	(6,378)
Allocations payable	28,048	27,216
Donor designations payable	<u>1,059</u>	<u>(5,567)</u>
Net cash provided by operating activities	<u>18,248</u>	<u>134,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(438,635)	(325,219)
Purchase of equipment and leasehold improvements		(6,005)
Proceeds from sale of investments	470,109	293,861
Increase in beneficial interest in assets held by First Community Foundation of Pennsylvania, net	<u>(2,345)</u>	<u>(19,518)</u>
Net cash provided (used) by investing activities	<u>29,129</u>	<u>(56,881)</u>
CASH USED BY FINANCING ACTIVITIES,		
Repayment of obligation under capital lease	<u>(1,664)</u>	<u>(1,487)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,713	75,916
CASH AND CASH EQUIVALENTS, BEGINNING	<u>419,847</u>	<u>343,931</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 465,560</u>	<u>\$ 419,847</u>

See Notes to Financial Statements

1. GENERAL:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

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

Financial Statement Presentation

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

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

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as support with donor restrictions that increases that net asset class.

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Promises to Give/Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

LYCOMING COUNTY UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair value in the statements of financial position. Unrealized gains and losses are included as increases or decreases in net assets. See Note 6 for a discussion on fair value measurements.

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

Pledges Receivable and Uncollectible Pledges

Pledges receivable are stated net of an allowance for uncollectible pledges, which was \$119,534 and \$90,611 at June 30, 2019 and 2018, respectively. Pledges receivable are written off against the allowance account when they are deemed to be uncollectible. The allowance account is revised periodically based upon a review of its adequacy by the Organization's management.

Equipment, Furniture and Leasehold Improvements and Depreciation

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

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

Donated Goods and Services

The Organization recognizes donated goods and services in the accompanying statements of activities at their estimated value at the date of receipt. Donated goods and services recorded totaled \$83,361 and \$149,124 at June 30, 2019 and 2018, respectively. Donated goods and services consist primarily of advertising services, campaign supplies, furniture and fixtures and leasehold improvements. Additionally, a substantial number of volunteers have donated significant amounts of their time providing the Organization's services, where no value has been determined.

Leasing

The Organization leases office space and parking spaces under an operating lease arrangement (See Note 10).

The Organization leases a copier under a capital lease arrangement (See Note 9).

Functional Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates. A material estimate that is susceptible to significant change relates to the determination of the adequacy of the allowance for uncollectible pledges. Management believes that the allowance for uncollectible pledges is adequate. While management uses available information to determine the allowance, changes in economic conditions may require revisions of the estimate in future years.

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, pledges receivable, investments, accounts payable and obligation under capital lease. The carrying value of these financial instruments approximate their fair value at June 30, 2019 and 2018.

Income Taxes

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

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2019 or 2018.

Cash Flows

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

Reclassification

Certain amounts in 2018 have been reclassified to conform to the 2019 presentation. Such reclassification had no effect on change in net assets or net assets.

Recent Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which clarifies some narrow aspects of ASU 2016-02. In August 2018, FASB issued ASU 2018-11, *Leases (Topic 842)*:

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Targeted Improvements, which provides an optional transition method that permits a cumulative-effect adjustment to adopt the new lease standard. In March 2019, FASB issued ASU 2019-01, *Leases (Topic 842): Codification Improvements*, which further clarifies some narrow aspects of ASU 2016-02. In November 2019, FASB issued ASU 2019-10, *Leases (Topic 842): Effective Dates*, which defers the effective date for not-for-profit entities by an additional year. These ASUs are effective for annual periods beginning after December 15, 2020. The Organization has not determined the effect of the adoption of these standards on the financial statements.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2018. ASU 2016-15 is not expected to have a significant impact on the Organization's financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies guidance on when a revenue transaction is an exchange or a contribution. This ASU clarifies that payments from a third-party payer on behalf of an existing exchange transaction between the recipient and identified customer are not contributions. This ASU also provides guidance on determining whether a contribution is conditional or unconditional. This ASU is effective for annual periods beginning after December 15, 2018. The Organization has not determined the effect of the adoption of this standard on the financial statements.

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

Recent Accounting Standard Adopted

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 was issued to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The Company adopted ASU 2016-14 for the year ended June 30, 2019. The adoption of ASU 2016-14 required the Company to present its net assets with donor restrictions and without donor restrictions and present statements of functional expenses.

3. PLEDGES RECEIVABLE:

Pledges receivable consisted of the following unconditional promises to give as of June 30, 2019 and 2018:

LYCOMING COUNTY UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Receivable in less than one year:		
Prior campaigns	\$ 75,116	\$ 45,594
Current year campaign	<u>313,714</u>	<u>363,187</u>
Gross unconditional pledges	\$388,830	\$408,781
Less allowance for uncollectible pledges	<u>119,534</u>	<u>90,611</u>
Pledges receivable, net	<u>\$269,296</u>	<u>\$318,170</u>

4. INVESTMENTS:

Investments at fair value by major category consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mutual funds	<u>\$1,616,618</u>	<u>\$1,610,049</u>

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

	<u>2019</u>	<u>2018</u>
<u>Unrestricted</u>		
Interest and dividends	\$ 37,804	\$ 31,995
Increase in beneficial interest in assets held by First Community Foundation of Pennsylvania	24,766	40,457
Net realized and unrealized gain on investments	<u>38,043</u>	<u>90,062</u>
Total investment return, net	<u>\$100,613</u>	<u>\$162,514</u>

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

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

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

The cumulative amount recognized in the statements of financial position as beneficial interest in assets held by the Foundation totaled \$438,306 and \$435,961 at June 30, 2019 and 2018, respectively, as valued by the Foundation.

6. FAIR VALUE MEASUREMENTS:

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

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

Level II: Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

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

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Mutual funds	\$1,610,049			\$1,610,049
Beneficial interest in assets held by First Community Foundation of Pennsylvania	_____	_____	\$435,961	435,961
Total	<u>\$1,610,049</u>	<u>\$ _____</u>	<u>\$435,961</u>	<u>\$2,046,010</u>

Changes in fair value measurements for Level III financial assets for the years ended June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$435,961	\$416,443
Purchases		
Settlements	(16,581)	(16,012)
Investment return, net of fees of \$5,840 in 2019 and \$4,927 in 2018	<u>18,926</u>	<u>35,530</u>
End of year	<u>\$438,306</u>	<u>\$435,961</u>

7. EQUIPMENT, FURNITURE AND LEASEHOLD IMPROVEMENTS:

Equipment, furniture and leasehold improvements at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Equipment	\$22,013	\$25,811
Furniture	3,633	633
Leasehold improvements	<u>22,000</u>	_____
Total	47,646	26,444
Less accumulated depreciation	<u>16,404</u>	<u>12,498</u>
Equipment, furniture and leasehold improvements, net	<u>\$31,242</u>	<u>\$13,946</u>

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Depreciation expense included in the statements of functional expenses amounted to \$7,704 and \$1,895 for the years ended June 30, 2019 and 2018, respectively.

8. EMPLOYEE BENEFIT PLAN:

The Organization maintains a tax deferred annuity benefit plan covering all eligible employees. Contributions to the plan amounted to \$8,676 and \$20,759 for the years ended June 30, 2019 and 2018, respectively.

9. OBLIGATION UNDER CAPITAL LEASE:

The Organization leases a copier under the terms of a capital lease expiring in 2020. The asset and liability under capital lease are recorded at the fair value of the asset. The asset is included in equipment and leasehold improvements in the accompanying statements of financial position and is depreciated over its estimated useful life.

Accumulated depreciation related to equipment acquired under capital lease totaled \$6,023 and \$2,259 for the years ended June 30, 2019 and 2018, respectively.

The following summarizes the required future annual minimum lease payments under the capital lease together with the present value of the net minimum lease payments.

2020	\$1,979
Less amounts representing interest	<u>116</u>
Present value of net minimum lease payments	<u>\$1,863</u>

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

10. COMMITMENT:

The Organization leases office space under a non-cancellable lease arrangement which expires June 30, 2023, with minimum monthly payments commencing September 1, 2018. Rent expense totaled \$21,553 and \$31,040 for the years ended June 30, 2019, and 2018, respectively.

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

2020	\$12,000
2021	12,000
2022	12,000
2023	<u>12,000</u>
Total	<u>\$48,000</u>

11. CONCENTRATION OF CREDIT RISK:

The Organization has concentrated its credit risk for cash by maintaining deposits in two financial institutions. The maximum loss that would result from that risk at June

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30, 2019 and 2018 totaled \$234,171 and \$182,244 for the excess of the deposit liabilities reported by the institutions over the amounts that are insured by the Federal Deposit Insurance Corporation.

12. CONTINGENT LIABILITY - GRANTS:

The Organization receives grants from federal, state and local governments. Subsequent audits may disallow expenditures financed by governmental grant programs. It is the opinion of management that requests for reimbursement, if any, by either the federal, state, or local government based on subsequent audits will not be material in relation to the Organization's financial statements as of June 30, 2019.

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

During the years ended June 30 2019 and 2018, the Organization received investments totaling \$3,189 and \$9,764, respectively, in payment of outstanding pledges receivable.

During the years ended June 30, 2019 and 2018, the Organization paid interest of \$318 and \$492, respectively.

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

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Organization manages its liquidity by managing its working capital.

Financial assets available for general expenditure at June 30, 2019, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

Cash	\$ 465,560
Pledges receivable, net	269,296
Prepaid expenses	2,957
Investments	<u>1,616,618</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$2,354,431</u>

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

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

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15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 6, 2020, which is the date the financial statements were available to be issued.