



***UNITED WAY OF BERKS COUNTY, INC.***

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
United Way of Berks County, Inc.  
Reading, Pennsylvania**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Berks County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 United Way of Berks County, Inc. as of December 31, 2018 and 2017, 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.

## Emphasis of Matter

As described in Note 1, the United Way of Berks County, Inc. adopted FASB ASU 2016-14 for the year ended December 31, 2018.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2019, on our consideration of United Way of Berks County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way of Berks County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Berks County, Inc.'s internal control over financial reporting and compliance.



Reading, Pennsylvania  
May 7, 2019

**UNITED WAY OF BERKS COUNTY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,448,716	\$ 2,663,282
Certificates of deposit	1,100,174	1,100,847
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2018 - \$842,657; 2017 - \$819,130)	7,770,358	8,054,167
Other	54,924	18,954
Prepaid expenses	35,862	35,702
Long-term investments, at market	9,734,209	9,719,456
Beneficial interest in perpetual trusts, at market	809,796	906,688
Beneficial interest in life insurance policy	23,276	22,260
Leasehold improvements, furniture, fixtures, and equipment, net	40,028	42,454
	<u>\$ 22,017,343</u>	<u>\$ 22,563,810</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 384,976	\$ 258,469
Due to other United Way agencies	301,352	311,237
Due to affiliated agencies	1,276,140	1,255,738
Deferred revenue	76,863	-
	<u>2,039,331</u>	<u>1,825,444</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated, available for general activities	2,931,176	2,810,687
Board-designated endowment, at market	1,610,076	1,840,194
Total without donor restrictions	<u>4,541,252</u>	<u>4,650,881</u>
With donor restrictions:		
Time and purpose restrictions	9,165,311	9,517,733
Perpetuity - endowment	5,461,653	5,663,064
Perpetuity - beneficial interest in trust	809,796	906,688
Total with donor restrictions	<u>15,436,760</u>	<u>16,087,485</u>
	<u>19,978,012</u>	<u>20,738,366</u>
<b>TOTAL NET ASSETS</b>	<u>19,978,012</u>	<u>20,738,366</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 22,017,343</u>	<u>\$ 22,563,810</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31	
	Without	With	Without	With	2018	2017
	Donor	Donor	Donor	Donor	Totals	Totals
	Restrictions	Restrictions	Restrictions	Restrictions		
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Campaign contributions applicable to current period:						
Contributions received - current period	\$ 820,557	\$ -	\$ 708,434	\$ -	\$ 820,557	\$ 708,434
Less: donor designations	(100,972)	-	(62,064)	-	(100,972)	(62,064)
Less: amounts not available for operations	(246,866)	-	(184,171)	-	(246,866)	(184,171)
Contributions received in prior periods and now released from restriction	9,951,613	(9,951,613)	9,642,293	(9,642,293)	-	-
Less: donor designations	(1,478,602)	1,478,602	(1,592,199)	1,592,199	-	-
Less: allowance for uncollectible pledges	(423,145)	423,145	(408,090)	408,090	-	-
Less: amounts not available for operations	(110,370)	110,370	(85,766)	85,766	-	-
Total campaign contributions applicable to current period	8,412,215	(7,939,496)	8,018,437	(7,556,238)	472,719	462,199
Campaign contributions received for next allocation period:						
Contributions received - current period	-	9,929,068	-	9,760,613	9,929,068	9,760,613
Less: donor designations	-	(1,499,752)	-	(1,478,602)	(1,499,752)	(1,478,602)
Less: allowance for uncollectible pledges	-	(436,254)	-	(423,145)	(436,254)	(423,145)
Less: amounts not available for operations	-	(155,329)	-	(110,370)	(155,329)	(110,370)
Total campaign contributions for next allocation period	-	7,837,733	-	7,748,496	7,837,733	7,748,496
Campaign contributions received for future years						
Donor designations from other United Way agencies	104,414	-	166,662	-	104,414	166,662
Prior year campaign contributions	80,384	-	103,363	-	80,384	103,363
Total campaign related revenue	8,597,013	15,430	8,288,462	279,225	8,612,443	8,567,687
Grants, governmental agencies						
Other contributions	2,594	845,579	6,807	768,307	848,173	775,114
Donated materials and services	139,157	-	187,584	-	139,157	187,584
Total public support	8,761,901	861,009	8,482,853	1,047,532	9,622,910	9,530,385
Other revenue:						
Investment income from trusts	39,225	-	27,760	-	39,225	27,760
Endowment investment income, net of fees (2018 - \$43,037; 2017 - \$36,661)	37,002	120,337	27,235	79,704	157,339	106,939
Transfers	132,947	(222,023)	109,195	(187,874)	(89,076)	(78,679)
Other investment income, net of fees (2018 - \$20,810; 2017 - \$19,377)	80,790	-	50,885	-	80,790	50,885
Other income	27,624	-	28,761	-	27,624	28,761
Gain (loss) on sale of investments	37,804	86,148	114,007	220,998	123,952	335,005
Unrealized gain (loss) on investments	(212,695)	(964,823)	139,251	622,497	(1,177,518)	761,748
Unrealized gain (loss) on beneficial interest	-	(96,892)	-	88,752	(96,892)	88,752
Other net assets released from restriction	434,481	(434,481)	456,126	(456,126)	-	-
Total other revenue	577,178	(1,511,734)	953,220	367,951	(934,556)	1,321,171
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>9,339,079</b>	<b>(650,725)</b>	<b>9,436,073</b>	<b>1,415,483</b>	<b>8,688,354</b>	<b>10,851,556</b>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	2018 Totals	2017 Totals
<b>PROGRAM SERVICES</b>						
Allocations and expenses:						
Gross funds distributed for services	7,454,869	-	7,353,260	-	7,454,869	7,353,260
Less: donor designations	(1,348,325)	-	(1,396,490)	-	(1,348,325)	(1,396,490)
Net funds distributed for services	6,106,544	-	5,956,770	-	6,106,544	5,956,770
Community impact, including donated materials and services (2018 - \$59,983; 2017 - \$96,159)	1,159,989	-	1,217,047	-	1,159,989	1,217,047
Total program services	7,266,533	-	7,173,817	-	7,266,533	7,173,817
Support services:						
Fundraising and resource development, including donated materials and services (2018 - \$72,938, 2017 - \$81,575)	1,504,946	-	1,373,639	-	1,504,946	1,373,639
Administration, including donated materials and services (2018 - \$6,236; 2017 - \$9,850)	677,229	-	660,234	-	677,229	660,234
Total supporting services	2,182,175	-	2,033,873	-	2,182,175	2,033,873
<b>TOTAL ALLOCATIONS AND EXPENSES</b>	9,448,708	-	9,207,690	-	9,448,708	9,207,690
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(109,629)	(650,725)	228,383	1,415,483	(760,354)	1,643,866
<b>NET ASSETS AT BEGINNING OF YEAR</b>	4,650,881	16,087,485	4,422,498	14,672,002	20,738,366	19,094,500
<b>NET ASSETS AT END OF YEAR</b>	\$ 4,541,252	\$ 15,436,760	\$ 4,650,881	\$ 16,087,485	\$ 19,978,012	\$ 20,738,366

See accompanying notes.

**UNITED WAY OF BERKS COUNTY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2018**

	Program Services	Support Services			Totals
	Community Impact	Resource Development	Administration	Total Support Services	
Gross funds distributed for services	\$ 7,454,869	\$ -	\$ -	\$ -	\$ 7,454,869
Less: donor designations	(1,348,325)	-	-	-	(1,348,325)
Net allocations to services	6,106,544	-	-	-	6,106,544
Salaries	580,069	704,531	394,153	1,098,684	1,678,753
Employee benefits	87,445	160,194	74,306	234,500	321,945
Payroll taxes	44,261	53,326	31,508	84,834	129,095
Total salaries and related expenses	711,775	918,051	499,967	1,418,018	2,129,793
Contract services	132,558	121,950	41,379	163,329	295,887
Supplies	91,838	3,327	1,712	5,039	96,877
Telephone	3,750	4,909	2,814	7,723	11,473
Postage	445	5,682	2,174	7,856	8,301
Occupancy	48,977	63,893	37,359	101,252	150,229
Rent, purchase, and maintenance of equipment	4,445	11,158	6,117	17,275	21,720
Printing and promotion	12,832	144,984	457	145,441	158,273
Travel and conferences	17,762	20,444	5,961	26,405	44,167
United Way Worldwide and United Way of Pennsylvania dues	40,038	54,894	32,136	87,030	127,068
Donated materials and services	59,983	72,938	6,236	79,174	139,157
Depreciation	12,590	15,676	7,652	23,328	35,918
Miscellaneous expenses	22,996	67,040	33,265	100,305	123,301
<b>TOTAL EXPENSES</b>	<b>\$ 7,266,533</b>	<b>\$ 1,504,946</b>	<b>\$ 677,229</b>	<b>\$ 2,182,175</b>	<b>\$ 9,448,708</b>

See accompanying notes.



**UNITED WAY OF BERKS COUNTY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2017**

	Program Services	Support Services			Totals
	Community Impact	Resource Development	Administration	Total Support Services	
Gross funds distributed for services	\$ 7,353,260	\$ -	\$ -	\$ -	\$ 7,353,260
Less: donor designations	(1,396,490)	-	-	-	(1,396,490)
Net allocations to services	5,956,770	-	-	-	5,956,770
Salaries	582,393	661,035	379,382	1,040,417	1,622,810
Employee benefits	94,427	147,147	81,066	228,213	322,640
Payroll taxes	44,405	50,034	27,956	77,990	122,395
Total salaries and related expenses	721,225	858,216	488,404	1,346,620	2,067,845
Contract services	167,803	47,263	32,752	80,015	247,818
Supplies	49,440	4,671	1,504	6,175	55,615
Telephone	4,012	4,807	2,814	7,621	11,633
Postage	673	6,468	2,117	8,585	9,258
Occupancy	48,595	59,196	34,898	94,094	142,689
Rent, purchase, and maintenance of equipment	6,686	17,205	6,545	23,750	30,436
Printing and promotion	16,396	136,104	250	136,354	152,750
Travel and conferences	24,249	24,665	11,709	36,374	60,623
United Way Worldwide and United Way of Pennsylvania dues	44,578	48,463	31,129	79,592	124,170
Donated materials and services	96,159	81,575	9,850	91,425	187,584
Depreciation	10,659	13,213	7,734	20,947	31,606
Miscellaneous expenses	26,572	71,793	30,528	102,321	128,893
<b>TOTAL EXPENSES</b>	<b>\$ 7,173,817</b>	<b>\$ 1,373,639</b>	<b>\$ 660,234</b>	<b>\$ 2,033,873</b>	<b>\$ 9,207,690</b>

See accompanying notes.

**UNITED WAY OF BERKS COUNTY, INC.**

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (760,354)	\$ 1,643,866
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	35,918	31,606
(Gain) loss on sale of investments	(123,952)	(335,005)
Unrealized (gain) loss on investments	1,177,518	(761,748)
Unrealized (gain) loss on beneficial interest in perpetual trust	96,892	(88,752)
Contribution of beneficial interest in insurance policy	(1,016)	(22,260)
Contributions restricted for endowment funds	(554,601)	(279,034)
Changes in:		
Pledges receivable	283,809	(497,832)
Other receivables	(35,970)	14,262
Prepaid expenses	(160)	(3,993)
Accounts payable and accrued expenses	126,507	(141,831)
Due to other United Way agencies	(9,885)	(50,797)
Due to affiliated agencies	20,402	(103,163)
Deferred revenue	76,863	-
	<u>331,971</u>	<u>(594,681)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>331,971</b>	<b>(594,681)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of computer and office equipment	(33,492)	(11,129)
Proceeds from sale of investments	15,191,884	2,768,724
Purchase of investments	(16,260,203)	(2,351,126)
	<u>(1,101,811)</u>	<u>406,469</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(1,101,811)</b>	<b>406,469</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment funds	554,601	279,034
	<u>554,601</u>	<u>279,034</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(215,239)</b>	<b>90,822</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>3,764,129</u>	<u>3,673,307</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 3,548,890</u></u>	<u><u>\$ 3,764,129</u></u>
<b>RECONCILIATION OF CASH AT END OF YEAR</b>		
Cash and cash equivalents	\$ 2,448,716	\$ 2,663,282
Certificates of deposit	1,100,174	1,100,847
	<u>1,100,174</u>	<u>1,100,847</u>
<b>CASH AND CERTIFICATES OF DEPOSIT</b>	<u><u>\$ 3,548,890</u></u>	<u><u>\$ 3,764,129</u></u>

See accompanying notes.

## **UNITED WAY OF BERKS COUNTY, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

United Way of Berks County, Inc. (the "Organization") is a Pennsylvania non-profit organization whose mission is to improve lives by inspiring collaborations, volunteerism, and financial support to build a stronger community. Founded in 1925, the Organization has addressed Berks County's most important health and human services needs for more than 90 years.

United Way of Berks County, Inc. develops and supports health and human service programs that address our community's most pressing needs through four focus areas of Education, Financial Stability, Health, and Safety Net Services. The Organization partners with Berks County leaders, businesses, educational communities, government and faith-based supporters, non-profit organizations, volunteers, and donors to develop innovative solutions that address our community's immediate needs as well as long-term community solutions. By coming together around common objectives, we create lasting systemic change that transforms lives and builds a stronger community for us all to live, work, and raise our families.

Through an annual fundraising campaign conducted primarily by volunteers, United Way of Berks County, Inc. raises money from individuals, workplace campaigns, corporate giving, and foundation grants to make services provided by the Organization and by other area partners and not-for-profit health and human service organizations possible. United Way of Berks County, Inc.'s annual fundraising campaign generates revenues to support programs and services in the local community in the subsequent calendar year. United Way of Berks County, Inc.'s fundraising efforts also include special efforts to respond to emerging issues and strategic initiatives as well as the development of endowment resources.

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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##### **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP).

##### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

##### **Cash and Cash Equivalents**

At year end and at various times during the year, the Organization had cash balances in excess of the federally insured limit in its primary operating bank account. For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Certificates of Deposit**

The Organization purchases certificates of deposit with its excess operating funds. While some certificates of deposit are purchased at local banks, the majority of the funds are invested through a local bank, on a reciprocal basis, through the Certificate of Deposit Account Registry Service. This program allows the Organization to invest in multiple banks, at competitive rates, so that all the excess funds invested through this program are FDIC insured. The Organization maintains a certificate of deposit ladder with most certificates maturing on a three-year basis.

**Promises to Give/Pledges Receivable**

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Allowance for Uncollectible Pledges**

The Organization uses the allowance method to determine uncollectible unconditional monies receivable. The allowance is computed based on a four-year historical average adjusted by management's estimates of current economic factors applied to gross campaign estimates.

**Investments**

Investments in equity securities with readily determinable fair values, investments in debt securities, and investments in limited partnerships are measured at fair value in the statement of financial position. Investment income or loss, including gains and losses of investments, interest and dividends, and investment fees are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Leasehold Improvements, Furniture, Fixtures, and Equipment**

Purchases of new leasehold improvements, furniture, fixtures, and equipment are recorded at cost. Donations of new furniture, fixtures, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and conditional contributions of cash that must be used to acquire furniture, fixtures, and equipment are reported as donor restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor restricted net assets to net assets without donor restrictions at that time. Furniture, fixtures, and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	7 years (or estimated life of lease)
Furniture and fixtures	5 years
Computer and office equipment	3 years

**Deferred Revenue**

Deferred revenue consists of government grant monies for program related activities. The Organization recognizes revenue upon incurring expense. Unexpended grant dollars at year-end, are deferred and recognized when the related expenditures occur.

**Net Assets**

The Organization is required to report information regarding its financial position and activities according to two net asset classes:

- *Net Assets Without Donor Restrictions* are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

See Note 6 For more information on the composition of net assets without donor restrictions.

- *Net Assets With Donor Restrictions* consists of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulate time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Net Assets - continued**

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Notes 7 and 8 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

**Contribution Revenue**

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

**Donated Materials, Equipment, and Services**

The Organization records the estimated fair value of donated materials, equipment, and services related to its operations, which was \$139,157 and \$187,584 for the years ended December 31, 2018 and 2017, respectively.

A substantial number of volunteers have donated significant amounts of their time and services to the activities of the Organization without compensation. For the years ended December 31, 2018 and 2017, approximately 57,114 hours and 45,946 hours, respectively, were donated. No amounts have been reflected in the financial statements for volunteer donated services since no objective basis is available to measure the value of such services.

No amounts have been included in the accompanying financial statements for the Organization's share of the advertising managed by United Way Worldwide which promotes the United Way network's shared mission on nationally broadcast television including, the National Football League (NFL), and the Ad Council, etc.

**Functional Expenses Allocation**

The Statement of Functional Expenses presents Organizational expenditures based by function and natural classification. Expenses directly attributed to a specific functional area are reported as costs in those specific areas. Costs benefiting multiple functional areas are allocated based on the proportion of full-time equivalents.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Tax-Exempt Status**

The Organization has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Organization files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

**Accounting Pronouncements Adopted**

The Organization adopted FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, for fiscal year ending December 31, 2018. The ASU amends the current reporting model for nonprofit organizations and enhances required disclosures. The major changes include (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring all nonprofits to present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (d) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 7, 2019, the date the financial statements were available to be issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 2 - PROMISES TO GIVE**

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United Way of Berks County, Inc. conducts an annual campaign to generate revenue to support health and human services in the local community.

Promises to give at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Pledges receivable	<u>\$ 8,613,015</u>	<u>\$ 8,873,297</u>
Receivable in less than one year	\$ 8,482,160	\$ 8,725,238
Receivable in one to three years	<u>130,855</u>	<u>148,059</u>
Total unconditional promises to give	8,613,015	8,873,297
Less allowance for uncollectible pledges	<u>842,657</u>	<u>819,130</u>
Net promises to give	<u>\$ 7,770,358</u>	<u>\$ 8,054,167</u>

**NOTE 3 - LONG-TERM INVESTMENTS**

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All investments are recorded at market value.

The following table shows long-term investments held, including board-designated and donor-restricted endowment funds, endowment income held as temporarily restricted net assets, and other funds which can be used for future operating purposes. The board-designated and donor-restricted endowment funds are held in a common trust and the board-designated funds can only be accessed by dissolution of the trust.

Market values as of December 31 are summarized as follows:

	<u>2018</u>	<u>2017</u>
	<u>Market Value</u>	<u>Market Value</u>
Equity funds	\$ 4,458,258	\$ 6,554,398
Bond funds	3,575,853	3,165,058
Exchange traded funds	<u>1,700,098</u>	<u>-</u>
	<u>\$ 9,734,209</u>	<u>\$ 9,719,456</u>



**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 4 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

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United Way of Berks County, Inc. is a beneficiary under various perpetual trusts. The Organization recorded its proportionate share of the fair value of the principal received. Total value recorded at December 31, 2018 and 2017 was \$809,796 and \$906,688, respectively. Annual distributions from the trusts have been recorded as investment income from trusts in unrestricted net assets and amounted to \$39,225 and \$27,760 in 2018 and 2017, respectively. The change in market value has been recorded in net depreciation on beneficial interests in net assets with donor restrictions and amounted to (\$96,892) in 2018 and net appreciation of \$88,752 in 2017.

**NOTE 5 - FURNITURE, FIXTURES, AND EQUIPMENT**

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A summary is as follows at December 31:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 36,114	\$ 36,114
Furniture and fixtures	36,379	36,379
Computer and office equipment	<u>279,280</u>	<u>252,438</u>
	351,773	324,931
Less accumulated depreciation	<u>(311,745)</u>	<u>(282,477)</u>
	<u>\$ 40,028</u>	<u>\$ 42,454</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$35,918 and \$31,606, respectively.

**NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS**

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The Organization's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes at December 31<sup>st</sup>:

	<u>2018</u>	<u>2017</u>
Undesignated - Available for General Use	\$ 2,931,176	\$ 2,810,687
Board Designated - Quasi-Endowment	<u>1,610,076</u>	<u>1,840,194</u>
Total	<u>\$ 4,541,252</u>	<u>\$ 4,650,881</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTINUED

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The Board has designated funds to be set aside to establish and maintain a quasi-endowment for the purpose of securing the Organization's long-term financial viability and continuing to meet spending needs. The quasi-endowment fund generated \$2,540 and \$0 of additional contributions for the years ending December 31, 2018 and 2017, respectively.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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Net assets with donor restrictions are available for the following purposes at December 31:

Subject to Expenditure for Specified Purpose or Period:

	<u>2018</u>	<u>2017</u>
Human service allocation for the next fiscal year	\$ 7,954,729	\$ 7,939,496
Human service allocations for future years	167,193	166,967
United Way programs and activities	762,789	1,079,260
At-Risk children	46,251	49,288
Other community impact activities	<u>234,349</u>	<u>282,722</u>
Total subject to expenditure for specified purpose or period:	9,165,311	9,517,733
Endowment Fund Subject to the Organization's Spending Policy and Appropriation:		
Investments in Perpetuity to support:		
Focus area panel appropriations	2,461,551	2,287,095
At-Risk children	493,707	564,959
Major gifts and planned giving activity	349,947	400,456
United Way of Berks County operations	<u>2,156,448</u>	<u>2,410,554</u>
Total endowment subject to the Organization's spending policy and appropriation	5,461,653	5,663,064
Beneficial Interest in perpetual trust	<u>809,796</u>	<u>906,688</u>
Total net assets with donor restrictions	<u>\$ 15,436,760</u>	<u>\$ 16,087,485</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

**NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS**

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor. Net assets released from donor restrictions for the years ended December 31 were as follows:

	<u>2018</u>	<u>2017</u>
Expiring time restrictions - campaign	\$ 7,939,496	\$ 7,556,238
United Way programs and activities	238,013	235,340
At-Risk children	30,000	30,000
Other community impact activities	<u>166,468</u>	<u>190,786</u>
Total net assets released from restriction	<u>\$ 8,373,977</u>	<u>\$ 8,012,364</u>

The donor restricted net assets released on the Statement of Activities include the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Contributions received in prior year and now released from restriction	\$ 9,951,613	\$ 9,642,293
Less: donor designations	(1,478,602)	(1,592,199)
Less: allowance for uncollectible pledges	(423,145)	(408,090)
Less: amounts not available for operations	<u>(110,370)</u>	<u>(85,766)</u>
Total campaign contributions released from restriction	7,939,496	7,556,238
Other net assets released from restriction	<u>434,481</u>	<u>456,126</u>
Total net assets released from restriction	<u>\$ 8,373,977</u>	<u>\$ 8,012,364</u>

**NOTE 9 - ENDOWMENT FUNDS**

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The Organization's endowment consists of 13 donor-restricted sub-funds and one board-designated sub-fund, all of which are to be held indefinitely, with the income expendable for operations as directed by donors or the board of directors. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 9 - ENDOWMENT FUNDS - CONTINUED**

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**Interpretation of Relevant Law**

Though the Commonwealth of Pennsylvania has not fully adopted the Uniform Prudent Management of Institutional Funds Act (UMIFA), the Organization considers the guidance in the management and investment of funds. The Organization classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of the gifts donated to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence followed by the Organization.

**Investment Policy**

The goal of the Organization's investment policy, which follows a total return investment strategy, is to conserve and enhance the capital value of the fund, in real terms, through asset appreciation and income generation while maintaining a moderate level of risk. Under the investment policy approved by the board of directors, the endowment assets are invested 50% to 80% in equity securities and 20% to 50% in fixed income securities. The Organization expects its endowment funds, over time, to provide an average rate of return that meets or exceeds the returns of the MSCI ACWI Index and the Bloomberg Barclays Aggregate Bond Index that most closely mirrors the securities held in the portfolio. The Organization's actual returns may vary from this amount in any given year.

**Spending Policy**

The Organization has a board-approved spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. As of December 31, 2018 and 2017, the board-approved spending policy was 5% of the rolling five-year average of the market value of the trust as of September 30<sup>th</sup> of each year.

**Underwater Endowments**

The Organization considers a sub-fund to be underwater if the fair value of the sub-fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and/or other requirements in accordance with donor directives. Income distributions for new gifts to the endowment fund will not be eligible for a minimum of three years after receipt, assuming the FMV is 100% or greater than the contributed value at that time. Should a sub-fund be underwater, United Way of Berks County will use a step-down appropriation method to slow the allocation from the endowment until the principal has been restored. No distributions will be made from an endowed fund that is considered underwater by more than 15%. Further, once distributions have been suspended from an underwater endowment, the annual appropriations will not resume until the fair market value has been restored to the initial principal value.

The Organization had three underwater endowment sub-funds as of December 31, 2018. The original gift values of the funds totaled \$750,008 with market value of \$681,338. None of these funds were eligible for income distributions as they were new gifts and did not meet the three-year minimum hold for distributions.

There were no underwater funds as of December 31, 2017.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 9 - ENDOWMENT FUNDS - CONTINUED**

Endowment net asset composition by type of funds as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,461,653	\$ 5,461,653
Board-designated endowment funds	<u>1,610,076</u>	<u>-</u>	<u>1,610,076</u>
<b>Totals funds</b>	<u><u>\$ 1,610,076</u></u>	<u><u>\$ 5,461,653</u></u>	<u><u>\$ 7,071,729</u></u>

Changes in endowment net assets for the year ended December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,840,194	\$ 5,663,064	\$ 7,503,258
Investment return:			
Investment income	37,002	120,337	157,339
Net gain (loss) (realized and unrealized)	<u>(174,891)</u>	<u>(627,364)</u>	<u>(802,255)</u>
Total investment return	<u>(137,889)</u>	<u>(507,027)</u>	<u>(644,916)</u>
Contributions	2,540	554,601	557,141
Adjustment between funds	-	-	-
Transfers of donor-restricted income	-	(116,038)	(116,038)
Transfer of income to general operations	<u>(94,769)</u>	<u>(132,947)</u>	<u>(227,716)</u>
<b>Endowment net assets, end of year</b>	<u><u>\$ 1,610,076</u></u>	<u><u>\$ 5,461,653</u></u>	<u><u>\$ 7,071,729</u></u>

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 9 - ENDOWMENT FUNDS - CONTINUED**

Endowment net asset composition by type of funds as of December 31, 2017 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,663,064	\$ 5,663,064
Board-designated endowment funds	<u>1,840,194</u>	<u>-</u>	<u>1,840,194</u>
 Totals funds	 <u>\$ 1,840,194</u>	 <u>\$ 5,663,064</u>	 <u>\$ 7,503,258</u>

Changes in endowment net assets for the year ended December 31, 2017 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,673,868	\$ 4,904,222	\$ 6,578,090
Investment return:			
Investment income	27,235	79,704	106,939
Net gain (loss)			
(realized and unrealized)	<u>212,824</u>	<u>632,628</u>	<u>845,452</u>
Total investment return	240,059	712,332	952,391
Contributions	-	279,034	279,034
Adjustment between funds	-	-	-
Transfers of donor-restricted income	-	(104,806)	(104,806)
Transfer of income to general operations	<u>(73,733)</u>	<u>(127,718)</u>	<u>(201,451)</u>
 Endowment net assets, end of year	 <u>\$ 1,840,194</u>	 <u>\$ 5,663,064</u>	 <u>\$ 7,503,258</u>

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 10 - FAIR VALUE MEASUREMENTS**

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Generally accepted accounting principles establish a framework for measuring fair value. The primary effect of fair value measurement on the Organization was to expand the required disclosures pertaining to the methods used to determine fair values.

That framework 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 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

*Level 1:* 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 2:* Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and 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.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 December 31, 2018.

**Long-Term Investments**

Schwab holds the investments of the United Way of Berks County, Inc. in accordance with the investment policy of the Organization. BB&T held the investments of the Organization as of December 31, 2017. The policy restricts the investments to cash, fixed income, and equity securities which are publicly traded. The investments are valued at the quoted market value for shares held at year end.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10 - FAIR VALUE MEASUREMENTS - CONTINUED

**Beneficial Interests in Perpetual Trusts**

United Way of Berks County, Inc. is the beneficiary of four trusts, three of which are managed by banks, and the fourth which is managed by the Berks County Community Foundation. The banks and Foundation hold the investments in diversified and balanced portfolios consisting of cash and money market funds, corporate and government debt securities, equity securities, mutual funds, fixed income mutual funds, and limited investment partnerships. These investments are valued by the trust managers based on the quoted market prices for shares held or current bid price of held funds.

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of the banks and Foundation 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 a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the United Way of Berks County, Inc.'s assets at fair value as of December 31:

	2018			
	Level 1	Level 2	Level 3	Total
Equity funds	\$ 4,458,258	\$ -	\$ -	\$ 4,458,258
Bond funds	3,575,853	-	-	3,575,853
Exchange traded funds	1,700,098	-	-	1,700,098
Beneficial interests in perpetual trusts	-	-	809,796	809,796
Total	<u>\$ 9,734,209</u>	<u>\$ -</u>	<u>\$ 809,796</u>	<u>\$ 10,544,005</u>



**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 10 - FAIR VALUE MEASUREMENTS - CONTINUED**

	2017			Total
	Level 1	Level 2	Level 3	
Equity securities	\$ 6,024,734	\$ -	\$ -	\$ 6,024,734
Government - agency notes and bonds	1,475,486	-	-	1,475,486
Mortgage-backed securities	544,750	-	-	544,750
Corporate bonds	1,144,822	-	-	1,144,822
Other	529,664	-	-	529,664
Beneficial interests in perpetual trusts	-	-	906,688	906,688
<b>Total</b>	<b><u>\$ 9,719,456</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 906,688</u></b>	<b><u>\$ 10,626,144</u></b>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31:

	2018	2017
Balance, beginning of year	\$ 906,688	\$ 817,936
Realized and unrealized gains (losses)	<u>(96,892)</u>	<u>88,752</u>
Balance, end of year	<u>\$ 809,796</u>	<u>\$ 906,688</u>

The carrying value of receivables approximates fair value because of the short-term maturity of these instruments.

**NOTE 11 - LEASE AGREEMENT**

The Organization leases its office facility under a noncancelable agreement, which expires on December 31, 2021 with the option to renew for two additional five-year terms. The lease requires monthly minimum rentals of \$12,191 and provides that the lessee maintains and pays for comprehensive general public liability insurance. Total rental expenses for both years ending December 31, 2018 and 2017 was \$146,290 and \$137,228 respectively.

The total minimum rental commitment is due as follows at December 31:

2019	\$ 146,290
2020	146,290
2021	<u>155,352</u>
<b>Total</b>	<b><u>\$ 447,932</u></b>

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 12 - PAYMENTS TO AFFILIATED AGENCIES AND THE AMERICAN CANCER SOCIETY**

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In accordance with the membership criteria of United Way Worldwide, 1% of total unrestricted support from the previous campaign is shared with United Way Worldwide. Additionally, an amount is shared with United Way of Pennsylvania. Payments made to United Way Worldwide and United Way of Pennsylvania for the years ended December 31, 2018 and 2017 amounted to \$127,071 and \$124,170, respectively.

In addition, the Organization participates in a cooperative agreement with the American Cancer Society, Berks County Unit and the American Cancer Society, Pennsylvania Division, Inc. for business, industry, and government fundraising. In accordance with this agreement, the American Cancer Society receives 2.3% of the annual campaign received by United Way of Berks County less donor designations and allowance for uncollectible pledges. This contract is renewable on an annual basis.

**NOTE 13 - COMMITMENTS**

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The Organization has committed \$6,552,856 of contributions for the next allocation period to various affiliated agencies. The resources used to fulfill this commitment are largely reflected in the net assets with donor restriction balance.

**NOTE 14 - RETIREMENT PLANS**

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**Defined Contribution Plan**

The Organization maintains a 403(b) Defined Contribution Plan for all employees. Under this Plan, a participant shall be 20% vested after one year and 20% each year thereafter. An employee shall be considered 100% vested after five years or upon the attainment of age 55, whichever occurs first. The employer has the sole right to determine the amount of any discretionary employer matching contributions annually. During 2018 and 2017, the Organization made contributions of \$70,731 and \$69,579, respectively, to the Plan.

**Deferred Contribution Plan**

Effective November 1, 2017, the Organization implemented a 457(b) Retirement Plan which is a nonqualified deferred compensation plan for key employees. Participants of the plan may elect to defer a portion of the cash compensation that would otherwise be paid to each participant. No employer contributions were made to the plan. The Plan assets of \$11,042 as of December 31, 2018 and December 31, 2017 are included with cash and equivalents on the statement of financial position with the liability included with accounts payable and accrued expenses.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 15 - DISTRIBUTION FOR SERVICES**

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United Way of Berks County, Inc. raises funds that are distributed to human service programs in the community. A breakdown of support, which includes donor designations provided by focus area, is as follows at December 31:

	<u>2018</u>	<u>2017</u>
Education	\$ 2,870,057	\$ 2,702,663
Financial Stability	536,216	442,504
Health	2,100,437	2,063,065
Safety Net	<u>1,948,159</u>	<u>2,145,028</u>
Total support	<u>\$ 7,454,869</u>	<u>\$ 7,353,260</u>

As part of the annual allocation process, \$6,564,268 and \$6,459,189 of the total support was distributed to partner agencies for the years ended December 31, 2018 and 2017, respectively. An additional \$890,601 and \$894,071 was distributed through other grant programs for the years ended December 31, 2018 and 2017, respectively.

**NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

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**Liquidity Management**

The Organization maintains a policy to ensure its financial assets are available to meet its expenditures and other obligations with a goal to maintain balances to meet two to four months of ordinary business expenses. Excess operating cash not needed for operations will be invested in a short-term CD ladder program with various banks and/or other short-term investments as allowed in the Organization's Investment Statement Policy. The Organization maintains an Operating Reserve Account that is invested as a long-term asset in a conservative manner with a 50/50 asset mix. Assets from the Operating Reserve Account can be converted to cash as necessary. The Organization's endowment investments consist of donor-restricted and a quasi-endowment. Income for donor-restricted endowments is restricted and not available for general expenditures. United Way of Berks County does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process; however, if deemed necessary by the Finance Committee and approved by the Board of Directors, amounts from its quasi endowment could be made available. United Way of Berks County does not currently utilize a line of credit nor other operating loans from financial institutions to support operations.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES - CONTINUED**

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows at December 31:

Financial assets available within one year	2018	2017
Cash and cash equivalents	\$ 2,448,716	\$ 2,663,282
Certificates of deposits maturing within one year	455,174	372,522
Pledges receivable, Net	7,770,358	8,054,167
Other accounts receivable	54,924	18,954
Long term investments	9,734,209	9,719,456
Total financial assets available within one year	20,463,381	20,828,381
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose or time restrictions	(9,165,311)	(9,517,733)
Restricted by donors in perpetuity	(5,461,653)	(5,663,064)
Total amounts unavailable for general expenditures within one year	(14,626,964)	(15,180,797)
Less:		
Amounts unavailable to management without Board approval:		
Board Designated for Quasi-Endowment	(1,610,076)	(1,840,194)
Total financial assets available to management for general expenditure within one year	\$ 4,226,341	\$ 3,807,390

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS**

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In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40)*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year, making it effective for fiscal years beginning after December 15, 2018. The Organization is evaluating the impact of this standard on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2019, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The new ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 clarifies that benefits received by the general public is not the same as the resource provider receiving that benefit and that the execution of the resource provider's mission does not equate to commensurate value. The ASU also provides guidance for distinguishing between condition and unconditional contributions. A conditional contribution must have (1) a barrier that must be overcome AND (2) a right of return or release of the donor obligation. Conditional contributions received are accounted for as a liability, while conditional pledges are unrecognized. In each instance, when the barriers to entitlement are overcome, the related revenue is recognized and classified in the appropriate net asset class. The effective date is for fiscal years beginning after December 15, 2018, with early implementation permitted. The Organization is evaluating the impact of this standard on the financial statements.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors  
United Way of Berks County, Inc.  
Reading, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Berks County, Inc., which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered United Way of Berks County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Berks County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Berks County, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

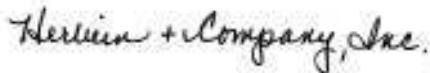
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether United Way of Berks County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Reading, Pennsylvania**  
**May 7, 2019**



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May 7, 2019

To Senior Management and  
the Board of Directors  
United Way of Berks County, Inc.  
Reading, Pennsylvania

In planning and performing our audit of the financial statements of the United Way of Berks County, Inc. for the year ended December 31, 2018, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of a few matters we wanted to bring to your attention. This letter does not affect our report dated May 7, 2019, on the financial statements of the United Way of Berks County, Inc.

#### **Tax Cut and Jobs Act - Nonprofit Fringe Benefits**

The 2017 Tax Cuts and Jobs Act may require some nonprofit organizations to file an Exempt Organization Business Income Tax Return (Form 990-T). There are potential tax implications for organizations who provide certain benefits for their employees, including qualified transportation fringe benefits (parking or bus passes, bicycle commuting reimbursements), costs associated with a parking facility used to provide employee parking, and expenses associated with an on-premise athletic facility. We have been monitoring IRS communications related to this requirement and the IRS recently issued additional guidance related to the treatment of qualified transportation fringe benefits. We are evaluating the new guidance and the impact it will have on nonprofit organizations and will distribute an update on the additional guidance. As always, we are available to assist with any questions or concerns you have. We are also available to assist with any additional filings applicable to your organization. We recommend that you follow up with the United Way Worldwide to determine if they have taken a position on this issue as well.

#### **United Way of Berks County Response**

United Way of Berks County Management has been monitoring this legislation and has implemented measures to eliminate the tax implication on the Organization for fiscal years starting January 1, 2019. Management is also prepared for the Form 990-T to be included in the 2018 tax filing.

#### **Actions Planned**

The Organization will continue to monitor IRS communications related to the requirement and will utilize Herbein + Company, Inc., United Way Worldwide, and other accounting volunteers as resources regarding interpretation of additional guidance provided.



### **FASB Update - Contributions Guidance**

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. Under current practice, many nonprofits treat governmental entity grants and contracts as exchange transactions, regardless of the substance of the grant or contract. ASU 2018-08 clarifies that benefits received by the general public is not the same as the resource provider receiving that benefit and that the execution of the resource provider's mission does not equate to commensurate value. Therefore, under the new guidance, these transactions are considered contributions.

### **United Way of Berks County Response**

United Way of Berks County Management is aware of the updated standards.

### **Actions Planned**

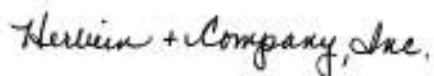
The organization will familiarize its accounting and finance staff members about the new standards and will leverage its volunteers with accounting expertise and consulting with Herbein + Company, Inc. and United Way Worldwide in the adoption of the new standards.

The update also provides guidance for distinguishing between conditional and unconditional contributions. A conditional contribution must have (1) a barrier that must be overcome AND (2) a right of return or release of the donor obligation. Conditional contributions received are accounted for as a liability, while conditional pledges are unrecognized. In each instance, when the barriers to entitlement are overcome, the related revenue is recognized and classified in the appropriate net asset class. The effective date is for fiscal years beginning after December 15, 2018, with early implementation permitted.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Herbein + Company, Inc.