



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

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2020 and 2019**

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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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **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 in the first paragraph present fairly, in all material respects, the financial position of United Way of Berks County, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2021, 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.

*Herbein + Company, Inc.*

Reading, Pennsylvania

May 5, 2021

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

**STATEMENTS OF FINANCIAL POSITION**

December 31

	2020	2019
<b>ASSETS</b>		
Cash	\$ 10,866,457	\$ 2,344,499
Certificates of deposit	676,504	1,096,504
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2020 - \$1,381,917; 2019 - \$859,713)	6,239,600	8,228,326
Other	5,026,994	8,971
Prepaid expenses	15,294	36,994
Long-term investments, at market	12,280,545	11,166,525
Beneficial interest in perpetual trusts, at market	972,483	916,381
Beneficial interest in life insurance policy	25,314	24,269
Leasehold improvements, furniture, fixtures, and equipment, net	18,887	22,440
<b>TOTAL ASSETS</b>	<b>\$ 36,122,078</b>	<b>\$ 23,844,909</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 436,749	\$ 367,517
Due to other United Way agencies	333,648	330,226
Due to affiliated agencies	878,285	1,345,088
Deferred revenue	65,917	-
Paycheck Protection Program loan	422,411	-
<b>TOTAL LIABILITIES</b>	2,137,010	2,042,831
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated, available for general activities	13,226,575	2,920,564
Board-designated endowment, at market	2,069,088	1,834,150
Total without donor restrictions	15,295,663	4,754,714
With donor restrictions:		
Time and purpose restrictions	10,681,762	9,891,118
Perpetuity - endowment	7,035,160	6,239,865
Perpetuity - beneficial interest in trust	972,483	916,381
Total with donor restrictions	18,689,405	17,047,364
<b>TOTAL NET ASSETS</b>	<b>33,985,068</b>	<b>21,802,078</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 36,122,078</b>	<b>\$ 23,844,909</b>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2020		Year Ended December 31, 2019		Year Ended December 31,	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
<b>PUBLIC SUPPORT AND OTHER REVENUE</b>						
Campaign contributions applicable to current period:						
Contributions received - current period	\$ 779,766	\$ -	\$ 815,899	\$ -	\$ 779,766	\$ 815,899
Less: donor designations	(66,327)	-	(89,931)	-	(66,327)	(89,931)
Less: allowance for uncollectible pledges	(375,000)	-	-	-	(375,000)	-
Less: amounts not available for operations	(378,271)	-	(301,682)	-	(378,271)	(301,682)
Contributions received in prior periods and now released from restriction	10,311,936	(10,311,936)	10,046,034	(10,046,034)	-	-
Less: donor designations	(1,598,352)	1,598,352	(1,499,752)	1,499,752	-	-
Less: allowance for uncollectible pledges	(424,256)	424,256	(436,254)	436,254	-	-
Less: amounts not available for operations	(44,068)	44,068	(155,329)	155,329	-	-
Total campaign contributions applicable to current period	8,205,428	(8,245,260)	8,378,985	(7,954,699)	(39,832)	424,286
Campaign contributions received for next allocation period:						
Contributions received - current period	-	10,084,186	-	10,216,743	10,084,186	10,216,743
Less: donor designations	-	(1,085,229)	-	(1,598,352)	(1,085,229)	(1,598,352)
Less: allowance for uncollectible pledges	-	(574,630)	-	(424,256)	(574,630)	(424,256)
Less: amounts not available for operations	-	(129,503)	-	(44,068)	(129,503)	(44,068)
Total campaign contributions for next allocation period	-	8,294,824	-	8,150,067	8,294,824	8,150,067
Campaign contributions received for future years	-	58,300	-	124,052	58,300	124,052
Donor designations from other United Way agencies	124,435	-	51,642	-	124,435	51,642
Prior year campaign contributions	106,582	-	125,253	-	106,582	125,253
Total campaign related revenue	8,436,445	107,864	8,555,880	319,420	8,544,309	8,875,300
Grants, governmental agencies	65,100	-	76,863	-	65,100	76,863
COVID-19 contributions	-	1,078,226	-	-	1,078,226	-
Other contributions	10,029,124	557,707	12,286	491,340	10,586,831	503,626
Donated materials and services	77,288	-	117,368	-	77,288	117,368
Total public support	18,607,957	1,743,797	8,762,397	810,760	20,351,754	9,573,157
Other revenue:						
Investment return, net	124,224	282,748	64,223	390,487	406,972	454,710
Endowment investment return, net	290,978	979,463	307,116	1,035,625	1,270,441	1,342,741
Transfers	112,667	(223,652)	117,360	(211,315)	(110,985)	(93,955)
Other income	57,533	-	64,923	-	57,533	64,923
Unrealized gain on beneficial interest	-	56,102	-	106,585	56,102	106,585
Other net assets released from restriction	1,196,417	(1,196,417)	521,538	(521,538)	-	-
Total other revenue	1,781,819	(101,756)	1,075,160	799,844	1,680,063	1,875,004
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUE</b>	<b>20,389,776</b>	<b>1,642,041</b>	<b>9,837,557</b>	<b>1,610,604</b>	<b>22,031,817</b>	<b>11,448,161</b>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2020		Year Ended December 31, 2019		Year Ended December 31,	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
<b>ALLOCATIONS AND EXPENSES</b>						
<b>PROGRAM SERVICES</b>						
Allocations and expenses:						
Gross funds distributed for services	8,133,883	-	7,549,576	-	8,133,883	7,549,576
Less: donor designations	(1,422,604)	-	(1,367,993)	-	(1,422,604)	(1,367,993)
Net funds distributed for services	6,711,279	-	6,181,583	-	6,711,279	6,181,583
Community impact, including donated materials and services (2020 - \$50,948; 2019 - \$48,948)	1,065,894	-	1,271,018	-	1,065,894	1,271,018
<b>TOTAL PROGRAM SERVICES</b>	<b>7,777,173</b>	<b>-</b>	<b>7,452,601</b>	<b>-</b>	<b>7,777,173</b>	<b>7,452,601</b>
<b>SUPPORTING SERVICES</b>						
Fundraising and resource development, including donated materials and services (2020 - \$23,992; 2019 - \$59,396)	1,368,428	-	1,513,042	-	1,368,428	1,513,042
Administration, including donated materials and services (2020 - \$2,348; 2019 - \$9,024)	703,226	-	658,452	-	703,226	658,452
<b>TOTAL SUPPORTING SERVICES</b>	<b>2,071,654</b>	<b>-</b>	<b>2,171,494</b>	<b>-</b>	<b>2,071,654</b>	<b>2,171,494</b>
<b>TOTAL ALLOCATIONS AND EXPENSES</b>	<b>9,848,827</b>	<b>-</b>	<b>9,624,095</b>	<b>-</b>	<b>9,848,827</b>	<b>9,624,095</b>
<b>INCREASE IN NET ASSETS</b>	<b>10,540,949</b>	<b>1,642,041</b>	<b>213,462</b>	<b>1,610,604</b>	<b>12,182,990</b>	<b>1,824,066</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>4,754,714</b>	<b>17,047,364</b>	<b>4,541,252</b>	<b>15,436,760</b>	<b>21,802,078</b>	<b>19,978,012</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 15,295,663</b>	<b>\$ 18,689,405</b>	<b>\$ 4,754,714</b>	<b>\$ 17,047,364</b>	<b>\$ 33,985,068</b>	<b>\$ 21,802,078</b>

See accompanying notes.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2020**

	Program Services	Support Services			Totals
	Community Impact	Resource Development	Administration	Total Support Services	
Gross funds distributed for services	\$ 8,133,883	\$ -	\$ -	\$ -	\$ 8,133,883
Less: donor designations	(1,422,604)	-	-	-	(1,422,604)
Net allocations to services	6,711,279	-	-	-	6,711,279
Salaries	566,477	766,608	416,979	1,183,587	1,750,064
Employee benefits	95,084	163,597	79,224	242,821	337,905
Payroll taxes	41,500	55,565	30,355	85,920	127,420
Total salaries and related expenses	703,061	985,770	526,558	1,512,328	2,215,389
Contract services	98,363	66,750	38,747	105,497	203,860
Supplies	72,167	2,771	1,087	3,858	76,025
Telephone	3,592	4,471	2,585	7,056	10,648
Postage	335	4,834	1,866	6,700	7,035
Occupancy	48,818	62,195	36,008	98,203	147,021
Rent, purchase, and maintenance of equipment	8,839	17,882	11,401	29,283	38,122
Printing and promotion	588	72,891	202	73,093	73,681
Travel and conferences	1,036	3,053	668	3,721	4,757
Insurance	6,061	7,459	4,312	11,771	17,832
United Way sponsored meetings	7,190	6,729	337	7,066	14,256
United Way Worldwide and United Way of Pennsylvania dues	56,076	69,010	39,891	108,901	164,977
Donated materials and services	50,948	23,992	2,348	26,340	77,288
Depreciation	6,647	8,498	6,037	14,535	21,182
Miscellaneous expenses	2,173	32,123	31,179	63,302	65,475
<b>TOTAL EXPENSES</b>	<u>\$ 7,777,173</u>	<u>\$ 1,368,428</u>	<u>\$ 703,226</u>	<u>\$ 2,071,654</u>	<u>\$ 9,848,827</u>

See accompanying notes.



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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2019**

	Program Services	Support Services			Totals
	Community Impact	Resource Development	Administration	Total Support Services	
Gross funds distributed for services	\$ 7,549,576	\$ -	\$ -	\$ -	\$ 7,549,576
Less: donor designations	(1,367,993)	-	-	-	(1,367,993)
Net allocations to services	6,181,583	-	-	-	6,181,583
Salaries	632,929	737,511	384,351	1,121,862	1,754,791
Employee benefits	104,195	165,097	75,049	240,146	344,341
Payroll taxes	48,632	55,364	32,198	87,562	136,194
Total salaries and related expenses	785,756	957,972	491,598	1,449,570	2,235,326
Contract services	191,225	99,242	41,037	140,279	331,504
Supplies	75,919	3,678	1,239	4,917	80,836
Telephone	3,733	4,513	2,619	7,132	10,865
Postage	272	5,384	2,325	7,709	7,981
Occupancy	50,681	61,352	35,696	97,048	147,729
Rent, purchase, and maintenance of equipment	5,664	12,602	5,327	17,929	23,593
Printing and promotion	17,894	149,489	145	149,634	167,528
Travel and conferences	8,810	13,212	3,747	16,959	25,769
Insurance	6,196	7,392	3,445	10,837	17,033
United Way sponsored meetings	19,887	39,932	936	40,868	60,755
United Way Worldwide and United Way of Pennsylvania dues	44,386	57,012	32,245	89,257	133,643
Donated materials and services	48,948	59,396	9,024	68,420	117,368
Depreciation	9,751	13,001	7,148	20,149	29,900
Miscellaneous expenses	1,896	28,865	21,921	50,786	52,682
<b>TOTAL EXPENSES</b>	<b>\$ 7,452,601</b>	<b>\$ 1,513,042</b>	<b>\$ 658,452</b>	<b>\$ 2,171,494</b>	<b>\$ 9,624,095</b>

See accompanying notes.

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

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 12,182,990	\$ 1,824,066
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	21,182	29,900
(Gain) loss on sale of investments	(119,044)	100,406
Unrealized gain on investments	(1,289,799)	(1,656,229)
Unrealized gain on beneficial interest in perpetual trust	(56,102)	(106,585)
Contribution of beneficial interest in insurance policy	(1,045)	(993)
Contributions restricted for endowment funds	(65,740)	(993)
Changes in:		
Pledges receivable	1,988,726	(457,968)
Other receivables	(5,018,023)	45,953
Prepaid expenses	21,700	(1,132)
Accounts payable and accrued expenses	69,232	(17,459)
Due to other United Way agencies	3,422	28,874
Due to affiliated agencies	(466,803)	68,948
Deferred revenue	65,917	(76,863)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>7,336,613</b>	<b>(220,075)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(17,629)	(12,312)
Proceeds from sale of investments	2,403,202	2,207,920
Purchase of investments	(2,108,379)	(2,084,413)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>277,194</b>	<b>111,195</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment funds	65,740	993
Proceeds from Paycheck Protection Program loan	422,411	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>488,151</b>	<b>993</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,101,958</b>	<b>(107,887)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,441,003</b>	<b>3,548,890</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 11,542,961</b>	<b>\$ 3,441,003</b>
<b>RECONCILIATION OF CASH AT END OF YEAR</b>		
Cash and cash equivalents	\$ 10,866,457	\$ 2,344,499
Certificates of deposit	676,504	1,096,504
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 11,542,961</b>	<b>\$ 3,441,003</b>

See accompanying notes.

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

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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, the 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).

##### **Cash**

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.

##### **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.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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

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**Promises to Give/Pledges Receivable and Other Receivables**

Unconditional promises to give are recognized as revenues and assets in the period 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 and Other Receivables**

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 and investments in debt securities 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.

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

Purchases of new leasehold improvements, furniture, fixtures, and equipment are recorded at cost. The Organization's policy is to capitalize any assets in excess of \$500 with an estimated useful life of more than one year. 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. Leasehold improvements, 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
Equipment	3 years

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of leasehold improvements, furniture, fixtures, and equipment, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is recorded.

**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 7 for more information on the composition of net assets without donor restrictions.

- *Net Assets With Donor Restrictions* consist 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 stipulated 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.

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 8 and 9 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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

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**Revenue Recognition**

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Organization recognizes revenue when control of the promised services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The standard outlined a five-step model whereby revenue is recognized as performance obligations are satisfied.

The Organization's revenue from program service fees, events, and merchandise income, and other contracts is minimal. Most of the Organization's revenue is however from contribution revenue.

**Contribution Revenue**

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08 Not-For-Profit Entities (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

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. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

In November 2020, the Organization was notified by representatives of a philanthropist that it would be receiving an unrestricted gift of \$10,000,000. In December 2020, the Organization received \$5,000,000 that was deposited in a money market account as an interim step while the Organization developed specific strategies around fund management, program investment, and reporting practices for the funds. The balance was received in January 2021. The Organization established an Advisory Committee of volunteers to work with staff to develop a spending strategy to utilize the funds. The committee developed the following strategies:

- **Immediate COVID Response Fund** - Provide one-time grants to support basic needs (food, homeless prevention, medication, diapers, formula, etc.); Support of working families (quality childcare, remote learning centers, etc.); Unrestricted Operating Costs due to loss of revenue from cancelled fundraising; Agency Resiliency (continuity/disaster recovery plans, technology, training, etc.).

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Contribution Revenue - continued**

- **Impact Grants** - Provide awards to organizations/collaborations addressing COVID related high need areas/impacted populations through programs and services. Impact grants will be used to expand/increase service delivery, provide resources to take programming to a new level, develop new programming, etc.
- **Large, Multi-Year, “Transformational” Grants** - Provide awards to sustainable collaborative efforts or non-profits engaged in addressing poverty, educational attainment, workforce readiness, social determinants of health, etc.

Additional strategies and other Community initiatives will also be considered.

Grants

Support received under grants with Federal, State, and Local agencies are considered nonreciprocal transactions and follow the guidance for contributions. These grants are recorded as public support in the appropriate fund when the conditions are met, including incurring related costs and/or meeting program requirements. Grants receivable represent amounts due for expenditures incurred or program requirements met prior to year-end. Deferred revenue represents cash received in advance of the conditions being met.

Sponsorships

Support received from sponsorships solicited by the Organization, in support of organizational activities which enhance the mission of the organization, are considered nonreciprocal transactions and follow the guidance for contributions. Sponsorships support activities in the current fiscal year in which the solicitation occurs. In most cases, the sponsorships cover costs related to the annual campaign activities; others are focused on program activities. Sponsorships are either provided by individuals or companies. At the end of each fiscal year, sponsorships are closed out. If any dollars are left unused, the dollars are treated as restricted by the Organization and are available to support the same activities in the following fiscal year.

**Donated Materials, Equipment, and Services**

The Organization records the estimated fair value of donated materials, equipment, and services related to its operations, which was \$77,288 and \$117,368 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, approximately 28,020 hours and 56,634 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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

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**Donated Materials, Equipment, and Services - continued**

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.

**Reclassification**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

**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.

**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, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 5, 2021, the date the financial statements were available to be issued.



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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**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>2020</u>	<u>2019</u>
Pledges receivable	<u>\$ 7,621,517</u>	<u>\$ 9,088,039</u>
Receivable in less than one year	\$ 7,514,617	\$ 8,912,560
Receivable in one to three years	<u>106,900</u>	<u>175,479</u>
Total unconditional promises to give	7,621,517	9,088,039
Less allowance for uncollectible pledges	<u>1,381,917</u>	<u>859,713</u>
Net promises to give	<u>\$ 6,239,600</u>	<u>\$ 8,228,326</u>

**NOTE 3 - LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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All investments are recorded at fair value.

The following table shows long-term investments held, including board-designated and donor-restricted endowment funds, endowment income held as net assets with donor restrictions, 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.

Fair values as of December 31 are summarized as follows:

	<u>2020</u>	<u>2019</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Equity funds	\$ 5,486,709	\$ 4,703,721
Bond funds	4,037,397	3,882,134
Exchange traded funds	<u>2,756,439</u>	<u>2,580,670</u>
	<u>\$ 12,280,545</u>	<u>\$ 11,166,525</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 3 - LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	\$ 159,258	\$ 162,252	\$ 321,510
Realized gain	53,212	65,832	119,044
Unrealized gain	230,902	1,058,897	1,289,799
Investment expenses	(28,170)	(24,770)	(52,940)
Total investment return, net	<u>\$ 415,202</u>	<u>\$ 1,262,211</u>	<u>\$ 1,677,413</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	\$ 146,863	\$ 144,643	\$ 291,506
Realized (loss)	(39,494)	(60,912)	(100,406)
Unrealized gain	289,451	1,366,778	1,656,229
Investment expenses	(25,481)	(24,397)	(49,878)
Total investment return, net	<u>\$ 371,339</u>	<u>\$ 1,426,112</u>	<u>\$ 1,797,451</u>

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.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 3 - LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

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*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, 2020.

**Long-Term Investments**

Schwab holds the investments of United Way of Berks County, Inc. in accordance with the investment policy of the Organization. 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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 3 - LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

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:

	2020			Total
	Level 1	Level 2	Level 3	
Equity Funds	\$ 5,486,709	\$ -	\$ -	\$ 5,486,709
Bond Funds	4,037,397	-	-	4,037,397
Exchange Traded Funds	2,756,439	-	-	2,756,439
Beneficial interests in perpetual trusts	-	-	972,483	972,483
<b>Total</b>	<b>\$ 12,280,545</b>	<b>\$ -</b>	<b>\$ 972,483</b>	<b>\$ 13,253,028</b>

  

	2019			Total
	Level 1	Level 2	Level 3	
Equity Funds	\$ 4,703,721	\$ -	\$ -	\$ 4,703,721
Bond Funds	3,882,134	-	-	3,882,134
Exchange Traded Funds	2,580,670	-	-	2,580,670
Beneficial interests in perpetual trusts	-	-	916,381	916,381
<b>Total</b>	<b>\$ 11,166,525</b>	<b>\$ -</b>	<b>\$ 916,381</b>	<b>\$ 12,082,906</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:

	2020	2019
Balance, beginning of year	\$ 916,381	\$ 809,796
Realized and unrealized gains	56,102	106,585
<b>Balance, end of year</b>	<b>\$ 972,483</b>	<b>\$ 916,381</b>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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

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, 2020 and 2019 was \$972,483 and \$916,381, respectively. Annual distributions from the trusts are included in other income without donor restrictions and amounted to \$41,186 and \$42,019 in 2020 and 2019, respectively. The change in market value has been recorded in unrealized gain on beneficial interests in net assets with donor restrictions and amounted to \$56,102 in 2020 and net depreciation of \$106,585 in 2019.

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

Leasehold improvements, furniture and fixtures, and equipment balances and activities for the year consist of the following:

	Beginning Balance 1/1/2020	Additions/ Depreciation	Disposals	Ending Balance 12/31/2020
Leasehold improvements	\$ 36,114	\$ -	\$ -	\$ 36,114
Furniture and fixtures	37,867	-	-	37,867
Equipment	216,677	17,629	-	234,306
	290,658	17,629	-	308,287
Accumulated depreciation	<u>(268,218)</u>	<u>(21,182)</u>	-	<u>(289,400)</u>
Net leasehold improvements, furniture and fixtures, and equipment	<u>\$ 22,440</u>	<u>\$ (3,553)</u>	<u>\$ -</u>	<u>\$ 18,887</u>
	Beginning Balance 1/1/2019	Additions/ Depreciation	Disposals	Ending Balance 12/31/2019
Leasehold improvements	\$ 36,114	\$ -	\$ -	\$ 36,114
Furniture and fixtures	36,379	1,488	-	37,867
Equipment	279,280	10,824	(73,427)	216,677
	351,773	12,312	(73,427)	290,658
Accumulated depreciation	<u>(311,745)</u>	<u>(29,900)</u>	<u>73,427</u>	<u>(268,218)</u>
Net leasehold improvements, furniture and fixtures, and equipment	<u>\$ 40,028</u>	<u>\$ (17,588)</u>	<u>\$ -</u>	<u>\$ 22,440</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$21,182 and \$29,900, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 6 - PAYCHECK PROTECTION PROGRAM**

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On April 13, 2020, the Organization received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$422,411. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. On June 5, 2020, the Paycheck Protection Flexibility Act (the "Act") was signed into law, which allows the Organization and the lender to amend certain terms of the loan in accordance with the Act. The Act also extended the repayment deferral period, which is now defined as (1) when the loan forgiveness is determined by the SBA, or (2) ten months after the end of the borrower's covered period if forgiveness is not requested. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. Prior to year end, the Organization applied to the bank for forgiveness of the full amount of the PPP Loan with respect to these covered expenses. On March 30, 2021, the Organization obtained forgiveness from the SBA for the full amount of the loan. The total amount of \$422,411 is included as a liability at December 31, 2020 and will be recognized as forgiven in the fiscal year ending December 31, 2021.

**NOTE 7 - 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:

	<u>2020</u>	<u>2019</u>
Undesignated - available for general use	\$ 13,226,575	\$ 2,920,564
Board designated	<u>2,069,088</u>	<u>1,834,150</u>
Total	<u>\$ 15,295,663</u>	<u>\$ 4,754,714</u>

The Board has designated funds to be set aside to establish and maintain an endowment fund for the purpose of securing the Organization's long-term financial viability and continuing to meet spending needs. The board designated endowment fund generated \$28,940 and \$5,353 of additional contributions for the years ended December 31, 2020 and 2019, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2020</u>	<u>2019</u>
Subject to Expenses for Specified Purpose or Period:		
Human service allocation for the next fiscal year	\$ 8,430,876	\$ 8,245,261
Human service allocation for future years	118,300	196,052
United Way programs and activities	1,311,320	1,063,381
At-Risk children	40,064	43,807
Other Community Impact activities	<u>781,202</u>	<u>342,617</u>
 Total subject to expenses for specified purpose or period	 10,681,762	 9,891,118
 Endowment Fund Subject to the Organization's Spending Policy and Appropriation:		
Investments in Perpetuity to Support:		
Focus area panel appropriations	3,253,883	2,832,935
At-Risk children	621,434	560,171
Major gifts and planned giving activities	437,557	397,006
United Way of Berks County Operations	<u>2,722,286</u>	<u>2,449,754</u>
 Total endowment subject to the Organization's spending policy and appropriation	 7,035,160	 6,239,865
 Beneficial Interest in perpetual trust	 <u>972,483</u>	 <u>916,381</u>
 Total net assets with donor restrictions	 <u>\$ 18,689,405</u>	 <u>\$ 17,047,364</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

**NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS**

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>2020</u>	<u>2019</u>
Expiring time restrictions - campaign	\$ 8,245,260	\$ 7,954,699
United Way programs and activities	155,601	266,125
At-Risk children	30,000	30,000
COVID relief	847,034	-
Other community impact activities	<u>163,782</u>	<u>225,413</u>
Total net assets released from restriction	<u>\$ 9,441,677</u>	<u>\$ 8,476,237</u>

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

	<u>2020</u>	<u>2019</u>
Contributions received in prior year and now released from restriction	\$ 10,311,936	\$ 10,046,034
Less: donor designations	(1,598,352)	(1,499,752)
Less: allowance for uncollectible pledges	(424,256)	(436,254)
Less: amounts not available for operations	<u>(44,068)</u>	<u>(155,329)</u>
Total campaign contributions released from restriction	8,245,260	7,954,699
Other net assets released from restriction	<u>1,196,417</u>	<u>521,538</u>
Total net assets released from restriction	<u>\$ 9,441,677</u>	<u>\$ 8,476,237</u>

**NOTE 10 - ENDOWMENT FUNDS**

The Organization's endowment consists of 14 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, 2020 and 2019**

**NOTE 10 - 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. For the year ended December 31, 2020, the board-approved spending policy was 4.75% of the rolling five-year average of the market value of the trust as of September 30, 2019 and 5% of the rolling five-year average of the market value of the trust as of September 30, 2018 for the year ended December 31, 2019.

**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.

For years ending December 31, 2020 and 2019, the Organization had no endowment sub-funds considered to be underwater. At December 31, 2019, there were three gifts that were not eligible for income distributions as they did not meet the three-year minimum hold for distributions.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 10 - ENDOWMENT FUNDS - CONTINUED**

Endowment net asset composition by type of funds as of December 31, 2020, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 7,035,160	\$ 7,035,160
Board-designated endowment funds	<u>2,069,088</u>	<u>-</u>	<u>2,069,088</u>
Totals funds	<u>\$ 2,069,088</u>	<u>\$ 7,035,160</u>	<u>\$ 9,104,248</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,834,150	\$ 6,239,865	\$ 8,074,015
Investment return:			
Dividend and interest income	47,870	162,252	210,122
Net gain (realized and unrealized)	250,434	841,981	1,092,415
Investment expenses	<u>(7,326)</u>	<u>(24,770)</u>	<u>(32,096)</u>
Total investment return	290,978	979,463	1,270,441
Contributions	28,940	65,740	94,680
Transfers of donor-restricted income	-	(118,630)	(118,630)
Transfer from application of spending policy	<u>(84,980)</u>	<u>(131,278)</u>	<u>(216,258)</u>
Endowment net assets, end of year	<u>\$ 2,069,088</u>	<u>\$ 7,035,160</u>	<u>\$ 9,104,248</u>

Endowment net asset composition by type of funds as of December 31, 2019, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,239,865	\$ 6,239,865
Board-designated endowment funds	<u>1,834,150</u>	<u>-</u>	<u>1,834,150</u>
Totals funds	<u>\$ 1,834,150</u>	<u>\$ 6,239,865</u>	<u>\$ 8,074,015</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 - ENDOWMENT FUNDS - CONTINUED

Changes in endowment net assets for the year ended December 31, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,610,076	\$ 5,461,653	\$ 7,071,729
Investment return:			
Dividend and interest income	42,926	144,643	187,569
Net gain (realized and unrealized)	271,419	915,379	1,186,798
Investment expenses	(7,229)	(24,397)	(31,626)
Total investment return	307,116	1,035,625	1,342,741
Contributions	5,353	993	6,346
Transfers of donor-restricted income	-	(121,512)	(121,512)
Transfer from application of spending policy	(88,395)	(136,894)	(225,289)
Endowment net assets, end of year	<u>\$ 1,834,150</u>	<u>\$ 6,239,865</u>	<u>\$ 8,074,015</u>

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 the years ended December 31, 2020 and 2019 were \$146,290.

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

2021           \$ 155,352

NOTE 12 - PAYMENTS TO AFFILIATED AGENCIES

In accordance with the membership criteria of United Way Worldwide, in 2019 1% of total unrestricted support from the previous campaign was shared with United Way Worldwide. In October of 2020, the amount increased to 2% for the last quarter of the year. For 2021, the rate will be 1.5%. 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, 2020 and 2019 amounted to \$164,977 and \$133,643 respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 13 - COMMITMENTS**

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The Organization has committed \$6,884,790 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 2020 and 2019, the Organization made contributions of \$73,358 and \$79,841, 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 \$25,168 and \$19,176 for years ended December 31, 2020 and 2019, respectively, are included with cash and equivalents on the statement of financial position with the liability included with accounts payable and accrued expenses.

**NOTE 15 - DISTRIBUTION FOR SERVICES**

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United Way of Berks County, Inc. raises funds that are distributed to health and 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>2020</u>	<u>2019</u>
Education	\$ 2,955,955	\$ 2,789,244
Financial Stability	641,514	675,271
Health	2,130,869	2,126,469
Safety Net	<u>2,405,545</u>	<u>1,958,592</u>
Total support	<u>\$ 8,133,883</u>	<u>\$ 7,549,576</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 15 - DISTRIBUTION FOR SERVICES - CONTINUED**

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As part of the annual allocation process, \$6,705,607 and \$6,661,319 of the total support was distributed to partner agencies for the years ended December 31, 2020 and 2019, respectively. An additional \$1,428,276 and \$888,257 was distributed through other grant programs for the years ended December 31, 2020 and 2019, respectively.

**NOTE 16 - COVID-19 PANDEMIC**

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In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has caused major disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks. The specific impact of the pandemic and the duration of this disruption is not determinable as of the report date; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As a result of the COVID-19 pandemic, in March 2020, the Organization established the Berks COVID-19 Response Fund to provide immediate funding for non-profit organizations that experienced increased demand for services, operational distress, and/or increased costs to continue current services. The Berks COVID-19 Response Fund provided flexible resources to health and human service organizations across Berks County to provide essential aid and critically needed safety net services to those most impacted by the pandemic.

Berks County generously provided \$1,078,227 to the Response Fund. Gifts were provided by individual donors, foundations, and corporations. In 2020, 50 COVID grants totaling \$847,034 were distributed to 41 organizations, helping over 290,000 individuals. Nearly 70% of grant funds have been directed to food insecurity and housing/shelter/utilities, the greatest needs identified through contacts to 211 information and referral services. The grants ranged from \$4,500 to \$100,000. Unused funds will continue to support COVID-related needs in 2021.

A significant portion of pledges receivable comes through workplace payroll deductions. As a result of COVID safety requirements and other COVID-related business disruptions, organizations temporarily closed operations and/or furloughed employees; some employees were permanently displaced. Therefore, payments for payroll deductions, and in some cases corporate pledges, were delayed and/or decreased impacting United Way's cash flow and liquidity. Management recommended and the Board approved increasing the allowance balance as of December 31, 2020 for the Annual 2019 Campaign from 4% to 7%.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 16 - COVID-19 PANDEMIC - CONTINUED**

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In April 2020, United Way was approved for a Small Business Administration Paycheck Protection Program Loan in the amount of \$422,411. The cash influx supported payroll, benefits and rental expenses. See Note 6 for details related to the loan. In addition to the PPP Loan, United Way liquidated \$420,000 in CD's to be used for unrestricted operating cash. United Way also secured a CARES ACT grant through the County of Berks in the amount of \$31,017 to offset expenses incurred as a result of the pandemic, including the purchase of PPE, technology and software.

In March, Management declared a spending freeze allowing for essential expenses only. In June, the Board approved the recommendation to keep Agency Partner investments flat. Staff monitored discretionary grant pools to direct spending to areas of greatest need within the Community.

The impact of the uncertainty of the pandemic on the Organization's ability to raise funds and collect on those funds continues, however, management continually monitors the situation.

**NOTE 17 - 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 Board designated 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 Board designated 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 Board designated 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, 2020 and 2019**

**NOTE 17 - 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 expenses are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 10,866,457	\$ 2,344,499
Certificates of deposits maturing within one year	375,000	495,000
Pledges receivable, net	6,239,600	8,228,326
Other accounts receivable	5,026,994	8,971
Long-term investments	<u>12,280,545</u>	<u>11,166,525</u>
Total financial assets available within one year	34,788,596	22,243,321
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose or time restrictions	(10,681,762)	(9,891,118)
Restricted by donors in perpetuity	<u>(7,035,160)</u>	<u>(6,239,865)</u>
Total amounts unavailable for general expenditures within one year	(17,716,922)	(16,130,983)
Less:		
Amounts unavailable to management without Board approval:		
Board designated for endowment	<u>(2,069,088)</u>	<u>(1,834,150)</u>
Total financial assets available to management for general expenditure within one year	\$ 15,002,586	\$ 4,278,188
Plus human service allocation for next fiscal year	8,430,876	8,245,261
Plus endowment funds available for general expenditures in subsequent year based on spending policy	<u>220,128</u>	<u>216,258</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 23,653,590</u>	<u>\$ 12,739,707</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 18 - NEW ACCOUNTING PRONOUNCEMENT**

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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, 2021, with early application permitted. The Organization is evaluating the impact this standard will have 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 statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2021.

**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) as a basis for designing 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 and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
May 5, 2021**