



UNITED WAY OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Berks County, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Berks County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2024, 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 8, 2024

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31

	2023	2022
ASSETS		
Cash	\$ 4,673,424	\$ 5,588,786
Certificates of deposit	700,000	575,000
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2023 - \$898,435; 2022 - \$849,290)	6,516,877	6,082,168
Other	96,510	29,017
Prepaid expenses	20,290	4,135
Long-term investments, at market	16,423,067	16,593,141
Beneficial interest in perpetual trusts, at market	884,531	825,082
Beneficial interest in life insurance policy	28,718	27,537
Leasehold improvements, furniture, fixtures, and equipment, net	286,207	405,735
Right-of-use asset - operating lease	1,827,668	1,942,715
	TOTAL ASSETS	\$ 32,073,316
	\$ 31,457,292	\$ 32,073,316
LIABILITIES		
Accounts payable and accrued expenses	\$ 704,050	\$ 1,332,558
Due to other United Way agencies	294,101	317,629
Due to affiliated agencies	886,331	746,942
Deferred revenue	52,517	50,000
Operating lease liability	1,890,612	1,998,940
	TOTAL LIABILITIES	4,446,069
	3,827,611	4,446,069
NET ASSETS		
Without donor restrictions:		
Undesignated, available for general activities	7,559,547	8,950,049
Board-designated endowment, at market	1,999,917	1,769,795
Total without donor restrictions	9,559,464	10,719,844
With donor restrictions:		
Time and purpose restrictions	10,377,723	10,083,093
Perpetuity - endowment	6,807,963	5,999,228
Perpetuity - beneficial interest in trust	884,531	825,082
Total with donor restrictions	18,070,217	16,907,403
	TOTAL NET ASSETS	27,629,681
	27,629,681	27,627,247
	\$ 31,457,292	\$ 32,073,316

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2023		Year Ended December 31, 2022		Year Ended December 31,	
	Without	With	Without	With	2023	2022
	Donor	Donor	Donor	Donor	Totals	Totals
	Restrictions	Restrictions	Restrictions	Restrictions		
PUBLIC SUPPORT AND OTHER REVENUE						
Campaign contributions applicable to current period:						
Contributions received - current period	\$ 590,650	\$ -	\$ 707,583	\$ -	\$ 590,650	\$ 707,583
Less: donor designations	(64,085)	-	(30,752)	-	(64,085)	(30,752)
Less: amounts not available for operations	(88,085)	-	(294,812)	-	(88,085)	(294,812)
Contributions received in prior periods and now released from restriction	10,342,818	(10,342,818)	10,367,433	(10,367,433)	-	-
Less: donor designations	(972,437)	972,437	(1,020,877)	1,020,877	-	-
Less: allowance for uncollectible pledges	(440,651)	440,651	(425,545)	425,545	-	-
Less: amounts not available for operations	(645)	645	(2,694)	2,694	-	-
Total campaign contributions applicable to current period	9,367,565	(8,929,085)	9,300,336	(8,918,317)	438,480	382,019
Campaign contributions received for next allocation period:						
Contributions received - current period	-	10,465,518	-	9,579,854	10,465,518	9,579,854
Less: donor designations	-	(1,088,514)	-	(972,437)	(1,088,514)	(972,437)
Less: allowance for uncollectible pledges	-	(472,337)	-	(440,651)	(472,337)	(440,651)
Less: amounts not available for operations	-	-	-	(645)	-	(645)
Total campaign contributions for next allocation period	-	8,904,667	-	8,166,121	8,904,667	8,166,121
Campaign contributions received for future years	-	117,087	-	80,623	117,087	80,623
Donor designations from other United Way agencies	108,175	-	86,131	-	108,175	86,131
Prior year campaign contributions	4,920	-	53,686	-	4,920	53,686
Total campaign related revenue	9,480,660	92,669	9,440,153	(671,573)	9,573,329	8,768,580
Grants, governmental agencies	-	-	7,644	-	-	7,644
COVID-19 contributions	-	-	-	750	-	750
Other contributions	9,869	547,987	7,968	461,514	557,856	469,482
Contributed nonfinancial assets	70,667	-	62,108	-	70,667	62,108
Total public support	9,561,196	640,656	9,517,873	(209,309)	10,201,852	9,308,564
Other revenue:						
Investment return	712,741	320,427	(1,269,941)	(628,549)	1,033,168	(1,898,490)
Endowment investment return	303,474	1,024,066	(398,169)	(1,343,542)	1,327,540	(1,741,711)
Transfers	106,447	(228,501)	107,900	(224,645)	(122,054)	(116,745)
Program service income	229,630	-	84,552	-	229,630	84,552
Other income	63,653	-	63,843	-	63,653	63,843
Unrealized gain (loss) on beneficial interest	-	59,449	-	(214,619)	59,449	(214,619)
Other net assets released from restriction	653,283	(653,283)	752,220	(752,220)	-	-
Total other revenue	2,069,228	522,158	(659,595)	(3,163,575)	2,591,386	(3,823,170)
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	11,630,424	1,162,814	8,858,278	(3,372,884)	12,793,238	5,485,394

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2023		Year Ended December 31, 2022		Year Ended December 31,	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	2023 Totals	2022 Totals
ALLOCATIONS AND EXPENSES						
PROGRAM SERVICES						
Allocations and expenses:						
Gross funds distributed for services	9,183,070	-	9,731,595	-	9,183,070	9,731,595
Less: donor designations	(829,822)	-	(850,771)	-	(829,822)	(850,771)
Net funds distributed for services	8,353,248	-	8,880,824	-	8,353,248	8,880,824
Community impact, including donated materials and services (2023 - \$33,646; 2022 - \$26,055)	1,946,677	-	1,686,754	-	1,946,677	1,686,754
TOTAL PROGRAM SERVICES	10,299,925	-	10,567,578	-	10,299,925	10,567,578
SUPPORTING SERVICES						
Fundraising and resource development, including donated materials and services (2023 - \$34,521; 2022 - \$33,553)	1,672,262	-	1,582,242	-	1,672,262	1,582,242
Administration, including donated materials and services (2023 - \$2,500; 2022 - \$2,500)	818,617	-	744,253	-	818,617	744,253
TOTAL SUPPORTING SERVICES	2,490,879	-	2,326,495	-	2,490,879	2,326,495
TOTAL ALLOCATIONS AND EXPENSES	12,790,804	-	12,894,073	-	12,790,804	12,894,073
INCREASE (DECREASE) IN NET ASSETS	(1,160,380)	1,162,814	(4,035,795)	(3,372,884)	2,434	(7,408,679)
NET ASSETS AT BEGINNING OF YEAR	10,719,844	16,907,403	14,755,639	20,280,287	27,627,247	35,035,926
NET ASSETS AT END OF YEAR	<u>\$ 9,559,464</u>	<u>\$ 18,070,217</u>	<u>\$ 10,719,844</u>	<u>\$ 16,907,403</u>	<u>\$ 27,629,681</u>	<u>\$ 27,627,247</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program	Support Services			Totals
	Services	Resource	Administration	Total Support	
	Community	Development		Services	
	Impact				
Gross funds distributed for services	\$ 9,183,070	\$ -	\$ -	\$ -	\$ 9,183,070
Less: donor designations	(829,822)	-	-	-	(829,822)
Net allocations to services	8,353,248	-	-	-	8,353,248
Salaries	895,210	723,989	451,371	1,175,360	2,070,570
Employee benefits	144,149	164,151	83,678	247,829	391,978
Payroll taxes	69,095	54,387	33,246	87,633	156,728
Total salaries and related expenses	1,108,454	942,527	568,295	1,510,822	2,619,276
Contract services	403,472	259,246	101,216	360,462	763,934
Supplies	90,437	9,011	935	9,946	100,383
Telephone	607	504	314	818	1,425
Postage	192	4,137	1,199	5,336	5,528
Occupancy	79,019	63,907	38,817	102,724	181,743
Rent, purchase, and maintenance of equipment	5,676	9,092	3,660	12,752	18,428
Printing and promotion	60,501	122,252	171	122,423	182,924
Travel and conferences	10,341	3,848	3,110	6,958	17,299
Insurance	13,167	17,994	10,401	28,395	41,562
United Way sponsored meetings	32,911	60,259	1,205	61,464	94,375
United Way Worldwide and United Way of Pennsylvania dues	42,060	58,241	33,648	91,889	133,949
Donated materials and services	33,646	34,521	2,500	37,021	70,667
Depreciation	58,932	54,884	33,021	87,905	146,837
Miscellaneous expenses	7,262	31,839	20,125	51,964	59,226
TOTAL EXPENSES	\$ 10,299,925	\$ 1,672,262	\$ 818,617	\$ 2,490,879	\$ 12,790,804

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program	Support Services			Totals
	Services	Resource	Administration	Total Support	
	Community	Development		Services	
	Impact				
Gross funds distributed for services	\$ 9,731,595	\$ -	\$ -	\$ -	\$ 9,731,595
Less: donor designations	(850,771)	-	-	-	(850,771)
Net allocations to services	8,880,824	-	-	-	8,880,824
Salaries	747,357	706,083	420,812	1,126,895	1,874,252
Employee benefits	118,257	142,508	82,114	224,622	342,879
Payroll taxes	56,749	51,882	30,569	82,451	139,200
Total salaries and related expenses	922,363	900,473	533,495	1,433,968	2,356,331
Contract services	271,545	268,664	67,248	335,912	607,457
Supplies	90,926	6,825	1,387	8,212	99,138
Telephone	685	679	412	1,091	1,776
Postage	192	5,400	685	6,085	6,277
Occupancy	63,919	56,876	34,115	90,991	154,910
Rent, purchase, and maintenance of equipment	7,477	11,641	7,051	18,692	26,169
Printing and promotion	14,286	117,112	144	117,256	131,542
Travel and conferences	5,262	3,195	867	4,062	9,324
Insurance	8,929	9,451	5,973	15,424	24,353
United Way sponsored meetings	19,594	23,730	1,369	25,099	44,693
United Way Worldwide and United Way of Pennsylvania dues	186,210	60,378	39,353	99,731	285,941
Donated materials and services	26,055	33,553	2,500	36,053	62,108
Depreciation	58,698	52,976	30,585	83,561	142,259
Miscellaneous expenses	10,613	31,289	19,069	50,358	60,971
TOTAL EXPENSES	\$ 10,567,578	\$ 1,582,242	\$ 744,253	\$ 2,326,495	\$ 12,894,073

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,434	\$ (7,408,679)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,837	142,259
(Gain) loss on sale of investments	(97,078)	48,493
Unrealized (gain) loss on investments	(2,048,057)	3,638,377
Unrealized (gain) loss on beneficial interest in perpetual trust	(59,449)	214,619
Contribution of beneficial interest in insurance policy	(1,181)	(1,134)
Contributions restricted for endowment funds	(54,686)	(11,134)
Noncash lease expense	157,469	131,225
Changes in:		
Pledges receivable	(434,709)	(380,009)
Other receivables	(67,493)	(7,076)
Prepaid expenses	(16,155)	26,900
Accounts payable and accrued expenses	(628,508)	20,308
Due to other United Way agencies	(23,528)	12,635
Due to affiliated agencies	139,389	(58,076)
Deferred revenue	2,517	13,884
Operating lease liability	(150,750)	(75,000)
NET CASH USED BY OPERATING ACTIVITIES	(3,132,948)	(3,692,408)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of leasehold improvements, furniture, fixtures, and equipment	(27,309)	(21,322)
Proceeds from sale of investments	7,038,097	4,726,871
Purchase of investments	(4,722,888)	(2,728,071)
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,287,900	1,977,478
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment funds	54,686	11,134
NET DECREASE IN CASH AND CASH EQUIVALENTS	(790,362)	(1,703,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,163,786	7,867,582
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,373,424	\$ 6,163,786
RECONCILIATION OF CASH AT END OF YEAR		
Cash and cash equivalents	\$ 4,673,424	\$ 5,588,786
Certificates of deposit	700,000	575,000
CASH AND CASH EQUIVALENTS	\$ 5,373,424	\$ 6,163,786
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING AND FINANCING ACTIVITIES		
Right-of-use asset - operating lease in exchange for operating lease liability	\$ -	\$ 2,036,939

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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 nearly 100 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

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 statements 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, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pledges Receivables

Pledges receivables are recognized as revenues and assets in the period received. Conditional pledges are recognized only when the conditions on which they depend are substantially met.

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.

Other Receivables

Other receivables are recognized as revenues and assets in the period earned. The Organization uses the allowance method to provide for any other receivables which may be unrecoverable and is based upon an analysis of the Organization's prior collection experience, current economic trends, and supportable future forecasts.

Allowance for Credit Losses

The Organization maintains an allowance for credit losses for expected uncollectible accounts receivable, which is recorded as an offset to other receivables and provisions for credit losses are recorded in expenses in the statements of functional expenses. At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance for current expected credit losses is based on a review of customer accounts and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts regarding future events and any other factors deemed relevant by the Organization. The allowance for credit losses is reviewed on an annual basis to assess the adequacy of the allowance.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery or if any invoice has aged greater than one year. If any recoveries are made from any accounts previously written off, they will be recognized in revenue or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election. There were no write-offs for the years ended December 31, 2023 and 2022.

Investments

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

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments - continued

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 statements 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

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.

Leases

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. The office space is included in right-of-use ("ROU") asset - operating lease and operating lease liabilities on the statements of financial position.

The Organization elected the practical expedient to not recognize ROU assets and liabilities for operating leases with shorter than 12-month terms. These leases will be expensed on a straight-line basis, and no operating lease liability will be recorded.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - continued

The Organization elected the practical expedient to use the risk-free rate as the discount rate for all leases based on the information available at commencement date in determining the present value of lease payments.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses a risk-free rate based on information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred. There are no associated variable lease costs with the leases noted above.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

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.
- *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 statements 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 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. There was no deferred revenue related to grants at December 31, 2023 and 2022.

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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Nonfinancial Assets

The Organization records the estimated fair value of contributed nonfinancial assets related to its operations, which was \$70,667 and \$62,108 for the years ended December 31, 2023 and 2022, 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, 2023, and 2022, approximately 29,197 hours and 27,906 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.

Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), which applies to exchange transactions with customers that are bound by contract or similar arrangement and establishes a performance obligation approach to revenue recognition.

Except for tuition fees, the Organization's revenue from program service fees, events, merchandise income, and other contracts is minimal. Most of the Organization's revenue is from contribution revenue. The Organization records the following exchange transaction revenue in its statements of activities:

Tuition Fees

The Organization offers a limited number of classes available for individuals to register for and attend at a cost. A full refund is provided if a registrant cancels their registration prior to the start of the class. Refunds are typically not issued after the sessions have begun. Individuals with financial need may be eligible for a discounted rate. Under ASC 606, management considers tuition fees to be a contract with a customer. Revenue by class type is as follows:

Single Class

Single classes can be paid for in advance or, at times, at the time of the class. Fees must be paid by the start of the class. The tuition fee is recognized when the class/program occurs, and the performance obligation is met.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

Tuition Fees - continued

Multi-Session Class

Multi-session classes must be paid for in advance. A contractual obligation is created at the time of registration between the Organization and the class registrant. The sessions provided are the performance obligations. The number of performance obligations depends on the number of sessions provided for the class. The transaction price will vary based on the type of class provided. The performance obligation for the class is satisfied ratably over the sessions for each class/program with revenue being recognized based on the allocation per session as each session is completed.

Deferred revenue related to the program totaled \$52,517 and \$50,000 for the years ended December 31, 2023 and 2022, respectively.

Other Program Service Fees

The Organization, in collaboration with a local school district and others, is delivering a dual impact program improving the reading skills of early elementary students by recruiting, training, and providing high school students with paid work experience. Certain expenses are being reimbursed by the school district. There was a new contract that began during the year ended December 31, 2023. Receivables for these services totaled \$69,630 for the year ended December 31, 2023.

Functional Expenses Allocation

The statements 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 confirm 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 8, 2024, the date the financial statements were available to be issued.

Change in Accounting Principle

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were other receivables.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

NOTE 2 - PLEDGES RECEIVABLE

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

Pledges receivable at at December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Pledges receivable	\$ 7,415,312	\$ 6,931,458
Receivable in less than one year	7,280,740	6,844,358
Receivable in one to three years	134,572	87,100
Total pledges receivable	<u>7,415,312</u>	<u>6,931,458</u>
Less allowance for uncollectible pledges	<u>898,435</u>	<u>849,290</u>
Net pledges receivable	<u>\$ 6,516,877</u>	<u>\$ 6,082,168</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 3 - LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

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>2023</u>	<u>2022</u>
	Fair Value	Fair Value
Equity funds	\$ 5,669,227	\$ 5,151,921
Bond funds	4,866,694	7,339,069
Exchange traded funds	<u>5,887,146</u>	<u>4,102,151</u>
	<u>\$ 16,423,067</u>	<u>\$ 16,593,141</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31:

	<u>2023</u>		
	<u>Without Donor</u>	<u>With Donor</u>	
	Restrictions	Restrictions	<u>Total</u>
Dividend and interest income	\$ 454,629	\$ 238,442	\$ 693,071
Realized gain (loss)	(411,290)	97,078	(314,212)
Unrealized gain	1,012,907	1,035,150	2,048,057
Investment expenses	<u>(40,031)</u>	<u>(26,177)</u>	<u>(66,208)</u>
Total investment return	<u>\$ 1,016,215</u>	<u>\$ 1,344,493</u>	<u>\$ 2,360,708</u>
	<u>2022</u>		
	<u>Without Donor</u>	<u>With Donor</u>	
	Restrictions	Restrictions	<u>Total</u>
Dividend and interest income	\$ 385,800	\$ 193,825	\$ 579,625
Realized loss	(463,734)	(48,493)	(512,227)
Unrealized loss	(1,546,042)	(2,092,335)	(3,638,377)
Investment expenses	<u>(44,134)</u>	<u>(25,088)</u>	<u>(69,222)</u>
Total investment return	<u>\$ (1,668,110)</u>	<u>\$ (1,972,091)</u>	<u>\$ (3,640,201)</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

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, 2023.

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, equity securities which are publicly traded and exchange traded funds. 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, 2023 and 2022

NOTE 3 - LONG-TERM INVESTMENTS AND 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:

	2023			Total
	Level 1	Level 2	Level 3	
Equity funds	\$ 5,669,227	\$ -	\$ -	\$ 5,669,227
Bond funds	4,866,694	-	-	4,866,694
Exchange traded funds	5,887,146	-	-	5,887,146
Beneficial interests in perpetual trusts	-	-	884,531	884,531
Total	\$ 16,423,067	\$ -	\$ 884,531	\$ 17,307,598

	2022			Total
	Level 1	Level 2	Level 3	
Equity funds	\$ 5,151,921	\$ -	\$ -	\$ 5,151,921
Bond funds	7,339,069	-	-	7,339,069
Exchange traded funds	4,102,151	-	-	4,102,151
Beneficial interests in perpetual trusts	-	-	825,082	825,082
Total	\$ 16,593,141	\$ -	\$ 825,082	\$ 17,418,223

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

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:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 825,082	\$ 1,039,701
Realized and unrealized gains (losses)	<u>59,449</u>	<u>(214,619)</u>
Balance, end of year	<u>\$ 884,531</u>	<u>\$ 825,082</u>

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, 2023 and 2022 was \$884,531 and \$825,082, respectively. Annual distributions from the trusts are included in other income without donor restrictions and amounted to \$41,715 and \$47,194 in 2023 and 2022, respectively. The change in market value has been recorded in unrealized gain (loss) on beneficial interests in net assets with donor restrictions and amounted to \$59,449 and (\$214,619) in 2023 and 2022, respectively.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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 1/1/2023	Additions/ Depreciation	Disposals	Ending Balance 12/31/2023
Leasehold improvements	\$ 22,258	\$ -	\$ -	\$ 22,258
Furniture and fixtures	298,418	-	-	298,418
Equipment	335,234	27,309	(13,124)	349,419
	655,910	27,309	(13,124)	670,095
Accumulated depreciation	<u>(250,175)</u>	<u>(146,837)</u>	<u>13,124</u>	<u>(383,888)</u>
Leasehold improvements, furniture, fixtures and equipment, net	<u>\$ 405,735</u>	<u>\$ (119,528)</u>	<u>\$ -</u>	<u>\$ 286,207</u>
	Beginning Balance 1/1/2022	Additions/ Depreciation	Disposals	Ending Balance 12/31/2022
Leasehold improvements	\$ 20,730	\$ 1,528	\$ -	\$ 22,258
Furniture and fixtures	298,418	-	-	298,418
Equipment	335,492	20,364	(20,622)	335,234
	654,640	21,892	(20,622)	655,910
Accumulated depreciation	<u>(128,538)</u>	<u>(142,259)</u>	<u>20,622</u>	<u>(250,175)</u>
Leasehold improvements, furniture, fixtures and equipment, net	<u>\$ 526,102</u>	<u>\$ (120,367)</u>	<u>\$ -</u>	<u>\$ 405,735</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$146,837 and \$142,259, respectively.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 6 - LEASE AGREEMENT

In June of 2021, the Organization entered a sublease arrangement for its office facility. The term of the sublease is for a period of fifteen (15) years and four (4) months, expiring on the date that is fifteen (15) years after the rent commencement date. The organization has a renewal option of one (1) additional five (5) year period.

The fixed minimum rent was abated for the first four (4) months of the initial term and commencing on the date that is four (4) months after the rent commencement date, a fixed minimum rent for the remainder of the first year of the initial term in equal monthly installments. Beginning on the first anniversary of the commencement date and continuing each succeeding anniversary through and including the option term, the annual fixed minimum rent will increase by one percent (1%). The initial term commenced on March 1, 2022. The rent commencement date under the lease is July 1, 2022. The initial term will expire on June 30, 2037. At this time, it is unlikely the Organization will initiate the renewal option of the lease.

The Organization included the following amounts related to operating lease assets and liabilities within the statements of financial position as of December 31:

		<u>2023</u>	<u>2022</u>
Assets	Classification		
Operating lease	Operating lease right-of-use assets	\$ 1,827,668	\$ 1,942,715
Liabilities			
Operating lease	Operating lease liabilities	\$ 1,890,612	\$ 1,998,940

The components of lease expense were as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease expense	\$ 157,469	\$ 131,225

Supplemental cash flow information related to leases was as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 150,750	\$ 75,000
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 2,036,939

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 6 - LEASE AGREEMENT - CONTINUED

Supplemental statement of financial position information related to leases was as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term		
Operating leases	13.5 years	14.5 years
Weighted Average Discount Rate		
Operating leases	2.19%	2.19%

Maturities of lease liabilities were as follows for the years ending December 31:

2024	\$ 152,257
2025	153,780
2026	155,318
2027	156,871
2028	158,440
2029-2037	<u>1,412,118</u>
Total undiscounted cash flow	2,188,784
Less: present value discount	<u>(298,172)</u>
Total lease liabilities	<u>\$ 1,890,612</u>

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions are comprised of undesignated and board designated amounts for the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Undesignated - available for general use	\$ 7,559,547	\$ 8,950,049
Board designated	<u>1,999,917</u>	<u>1,769,795</u>
Total	<u>\$ 9,559,464</u>	<u>\$ 10,719,844</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS - CONTINUED

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 received \$7,230 and \$7,528 of additional contributions for the years ended December 31, 2023, and 2022, respectively.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to expenses for specified purpose or period:		
Human service allocation for the next fiscal year	\$ 9,065,290	\$ 8,929,082
Human service allocation for future years	157,087	200,623
United Way programs and activities	838,283	594,186
At-risk children	25,755	31,418
Other community impact activities	291,308	327,784
	<u>10,377,723</u>	<u>10,083,093</u>
Endowment fund subject to the Organization's spending policy and appropriation:		
Investments in perpetuity to support:		
Focus area panel appropriations	3,111,091	2,760,732
At-risk children	591,241	525,633
Major gifts and planned giving activities	416,078	369,953
United Way of Berks County operations	2,689,553	2,342,910
	<u>6,807,963</u>	<u>5,999,228</u>
Beneficial Interest in perpetual trust	<u>884,531</u>	<u>825,082</u>
	<u>\$ 18,070,217</u>	<u>\$ 16,907,403</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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>2023</u>	<u>2022</u>
Expiring time restrictions - campaign	\$ 8,929,085	\$ 8,918,317
United Way programs and activities	270,632	212,381
At-Risk children	30,000	30,000
Other Community impact activities	<u>352,651</u>	<u>509,839</u>
Total net assets released from restriction	<u>\$ 9,582,368</u>	<u>\$ 9,670,537</u>

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

	<u>2023</u>	<u>2022</u>
Contributions received in prior year and now released from restriction	\$ 10,342,818	\$ 10,367,433
Less: donor designations	(972,437)	(1,020,877)
Less: allowance for uncollectible pledges	(440,651)	(425,545)
Less: amounts not available for operations	<u>(645)</u>	<u>(2,694)</u>
Total campaign contributions released from restriction	8,929,085	8,918,317
Other net assets released from restriction	<u>653,283</u>	<u>752,220</u>
Total net assets released from restriction	<u>\$ 9,582,368</u>	<u>\$ 9,670,537</u>

NOTE 10 - ENDOWMENT FUNDS

The Organization's endowment consists of 16 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, 2023 and 2022

NOTE 10 - ENDOWMENT FUNDS - CONTINUED

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, 2023 and 2022, the board-approved spending policy was 4.25% of the rolling five-year average of the market value of the trust as of September 30th of the prior 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.

For years ending December 31, 2023, and 2022, the Organization had no endowment sub-funds considered to be underwater. On December 31, 2023, and 2022, all gifts in the fund are eligible for distribution.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 10 - ENDOWMENT FUNDS - CONTINUED

Endowment net asset composition by type of funds as of December 31, 2023, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,807,963	\$ 6,807,963
Board-designated endowment funds	<u>1,999,917</u>	<u>-</u>	<u>1,999,917</u>
Totals funds	<u>\$ 1,999,917</u>	<u>\$ 6,807,963</u>	<u>\$ 8,807,880</u>

Changes in endowment net assets for the year ended December 31, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,769,795	\$ 5,999,228	\$ 7,769,023
Investment return:			
Dividend and interest income	70,538	238,442	308,980
Net gain (realized and unrealized)	240,700	811,801	1,052,501
Investment expenses	<u>(7,772)</u>	<u>(26,177)</u>	<u>(33,949)</u>
Total investment return	303,466	1,024,066	1,327,532
Contributions	7,230	54,686	61,916
Transfers of donor-restricted income	-	(146,390)	(146,390)
Transfer from application of spending policy	<u>(80,574)</u>	<u>(123,627)</u>	<u>(204,201)</u>
Endowment net assets, end of year	<u>\$ 1,999,917</u>	<u>\$ 6,807,963</u>	<u>\$ 8,807,880</u>

Endowment net asset composition by type of funds as of December 31, 2022, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,999,228	\$ 5,999,228
Board-designated endowment funds	<u>1,769,795</u>	<u>-</u>	<u>1,769,795</u>
Totals funds	<u>\$ 1,769,795</u>	<u>\$ 5,999,228</u>	<u>\$ 7,769,023</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 10 - ENDOWMENT FUNDS - CONTINUED

Changes in endowment net assets for the year ended December 31, 2022, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,241,971	\$ 7,598,612	\$ 9,840,583
Investment return:			
Dividend and interest income	57,469	193,825	251,294
Net loss (realized and unrealized)	(448,207)	(1,512,279)	(1,960,486)
Investment expenses	<u>(7,430)</u>	<u>(25,088)</u>	<u>(32,518)</u>
Total investment return	(398,168)	(1,343,542)	(1,741,710)
Contributions	7,528	11,134	18,662
Transfers of donor-restricted income	-	(159,077)	(159,077)
Transfer from application of spending policy	<u>(81,536)</u>	<u>(107,899)</u>	<u>(189,435)</u>
Endowment net assets, end of year	<u>\$ 1,769,795</u>	<u>\$ 5,999,228</u>	<u>\$ 7,769,023</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 11 - CONTRIBUTED NONFINANCIAL ASSETS

The value of donated services and materials provided by local businesses to benefit the Organization included with revenue in the financial statements and the corresponding expenses are as follows:

	Year Ended December 31	
	2023	2022
Administration:		
General	\$ 2,500	\$ 2,500
Resource Development:		
Incentive gifts	6,202	6,829
General	1,750	3,250
LCS Program	1,505	1,584
Awards	1,253	1,015
Events	4,907	5,455
Marketing	18,904	15,420
Community Impact:		
PPE	-	11,000
Events	9,331	11,555
Training programs	-	3,500
Marketing	24,315	-
Total	<u>\$ 70,667</u>	<u>\$ 62,108</u>

Valuation Techniques:

Donated materials, equipment, and services are recognized as contributed nonfinancial assets at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills that would need to be purchased if they were not donated. The Organization receives contributed marketing and advertising and professional fees that are reported using current rates for similar services. Donated materials are valued at current rates for similar items.

Donor Restrictions:

There are no restrictions on contributed nonfinancial assets at year end. The Organization does not sell donated contributed nonfinancial assets and only utilized contributed nonfinancial assets for the programs detailed above.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE 12 - PAYMENTS TO AFFILIATED AGENCIES

In accordance with the membership criteria of United Way Worldwide, a percentage of total unrestricted support from the previous year is shared with United Way Worldwide. The percentage shared was 1.0% and 1.5% for the years ending 2023 and 2022 respectively. An additional 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, 2023 and 2022 amounted to \$133,949 and \$285,941, respectively.

NOTE 13 - COMMITMENTS

The Organization has committed \$7,120,948 of contributions for the next investment period to various partner agencies. The resources used to fulfill this commitment are largely reflected in the net assets with donor restriction balance.

NOTE 14 - RETIREMENT PLANS

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 2023 and 2022, the Organization made contributions of \$82,702 and \$76,777, 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. Employer contributions of \$7,500 and \$5,846 were made to the plan in 2023 and 2022, respectively. The Plan assets of \$45,098 and \$31,752 for years ended December 31, 2023, and 2022 are included with cash and equivalents on the statements 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, 2023 and 2022

NOTE 15 - DISTRIBUTION FOR SERVICES

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>2023</u>	<u>2022</u>
Education	\$ 3,023,585	\$ 3,263,021
Financial stability	1,501,219	1,630,540
Health	2,661,784	2,635,801
Safety net	<u>1,996,482</u>	<u>2,202,233</u>
Total support	<u>\$ 9,183,070</u>	<u>\$ 9,731,595</u>

As part of the annual investment process, \$7,225,171 and \$6,888,701 of the support, including base and one-time investment awards was distributed to partner agencies for the years ended December 31, 2023, and 2022, respectively. An additional \$1,957,899 and \$2,842,894 was distributed through other grant programs for the years ended December 31, 2023 and 2022, respectively.

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

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 three to six 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, 2023 and 2022

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES - CONTINUED

The Organization's financial assets available within one year of the statements of financial position date for general expenses are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 4,673,424	\$ 5,588,786
Certificates of deposit	700,000	575,000
Pledges receivable, net	6,516,877	6,082,168
Other accounts receivable	96,510	29,017
Long-term investments	<u>16,423,067</u>	<u>16,593,141</u>
Total financial assets available	28,409,878	28,868,112
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose or time restrictions	(10,377,723)	(10,083,093)
Restricted by donors in perpetuity	<u>(6,807,963)</u>	<u>(5,999,228)</u>
Total amounts unavailable for general expenditures within one year	(17,185,686)	(16,082,321)
Less:		
Amounts unavailable to management without Board approval:		
Board designated for endowment	<u>(1,999,917)</u>	<u>(1,769,795)</u>
Total financial assets available to management for general expenses within one year	9,224,275	11,015,996
Plus human service allocation for next fiscal year	9,065,290	8,929,085
Plus endowment funds available for general expenditures in subsequent year based on spending policy	<u>176,175</u>	<u>204,201</u>
Total financial assets, human service allocation and endowment funds available to meet cash needs for general expenses within one year	<u>\$ 18,465,740</u>	<u>\$ 20,149,282</u>

**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, 2023, 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 8, 2024.

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 or significant deficiencies may exist that were not identified.

Report on 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 8, 2024