



**United Way of
Southern Chester County**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Southern Chester County
Kennett Square, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Southern Chester County (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Southern Chester County as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of allocations to agencies on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2020, the Organization adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to these matters.

Umbreit, Wilczek & Associates, P.C.

Kennett Square, Pennsylvania
March 23, 2022

UNITED WAY OF SOUTHERN CHESTER COUNTY

STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021

	2021
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 741,054
Accounts and pledges receivable, net	261,587
Investments	569,984
Prepaid expenses	5,101
Security deposits	800
	1,578,526
TOTAL CURRENT ASSETS	1,578,526
PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$16,271	1,504
ACCOUNTS AND PLEDGES RECEIVABLE , net of current	19,532
	1,599,562
TOTAL ASSETS	\$ 1,599,562
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 8,182
Accrued expenses	21,274
Allocations payable to agencies	850,000
Donor designated payable	2,136
	881,592
TOTAL CURRENT LIABILITIES	881,592
NET ASSETS	
Without donor restrictions	
Unrestricted	147,986
Board designated	372,128
Total without donor restrictions	520,114
With donor restrictions	197,856
	717,970
TOTAL NET ASSETS	717,970
TOTAL LIABILITIES AND NET ASSETS	\$ 1,599,562

See Independent Auditors' Report and Notes to Financial Statements

UNITED WAY OF SOUTHERN CHESTER COUNTY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Totals
PUBLIC SUPPORT AND REVENUES			
Campaign contributions	\$ 1,158,306	\$ -	\$ 1,158,306
Less: donor designations	(9,843)		(9,843)
Less: collection losses	(52,470)		(52,470)
Total campaign contributions	1,095,993	-	1,095,993
Endowment donations	6,518	-	6,518
75th Anniversary Board donations	8,350	-	8,350
COVID-19 donations	29,628	-	29,628
Fundraising events, net of direct costs of \$562	2,328	-	2,328
Paycheck Protection Program grant	34,600	-	34,600
Investment income	86,184	16,477	102,661
Employee Retention Credit	19,532	-	19,532
Net assets released from restrictions	7,274	(7,274)	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,290,407	9,203	1,299,610
EXPENSES			
Distributions to agencies	810,820	-	810,820
COVID -19 assistance to organizations	11,903	-	11,903
Program services	133,752	-	133,752
Supporting services:			
Administration	169,853	-	169,853
Fundraising	-	-	-
TOTAL EXPENSES	1,126,328	-	1,126,328
CHANGES IN NET ASSETS	164,079	9,203	173,282
NET ASSETS AT BEGINNING OF YEAR	356,035	188,653	544,688
NET ASSETS AT END OF YEAR	\$ 520,114	\$ 197,856	\$ 717,970

See Independent Auditors' Report and Notes to Financial Statements

UNITED WAY OF SOUTHERN CHESTER COUNTY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021**

	Program Services	Management and General	Fundraising	Totals
COMPENSATION RELATED				
Salaries	\$ 64,927	\$ 99,653	\$ -	\$ 164,580
Payroll taxes	6,168	9,467	-	15,635
Employee benefits	14,323	21,984	-	36,307
TOTAL COMPENSATION RELATED	85,418	131,104	-	216,522
Advertising	110	-	-	110
Bank processing fee	2,761	128	-	2,889
Dues and memberships	4,485	6,885	-	11,370
Depreciation	-	854	-	854
Events	510	-	-	510
Insurance	1,120	1,718	-	2,838
Occupancy	4,006	6,149	-	10,155
Office supplies	2,096	3,217	-	5,313
Postage	10,188	181	-	10,369
Printing	15,242	20	-	15,262
Professional fees	2,568	11,784	-	14,352
Repairs and maintenance	3,298	5,063	-	8,361
Telephone	1,028	1,578	-	2,606
Travel	922	1,172	-	2,094
TOTAL EXPENSES	\$ 133,752	\$ 169,853	\$ -	\$ 303,605

UNITED WAY OF SOUTHERN CHESTER COUNTY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021**

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 173,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	854
Collection losses	52,470
Net realized and unrealized gains on investments	(95,676)
Donations of marketable securities	(55,703)
Paycheck Protection Program grant	(34,600)
Increase in operating assets:	
Accounts and pledges receivable	(69,993)
Prepaid expenses	(873)
Increase (decrease) in operating liabilities:	
Accounts payable	4,857
Accrued expenses	183
Allocations payable to agencies	100,000
Donor designated payable	(2,545)
NET CASH PROVIDED BY OPERATING ACTIVITIES	72,256
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(35,100)
Proceeds from sale of investments	76,966
NET CASH PROVIDED BY INVESTING ACTIVITIES	41,866
NET INCREASE IN CASH	114,122
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	626,932
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 741,054

See Independent Auditors' Report and Notes to Financial Statements

UNITED WAY OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021****NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**Nature of Organization

The United Way of Southern Chester County (the “Organization”) is dedicated to improving the quality of life in southern Chester County by mobilizing society’s capacity to care. As a nonprofit, the Organization is a unique partnership that involves donors including staff, volunteers, businesses, other nonprofits, and concerned individuals to achieve results that matter and to make a lasting impact on the quality of life in its community.

The Organization engages in a fall fund-raising campaign to raise funds for member agencies, as well as other 501(c)(3) organizations. The Organization focuses community attention on the most critical human needs in southern Chester County, as well as addressing both the symptoms and the root cause of southern Chester County’s most plaguing issues.

The Organization is dependent upon contributions from corporate and individual donors to support its program services. The level of such contributions can be affected by economic and other conditions. In addition, the choice on the part of the donors to designate their gifts for specific agencies can result in reduced funding available to fund programs. A decrease in undesignated contributions could adversely affect the Organization’s ability to provide services and to allocate funds to its member agencies.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-10-65-1, the Organization is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

UNITED WAY OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021****NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Net Assets with Donor Restrictions

Net assets with donor restrictions is the part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is met in the same reporting period in which the support is received and recognized.

Net Assets without Donor Restrictions

Net assets without donor restrictions is the part of net assets of the Organization that is not subject to donor-imposed restrictions.

Donor-Restricted Endowment Fund

A Donor-Restricted Endowment Fund is an endowment fund that is created by a donor stipulation requiring investment of the gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains or both be added to the gift and invested subject to similar restrictions. The Organization's endowment fund is managed by the Chester County Community Foundation. Up to 5% of the investment value at year end may be used to fund the ongoing future operations of the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all liquid investments with an original maturity of three months or less to be cash equivalents.

UNITED WAY OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021****NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements over \$5,000 are capitalized while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed. Depreciation is computed under the straight-line method over estimated useful lives of 3-7 years for furniture and equipment.

Investments

Investments in marketable securities with readily determinable fair values are carried at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Accounts and Grants Receivable

Accounts and grants receivable are primarily due from government agencies and other not-for-profit organizations and are stated at unpaid balances. Management has determined that an allowance for uncollectible accounts is not necessary.

Pledges Receivable

Unconditional pledges to give are recognized as revenues or gains in the period in which notification of such pledge is received. Unconditional pledges to give due in one year or less are recorded at their net realizable value. Unconditional pledges to give due in more than one year are recorded at fair value in the year pledged using present value techniques. Conditional pledges to give are recognized when the conditions on which they depend are substantially met.

Allowance for Uncollectible Pledges

Pledges receivable are stated net of allowance for uncollectible pledges. Allowances for uncollectible pledges are reviewed and estimated by management annually using a two-year average. At year end, a final accounting is made of the prior year's campaign. Pledges receivable related to the prior year campaign that have not been realized are determined to be uncollectible and are written off against the allowance.

UNITED WAY OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021****NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Noncash Donations

Noncash donations are recorded at fair market value at the date of donation and have been included in revenue and expenses for the year. The estimated fair value of supplies, equipment, marketable securities, and other assets are recorded as contribution revenue.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization. Accounting standards require that only volunteer services that (1) create or enforce long-lived assets or (2) require specialized skills provided by individuals possessing skills that would typically need to be purchased if not donated must be recorded. The value of these services does not meet these requirements. No amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer effort have not been satisfied.

Revenue Recognition

Contributions, bequests, and gifts are recognized on receipt and formal acceptance by the Organization. Grant revenues are recognized when received or when spent, whichever occurs first. Revenue from fundraising events is recognized as earned having applicable costs concurrently recognized. Interest and investment income is recognized as earned.

The Organization recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service to the customer. The Organization's principal activity resulting in contracts with customers is fundraising events.

The performance obligation related to fundraising events is to provide the customer with the access to the event on a specified date. The transaction price is based on published rates. The Organization recognizes revenue from fundraising events in the period the goods and services are provided.

Because the benefit received from fundraising events has an original expected duration of one year or less, the Organization has elected the practical expedient and not disclosed the value of unsatisfied performance obligations and expected timing for completion related to the revenue.

UNITED WAY OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021****NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization is not a private foundation.

Allocation of Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services. Fundraising expenses are costs related to development and other fundraising efforts. Management and general expenses are costs directly related to the overall operation of the Organization, but are not associated with program or fundraising services. Certain management and general expenses, such as payroll and related costs, occupancy, and insurance, are allocated to program and fundraising services based on the usage of employees' time and other resources available.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Total advertising costs for the year ended August 31, 2021 were \$110.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements*Revenue from Contracts with Customers*

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 clarifies the principles used to recognize revenue for all entities. ASU 2014-09 provides a unified five-step model to determine when and how revenue is recognized. The core principle is that the Organization should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The new standard replaces most of the

UNITED WAY OF SOUTHERN CHESTER COUNTY**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021****NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Cont'd)**Recent Accounting Pronouncements (Cont'd)*Revenue from Contracts with Customers (Cont'd)*

existing revenue recognition standards in U.S. GAAP. The FASB also subsequently issued several amendments to the standard, including clarification on principle versus agent guidance, identifying performance obligations, and immaterial goods and services in a contract.

The new accounting standard update must be applied using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which requires additional footnote disclosures).

The Organization adopted the accounting standard effective September 1, 2020, using the modified retrospective approach for contracts which were not substantially completed as of the transition date. The Organization's revenue is recognized over time or at a point in time based on the satisfaction of the separate performance obligations. In addition, the majority of the Organization's contracts do not contain variable consideration and contract modifications are generally minimal. Based on the Organization's evaluation of its contracts with customers, the majority of the revenue arrangements consist of separate and distinct performance obligations to transfer promised goods or services.

The adoption of the pronouncement did not have a material effect on opening balances of the statement of net position and statement of activities, including net assets.

Scope and Accounting Guidance Clarified for Contributions Received and Made

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provision of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements on a prospective basis. The Organization has determined that there is no effect on net assets in connection with the adoption of ASU 2018-08.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Date of Management's Review

Management has evaluated those events and transactions that occurred after the statement of financial position date of August 31, 2021 through March 23, 2022, the date the financial statements were available to be issued, and determined there were no other items to be disclosed.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of August 31, 2021, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

Financial assets:

Cash and cash equivalents	\$ 741,054
Accounts and pledges receivable	261,587
Total financial assets available within one year	<u>\$ 1,002,641</u>

The Organization has \$1,002,641 of financial assets, consisting of cash and pledges receivable, available within one year of the balance sheet date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures and obligations come due.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at several financial institutions. These balances are insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation up to \$250,000. At times, deposits can be in excess of the insured amount. Cash balances in excess of insured amounts at August 31, 2021 was \$84,924.

NOTE 4 – ACCOUNTS AND PLEDGES RECEIVABLE

As of August 31, 2021, accounts and pledges receivable consisted of the following:

	2021
Pledges receivable related to current campaign	<u>\$ 290,287</u>
Allowance for uncollectible pledges	(28,700)
Employee Retention Credit	19,532
	<u>\$ 281,119</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 4 – ACCOUNTS AND PLEDGES RECEIVABLE (Cont'd)

The Employee Retention Credit is a non-current asset that is due from the Internal Revenue Service. Due to significant processing delays, the date the \$19,532 credit is due to be received cannot be determined.

NOTE 5 – INVESTMENTS

As of August 31, 2021, investments, stated at fair value, consisted of the following:

	2021
Chester County Community Foundation Investment Pool	\$ 197,856
Vanguard LifeStrategy Growth Fund	372,128
	<u>\$ 569,984</u>

Investment income for the year ended August 31, 2021 is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 6,017	\$ 3,793	\$ 9,810
Net realized gains (losses) on investments	4,605	5,775	10,380
Net unrealized gains (losses) on investments	56,924	28,372	85,296
Investment fees	-	(2,825)	(2,825)
	<u>\$ 67,546</u>	<u>\$ 35,115</u>	<u>\$ 102,661</u>

NOTE 6 – FAIR VALUE MEASUREMENT

In accordance with the Fair Value Measurement Topic of the FASB ASC, assets that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted market prices for identical assets and liabilities in active markets.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 6 – FAIR VALUE MEASUREMENT (Cont'd)

- Level 2 – Unadjusted quoted market prices for similar assets and liabilities in active markets (other than those included in Level 1), which are observable for the asset or liability, either directly or indirectly.
- Level 3 – Significant unobservable inputs for the asset or liability.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The following table presents assets that are measured at fair value on a recurring basis at August 31, 2021:

	Level 1	Level 3	Total
Chester County Community			
Foundation Investment Pool	\$ -	\$ 197,856	\$ 197,856
Vanguard LifeStrategy Growth Fund	372,128	-	372,128
	<u>\$ 372,128</u>	<u>\$ 197,856</u>	<u>\$ 569,984</u>

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

Changes in Level 3 fair value measurements are as follows:

Balance, September 1, 2020	\$ 181,379
Dividends	3,793
Unrealized gain (loss)	28,372
Realized gain (loss)	5,775
Grant distribution	(18,638)
Fees	<u>(2,825)</u>
Balance, August 31, 2021	<u>\$ 197,856</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2021:

	2021
Furniture and office equipment	\$ 17,775
Less: accumulated depreciation	(16,271)
Net property and equipment	\$ 1,504

Depreciation expense for the year ended August 31, 2021 was \$854.

NOTE 8 – ENDOWMENT FUNDS

The Organization’s endowment consists of two individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence or donor-imposed restrictions.

In 2004, the Organization established an endowment fund restricted in perpetuity with the Chester County Community Foundation (the “Foundation”) that was funded with contributions designated for an endowment fund. The Foundation endowment fund is governed by its investment policy, investment committee fiduciary structure, and target asset allocation. Once the endowment fund reaches \$5,000,000, the Organization is permitted to spend five percent of the endowment fund each year to provide grants for community nonprofits or for its own operating and capital needs. The Organization’s long-term goal is to keep the endowment fund intact until it reaches an amount such that its earnings will cover operating costs.

In 2014, the Organization created a Board-designated endowment fund held by Vanguard and overseen by the Organization’s Finance Committee. Per the Organization’s investment policy, the assets of the endowment fund shall be invested in a manner intended to maximize the total return of the fund over the long term. The assets shall be broadly diversified, with the assets divided among asset classes within specified ranges while assets are less than \$5,000,000 and another set of asset classes within specified ranges when assets are greater than \$5,000,000. As an operating guideline, the Organization has targeted growth of the endowment fund to a level of \$5,000,000 in assets before distributions will be taken.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 8 – ENDOWMENT FUNDS (Cont'd)

Endowment net asset composition by type of fund as of August 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 197,856	\$ 197,856
Board-designated endowment funds	372,128	-	372,128
	<u>\$ 372,128</u>	<u>\$ 197,856</u>	<u>\$ 569,984</u>

Changes in endowment net assets as of August 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, September 1, 2020	\$ 279,092	\$ 181,379	\$ 460,471
Dividends	5,399	3,793	9,192
Unrealized gain (loss)	56,924	28,372	85,296
Realized gain (loss)	5,556	5,775	11,331
Deposits	25,157	-	25,157
Grant distribution	-	(18,638)	(18,638)
Fees	-	(2,825)	(2,825)
Balance, August 31, 2021	<u>\$ 372,128</u>	<u>\$ 197,856</u>	<u>\$ 569,984</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2021 are as follows:

	2021
Donor-restricted endowment	<u>\$ 197,856</u>

Net assets with donor restrictions released during the year by meeting the time restrictions or by incurring expenses satisfying the restrictions specified by donors are as follows:

	2021
COVID-19 assistance to organizations	<u>\$ 7,274</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 10 – BOARD DESIGNATED FUNDS

The Board of Directors established an endowment fund comprised of the investment returns from the donor restricted endowment fund and surplus operating funds. Earnings of this fund will be used for future needs of the Organization as approved by the Board of Directors. The balance assigned to the Board Designated Endowment Fund at August 31, 2021 is \$372,128.

NOTE 11 – LEASE COMMITMENTS

The Organization has an operating lease for its current office location. The leasing arrangement commenced June 1, 2021, and expires May 31, 2024. Rental expense for the year ended August 31, 2021 was \$10,155.

Future minimum required lease payments as of August 31, 2021 are as follows:

For the year ended August 31,

2022	\$	11,055
2023		12,630
2024		10,485
	\$	<u>34,170</u>

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN

The Organization implemented a defined contribution pension plan. The plan covers all full-time employees over the age of 21 who have completed the 60-day probationary period. Upon completion of the 60-day probationary period, the benefit will back-date to the day of hire. The Organization contributes six percent of eligible employees' regular annual salary. Pension plan expenses were \$10,151 for the year ended August 31, 2021.

NOTE 13 – PAYCHECK PROTECTION PROGRAM GRANT

In May 2020, the Organization applied and was approved for a \$34,600 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration ("SBA"). The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

During the year ended August 31, 2021, the loan was forgiven by the SBA and has been reported on the statement of activities as Paycheck Protection Program grant.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 14 – CONCENTRATION OF REVENUE

Revenue from one donor provided approximately 20% of the Organization’s total public support and revenues for the year ended August 31, 2021.

NOTE 15 – REVENUE RECOGNITION

Performance Obligations

Revenue and support received for the Organization's fundraisers are comprised of an exchange element based upon the benefits provided to the participants and a contribution element for the portion of the payment received in excess of the participant benefits. The Organization recognizes exchange revenue from its fundraisers at the point in time to which the fundraiser relates. The performance obligation consists of providing participants with an event. Exchange revenues from the Organization's fundraisers are reported as fundraising events in the statement of activities.

The Organization does not have any significant payment terms as payment is received before, during, or shortly after the point in time of the transaction.

Disaggregation of Revenue

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended August 31, 2021, is as follows:

	<u>Point in Time</u>	<u>Over Time</u>	<u>Total</u>
Fundraising events	<u>\$ 2,890</u>	<u>\$ -</u>	<u>\$ 2,890</u>

NOTE 16 – COVID-19 IMPACT

In December 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) that has since spread throughout the United States of America. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, on March 19, 2020, Pennsylvania Governor Tom Wolf ordered the closure of physical locations for all “non-essential” businesses through June 26, 2020.

The Organization closed its office and employees worked remotely to the extent possible. As regulations lifted, the Organization implemented procedures to safely operate virtually and in person following applicable guidelines.

UNITED WAY OF SOUTHERN CHESTER COUNTY

SUPPLEMENTARY INFORMATION
SCHEDULES OF ALLOCATIONS TO AGENCIES
FOR THE YEAR ENDED AUGUST 31, 2021

DISTRIBUTIONS TO AGENCIES:

Adult Literacy Program at Kennett Library	\$	35,800
Crime Victims' Center of Chester County, Inc.		32,900
Domestic Violence Center of Chester County		42,380
Family Promise of Southern Chester County		13,900
Family Service of Chester County		24,760
Garage Community and Youth Center		79,020
Kennett After School Association		23,900
Kennett Area Community Service		131,380
Kennett Area Senior Center		16,000
LCH		143,300
Maternal and Child Health Consortium		25,820
Oxford Area Senior Center		9,900
Oxford Neighborhood Services Center		104,380
SILO		27,480
Tick Tock Early Learning Center		84,520
Wings for Success		14,760
YoungMoms		39,800
Unmet needs		<u>(39,180)</u>
TOTAL DISTRIBUTIONS TO AGENCIES	\$	<u><u>810,820</u></u>

COVID- 19 ASSISTANCE TO ORGANIZATIONS

Kennett Area Community Service	\$	11,078
Maternal & Child Health Consortium		125
Young Moms		700
TOTAL COVID-19 ASSISTANCE TO ORGANIZATIONS	\$	<u><u>11,903</u></u>