

**UNITED WAY
OF THE TITUSVILLE REGION**

Titusville, Pennsylvania

FINANCIAL STATEMENTS

December 31, 2018

UNITED WAY OF THE TITUSVILLE REGION
FINANCIAL STATEMENTS
December 31, 2018

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May & Company
Certified Public Accountants
Oil City, Pennsylvania

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of the Titusville Region
Titusville, Pennsylvania

We have audited the accompanying financial statements of United Way of the Titusville Region (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this 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. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Titusville Region as of December 31, 2018, and the changes in its net assets and its cash flows for the year then in 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 schedules on pages fourteen and fifteen are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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.

May & Company

June 10, 2019

UNITED WAY OF THE TITUSVILLE REGION
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Cash	\$ 167,744
Investments	266,316
Pledges receivable	<u>70,695</u>
Total Assets	<u>\$ 504,755</u>

LIABILITIES AND NET ASSETS

Liabilities	
Payroll liabilities	\$ 2,650
Prepaid pledges	<u>24,986</u>
Total Liabilities	<u>27,636</u>
Net Assets	
With donor restrictions	24,580
Without donor restrictions	<u>452,539</u>
Total Net Assets	<u>477,119</u>
Total Liabilities and Net Assets	<u>\$ 504,755</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF THE TITUSVILLE REGION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
CAMPAIGN REVENUES, GAINS AND OTHER SUPPORT			
Gross campaign revenues	\$ 168,345	\$ 37,057	\$ 205,402
Less, uncollectible pledges	<u>(6,279)</u>	<u>-</u>	<u>(6,279)</u>
Net campaign results	162,066	37,057	199,123
Program income	11,380	50,898	62,278
Investment return, net	(8,019)	-	(8,019)
Special events	14,183	-	14,183
Other	2,536	164	2,700
Net assets released from restrictions	<u>88,119</u>	<u>(88,119)</u>	<u>-</u>
 Total Campaign Revenues, Gains and Other Support	 <u>270,265</u>	 <u>-</u>	 <u>270,265</u>
EXPENSES			
Program services	267,189	-	267,189
Management and general	17,180	-	17,180
Fundraising	<u>4,103</u>	<u>-</u>	<u>4,103</u>
Total Expenses	<u>288,472</u>	<u>-</u>	<u>288,472</u>
CHANGE IN NET ASSETS	(18,207)	-	(18,207)
NET ASSETS, BEGINNING OF YEAR	<u>470,746</u>	<u>24,580</u>	<u>495,326</u>
NET ASSETS, END OF YEAR	<u>\$ 452,539</u>	<u>\$ 24,580</u>	<u>\$ 477,119</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF THE TITUSVILLE REGION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Allocations	\$ 105,000	\$ -	\$ -	\$ 105,000
Personnel Costs:				
Salaries and wages	94,564	10,223	-	104,787
Employee benefits	13,202	1,835	-	15,037
Payroll taxes	8,070	868	-	8,938
				-
Total Personnel Costs	<u>115,836</u>	<u>12,926</u>	<u>-</u>	<u>128,762</u>
Other Expenses:				
Direct program costs	17,575	-	-	17,575
Legal and professional	2,713	387	-	3,100
Business expense	6,253	880	-	7,133
Insurance	1,953	276	-	2,229
Rent	9,516	1,360	-	10,876
Technology	6,064	793	-	6,857
United Way dues	2,044	506	-	2,550
Campaign expenses	-	-	4,103	4,103
Miscellaneous	235	52	-	287
	<u>46,353</u>	<u>4,254</u>	<u>4,103</u>	<u>54,710</u>
Total Expenses	<u>\$ 267,189</u>	<u>\$ 17,180</u>	<u>\$ 4,103</u>	<u>\$ 288,472</u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF TITUSVILLE REGION
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (18,207)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Realized gain on investments	(14,529)
Unrealized loss on investments	28,129
Decrease in pledges receivable	10,490
Increase in payroll liabilities	735
Increase in prepaid pledges	4,986
Reclassification of liabilities to net assets	<u>15,187</u>
Net cash provided by operating activities	<u>26,791</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	206,887
Purchases of investments	<u>(207,994)</u>
Net cash used by investing activities	<u>(1,107)</u>
Net increase in cash	25,684
Cash, Beginning of Year	<u>142,060</u>
Cash, End of Year	<u><u>\$ 167,744</u></u>

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF THE TITUSVILLE REGION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – NATURE OF ACTIVITIES

The United Way of Titusville Region is a local volunteer organization that fights for education, health and financial stability for all people in the Titusville region through actions that address the community's most pressing health and human service needs, through fundraising, allocation and monitoring programs and planning services to partner organizations. These partner organizations and the United Way provide health and social services to the residents of Titusville and the adjoining areas. United Way is a non-profit organization under Internal Revenue Service Code Section 501(c)(3). United Way is not considered a private foundation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation:

The Organization has adopted Financial Accounting Standard Boards Accounting Standards Codification (ASC) 958, "Not-for-Profit Entities." Under ASC 958, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

Net Assets With Donor Restrictions – The part of the net assets of the organization resulting (a) from inflows of assets whose use by the organization is limited by donor or grantor imposed stipulations that either expires by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassification to, or (c) from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

Net Assets Without Donor Restrictions – The part of net assets of the organization that is not restricted by donor or grantor imposed stipulations.

The organization reports grants and campaign contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the funds. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

UNITED WAY OF THE TITUSVILLE REGION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash:

The Organization maintains cash balances at financial institutions in Crawford County, Pennsylvania. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). Total deposits did not exceed the FDIC limit at December 31, 2018.

Pledges Receivable:

Contributions are recognized as revenue when the donor makes a written promise to give. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges are expected to be received within one year. All uncollected pledges are charged off at the end of the second year following the year in which they were pledged. The amount charged off during 2018 was \$6,279.

Investments and Investment Return:

The Organization values investments at fair market value. Investment return consists of interest and dividend income and realized and unrealized gains and losses on investments, reduced by investment management fees.

Beneficial Interest in Assets Held by Others:

Beneficial interest in assets held by others represents the Organization's share of investments held by the Crawford Heritage Community Foundation. This interest is presented on the accompanying statement of financial position as an investment.

Equipment:

The majority of office furniture and equipment in the possession of the Organization was donated to the Organization in previous years and not recorded as an asset. Any items previously purchased were also not recorded as an asset and in total are not material in cost.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF THE TITUSVILLE REGION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows:

For the purposes of the statement of cash flows, cash consists of balances in checking and savings accounts.

Donated Services:

A large number of volunteers have donated substantial amounts of time toward the campaign and the various program activities, but no amounts have been reflected in the financial statements because the criteria for recognition have not been satisfied.

Functional Expense Allocation:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs not classified as direct costs are allocated based upon a time study performed in a prior year.

Recent Accounting Pronouncement:

In August 2016, the FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities. The ASU requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The Organization implemented this standard in the current year. Net assets previously termed *unrestricted* are now without donor restrictions. Net assets previously termed *temporarily restricted* or *permanently restricted* are now with donor restrictions. See Note 3 for disclosure of liquidity and availability of resources.

Review of Subsequent Events:

The Agency has evaluated subsequent events for potential recognition and/or disclosure through the date the financial statements were available for issuance which was June 10, 2019.

UNITED WAY OF THE TITUSVILLE REGION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization meets cash needs for expenditures with grants and campaign contributions received throughout the year. Grants are for specific programs and are not available for general expenditures. Campaign pledges may be restricted by donors. The Board has not imposed limits on the use of resources without donor-imposed restrictions. The Organization invests excess funds in savings accounts and in accounts managed by investment advisors.

The Organization considers the following financial assets to be available within one year:

Cash	\$	167,744
Investments		266,316
Less, beneficial interest in assets held by others		(11,012)
Pledges receivable, net		<u>70,695</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>493,743</u></u>

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2018 are as follows:

2018 Pledges receivable	\$	58,867
2017 Pledges receivable		<u>11,828</u>
		<u><u>\$ 70,695</u></u>

All pledges are due in less than one year.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments under FASB Codification 825-10, *Disclosures About Fair Value of Financial Instruments*, as amended by FASB Codification 820-10, are determined based on relevant market information. These estimates involve uncertainty and cannot be determined with precision. The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

The carrying amounts of cash, receivables and payables on the statement of financial positions approximate fair value due to the short-term nature of these items.

UNITED WAY OF THE TITUSVILLE REGION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

FASB Codification 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB Codification 820-10 also establishes a fair value hierarchy which requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 122,079	\$ —	\$ —
Mutual funds	133,225	—	—
Beneficial interest in assets held by others	<u>—</u>	<u>—</u>	<u>11,012</u>
Total	<u>\$ 255,304</u>	<u>\$ —</u>	<u>\$ 11,012</u>

NOTE 6 – DONOR RESTRICTED NET ASSETS

Various organizations have given funds to the Organization to be used for individuals in financial crisis. Therefore these funds are subject to expenditures for a specified purpose. The balance of net assets with donor restrictions at December 31, 2018 was \$24,580.

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Purpose restrictions accomplished by program:

Center for Financial Independence	\$ 45,036
Social Worker	<u>43,083</u>
Total restrictions released	<u>\$ 88,119</u>

UNITED WAY OF THE TITUSVILLE REGION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 – BOARD DESIGNATED NET ASSETS

On May 17, 2012, the Organization transferred \$10,000 to the Crawford Heritage Community Foundation to establish the Titusville Area United Way Endowment Fund. The Organization is to receive an annual distribution of 4.5% of the Fund value. The funds cannot be removed without the approval of a majority of the Foundation's board and two thirds of the Organization's board. Distributions of \$494 were received during 2018. The balance held by the Foundation at December 31, 2018 was \$11,012.

NOTE 9 – RETIREMENT PLAN

The Organization maintains a SIMPLE IRA plan. Employees may elect to contribute a percentage of their compensation on a pre-tax basis. The Organization contributes matching contributions on a dollar-for-dollar basis up to 3% of the employee's compensation. Retirement expense for the year ended December 31, 2018 was \$2,895.

NOTE 10 – LEASES

The Organization leases office space from an unrelated entity under a year-to-year lease. The total rent paid during the year ended December 31, 2018 was \$10,039. The lease was renewed for the year ended December 31, 2019 at the same rate.

The company leases office equipment from an unrelated entity under a five year operating lease that expires in 2021. For the year ended December 31, 2018 lease expense totaled \$2,445.

The future minimum rent for operating leased equipment is as follows:

2019	\$ 1,241
2020	1,241
2021	<u>724</u>
	<u>\$ 3,206</u>

NOTE 11 – PAYMENTS TO AFFILIATE

The Organization pays membership dues to United Way of Pennsylvania and United Way of America. Dues totaled \$2,550 for the year ended December 31, 2018.

UNITED WAY OF THE TITUSVILLE REGION
 NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 12 – OVERHEAD RATIO

The overhead ration is equal to fund-raising, management and general expenses divided by total campaign support and all other revenue sources. The ratio is calculated below using the gross method recommended in Functional Expenses and Overhead Reporting Guidelines for United Ways, United Way of America, 1998.

The overhead ratio for the year ended December 31, 2018 is as follows:

Fund raising	\$	4,103
Management and general		<u>17,180</u>
		<u>\$ 21,283</u>
 Total support and other revenue	 \$	 <u>278,284</u>
 Overhead ratio:		
Fund raising		<u>1.47%</u>
Management and general		<u>6.17%</u>
 Total overhead ratio as a percentage		 <u>7.64%</u>

NOTE 13 – RISKS AND UNCERTANCIES

The Organization invests in various mutual funds. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the value of investments reported in the statement of financial position.

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Organization carries commercial insurance for all types of loss. There have been no significant reductions in insurance coverage.

NOTE 14 – CONTINGENCY

Based upon the statutes of limitation, the Organization’s federal 2015, 2016, 2017 and 2018 Form 990 tax returns could be subjected to examination by the taxing authorities for three years from the date of filing including extensions. The Organization would be liable for any unrelated business net income tax deficiencies noted during such audits. Management is not aware of any material items of non-compliance or adjustments which would result in an assessment of tax liabilities. As of the date of the financial statements, there were no such audits in process or scheduled.

UNITED WAY OF THE TITUSVILLE REGION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 15 – CONCENTRATION OF CAMPAIGN REVENUES

For the year ended December 31, 2018, approximately 63%, or \$130,000 of the Organization's campaign revenues came from trusts and foundations.

NOTE 16 – SOCIAL WORKER PROGRAM

The Titusville Area School District contracted with the United Way of the Titusville Region to create a school social worker position. This position was created to help the district meet the Pennsylvania Department of Education's Chapter 339 requirements. Chapter 339 addresses the importance of career planning for all students. The school social worker is treated as an employee of the United Way of the Titusville Region.

UNTIED WAY OF THE TITUSVILLE REGION
SCHEDULE OF ALLOCATIONS TO PARTNER AGENCIES
Year Ended December 31, 2018

Associated Charities	\$ 8,000
Big Brother & Big Sisters	8,000
Boy Scouts	3,000
Community Health Services	1,500
Family Services	24,250
Hospice of Crawford County	3,750
Salvation Army	5,000
Titusville Health & Aging Center	7,000
Titusville Literacy Council	4,500
YMCA	12,000
YWCA – HSS	20,000
YWCA – Fun Factory	<u>8,000</u>
	<u>\$ 105,000</u>

UNITED WAY OF THE TITUSVILLE REGION
SCHEDULE OF PROGRAM EXPENSES BY PROGRAM
 Year Ended December 31, 2018

	Center for Financial Independence	Social Worker Program	Student United Way	211	Community Building	Other	Total
Personnel Costs	\$ 33,290	\$ 43,771	\$ -	\$ -	\$ 38,775	\$ -	\$ 115,836.00
Direct program costs	314	606	3,563	6,560	-	6,532	17,575.00
Legal and professional	1,550	-	-	-	1,163	-	2,713.00
Business expense	3,535	80	-	-	2,638	-	6,253.00
Insurance	1,126	-	-	-	827	-	1,953.00
Rent	5,438	-	-	-	4,078	-	9,516.00
Technology	3,686	-	-	-	2,378	-	6,064.00
United Way dues	525	-	-	-	1,519	-	2,044.00
Miscellaneous	75	-	-	-	160	-	235.00
Totals	\$ 49,539	\$ 44,457	\$ 3,563	\$ 6,560	\$ 51,538	\$ 6,532	\$ 162,189

Supplementary Information

The accompanying notes are an integral part of the financial statements.