

***UNITED WAY OF THE GREATER LEHIGH VALLEY***

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2018**



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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
United Way of the Greater Lehigh Valley  
Allentown, Pennsylvania**

We have audited the accompanying financial statements of the United Way of the Greater Lehigh Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of United Way of the Greater Lehigh Valley as of June 30, 2018, 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.

**Emphasis of Matter**

As described in Note 1, the United Way of the Greater Lehigh Valley early adopted FASB ASU No. 2016-14 for the year ended June 30, 2018.

**Report on Summarized Comparative Information**

The June 30, 2017 financial statements were audited by a predecessor auditor and the predecessor auditor expressed an unmodified opinion on those audited financial statements dated October 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent in all material respects with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of community investments 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.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
November 19, 2018**

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

**With Summarized Totals For June 30, 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,238,860	\$ 200,267
Grants receivable	401,011	416,183
Accounts receivable and accrued income	69,878	53,336
Prepaid expenses	65,989	72,284
Pledges receivable, net	4,213,182	3,865,578
Furniture, fixtures and equipment, net	339,114	395,857
Life insurance cash value	174,410	276,947
Long-term investments:		
Perpetual trusts	2,236,839	2,012,547
Split interest agreements	149,693	83,433
Other	3,146,681	3,579,141
	<u>\$ 13,035,657</u>	<u>\$ 10,955,573</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expense	\$ 413,481	\$ 479,522
Custodial funds	18,666	19,976
Liability to donors under split- interest trusts	90,714	26,532
Campaign support designated to organizations and other United Ways	2,056,452	2,073,422
	<u>2,579,313</u>	<u>2,599,452</u>
	<b>TOTAL LIABILITIES</b>	<b>2,599,452</b>
<b>NET ASSETS</b>		
Without donor restrictions:		
Investment reserves	1,569,295	1,429,877
Opportunity investment fund	1,051,799	1,392,527
Property and equipment expended for equipment	52,607	52,607
Undesignated	(5,201,518)	(4,789,556)
Total without donor restrictions	<u>(2,527,817)</u>	<u>(1,914,545)</u>
With donor restrictions:		
Restricted for time or purpose:		
Split interest and annuity trusts	58,979	56,901
Support for future periods	10,223,778	7,771,555
Restricted in perpetuity	2,701,404	2,442,210
Total with donor restrictions	<u>12,984,161</u>	<u>10,270,666</u>
	<u>10,456,344</u>	<u>8,356,121</u>
	<b>TOTAL NET ASSETS</b>	<b>8,356,121</b>
	<u>\$ 13,035,657</u>	<u>\$ 10,955,573</u>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,955,573</b>

See accompanying notes.

UNITED WAY OF THE GREATER LEHIGH VALLEY

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2018

With Summarized Totals For Year Ended June 30, 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Campaign contributions applicable to current period:				
Raised in current fiscal year (net of additional loss provisions and designations)	\$ 198,146	\$ -	\$ 198,146	\$ 199,703
Prior years campaign for current year support, net of loss provisions (released from restriction)	11,453,130	(11,453,130)	-	-
Less: Donor Designations	(4,507,238)	4,507,238	-	-
Prior campaign support released from purpose restriction	95,489	(95,489)	-	-
Total campaign contributions applicable to current period	7,239,527	(7,041,381)	198,146	199,703
Campaign contributions received for next allocation period:				
Current year campaign revenue, net of loss provisions	-	16,028,915	16,028,915	11,523,676
Less: Donor Designations	-	(6,604,566)	(6,604,566)	(4,711,239)
Future campaign support purpose restriction met	136,217	-	136,217	124,701
Total campaign contributions for next allocation period	136,217	9,424,349	9,560,566	6,937,138
Other support	389,196	603,156	992,352	615,643
Designations from other United Ways	132,491	-	132,491	147,304
In kind services and materials	637,174	-	637,174	504,776
In kind equipment (capitalized)	-	-	-	343,250
Operating investment activity, net	75,055	25	75,080	34,505
Endowment income	96,734	-	96,734	169,163
Donor choice fees	-	-	-	1,778
Other income	-	-	-	26,236
Grant and bequest revenue	825,098	-	825,098	560,185
Contributions	-	194,928	194,928	258,000
Change in value of split interest agreements	-	2,849	2,849	(308)
Net assets released from restrictions:				
Donor choice fees	70,115	(70,115)	-	-
Sponsorships	100,000	(100,000)	-	-
Bequests and memorials	75,000	(75,000)	-	-
Grant revenue	288,811	(288,811)	-	-
Total revenue and other support	10,065,418	2,650,000	12,715,418	9,797,373
Other changes:				
Endowment investment activity, net	70,272	19,596	89,868	108,617
Unrealized gains on beneficial interest in perpetual trusts	-	45,683	45,683	131,025
Endowment income appropriated for expenditure	1,784	(1,784)	-	-
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	10,137,474	2,713,495	12,850,969	10,037,015

See accompanying notes.

UNITED WAY OF THE GREATER LEHIGH VALLEY

STATEMENTS OF ACTIVITIES - CONTINUED

Year Ended June 30, 2018

With Summarized Totals For Year Ended June 30, 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>ALLOCATIONS AND EXPENSES</b>				
Community investments and program services:				
Community investment awards and special initiatives	5,709,361	-	5,709,361	5,791,072
Donor designations	4,451,828	-	4,451,828	4,285,361
Community impact services provided by United Way	2,282,244	-	2,282,244	2,091,002
Total community investments and program services with donor designations	12,443,433	-	12,443,433	12,167,435
Less donor designations	(4,451,828)	-	(4,451,828)	(4,285,361)
Total community investments and program services, net of donor designations	7,991,605	-	7,991,605	7,882,074
Support services:				
Revenue development costs	1,671,107	-	1,671,107	1,522,256
Administration	1,088,034	-	1,088,034	1,036,441
Total supporting services	2,759,141	-	2,759,141	2,558,697
<b>TOTAL ALLOCATIONS AND EXPENSES</b>	10,750,746	-	10,750,746	10,440,771
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(613,272)	2,713,495	2,100,223	(403,756)
	(1,914,545)	10,270,666	8,356,121	8,759,877
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ (2,527,817)</u>	<u>\$ 12,984,161</u>	<u>\$ 10,456,344</u>	<u>\$ 8,356,121</u>

See accompanying notes.

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2018**

**With Summarized Totals For Year Ended June 30, 2017**

	2018			2017 Total	
	Community Investments and Other Programs	Other Functional Expense Revenue Development Costs	Administration		Total
Community investment awards	\$ 5,709,361	\$ -	\$ -	\$ 5,709,361	\$ 5,791,072
Donor designations	4,451,828	-	-	4,451,828	4,285,361
Subtotal	10,161,189	-	-	10,161,189	10,076,433
Less donor designations	(4,451,828)	-	-	(4,451,828)	(4,285,361)
Community investments	5,709,361			5,709,361	5,791,072
Salaries and temporary help	903,600	782,216	445,268	2,131,084	2,256,156
Employee benefits and taxes	209,646	243,780	146,000	599,426	625,401
Employee recruitment	-	-	2,541	2,541	904
Total compensation	1,113,246	1,025,996	593,809	2,733,051	2,882,461
Professional services	155,834	46,626	52,902	255,362	243,901
General supplies	6,812	4,955	2,864	14,631	17,116
Communications	17,124	13,771	7,959	38,854	43,594
Occupancy costs	110,575	89,077	51,482	251,134	197,127
Equipment costs	55,403	44,633	25,795	125,831	122,467
Direct program costs	270,870	231,278	92,809	594,957	287,804
Staff development, travel and meetings	65,342	29,794	10,096	105,232	93,468
Dues, insurance and other	10,523	6,605	41,052	58,180	49,254
Fair share support	21,000	-	128,889	149,889	147,097
Total expenses before donated services and depreciation	1,826,729	1,492,735	1,007,657	4,327,121	4,084,289
Donated services and materials	421,572	151,029	64,574	637,175	504,776
Depreciation	33,943	27,343	15,803	77,089	60,634
Total expenses	2,282,244	1,671,107	1,088,034	5,041,385	4,649,699
<b>TOTAL COMMUNITY INVESTMENTS AND EXPENSES</b>	<b>\$ 7,991,605</b>	<b>\$ 1,671,107</b>	<b>\$ 1,088,034</b>	<b>\$ 10,750,746</b>	<b>\$ 10,440,771</b>

See accompanying notes.



UNITED WAY OF THE GREATER LEHIGH VALLEY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,100,223	\$ (403,756)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation expense	77,089	60,634
Net unrealized and realized (gains) losses on long-term investments	(93,460)	(238,563)
Net unrealized (gains) losses on beneficial interest in perpetual trusts	(45,683)	(131,025)
Net unrealized (gains) losses on split-interest agreements	(2,849)	308
Beneficial interest in perpetual trust contribitons	(178,609)	-
In kind capital contributions	-	(343,250)
Changes in:		
Liability to donors under split-interest trusts	64,182	2,121
Grants/accounts receivable and accrued income	(1,370)	(13,308)
CSV of life insurance	102,537	(11,293)
Prepaid expenses	6,295	(31,625)
Pledges receivable	(347,604)	504,227
Accounts payable and accrued expenses	(66,041)	72,770
Custodial funds	(1,310)	(2,087)
Designations payable	(16,970)	(430,113)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,596,430</b>	<b>(964,960)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	3,112,093	3,338,499
Purchase of investments	(2,586,173)	(2,831,682)
Proceeds from sale of investments, split-interest agreements	2,421	-
Purchase of investments, split-interest agreements	(65,832)	-
Purchase of investments, beneficial interests in perpetual trusts	(153,609)	-
Acquisitions of equipment	(20,346)	(22,347)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>288,554</b>	<b>484,470</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Beneficial interest in perpetual trust contribution	153,609	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,038,593</b>	<b>(480,490)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>200,267</b>	<b>680,757</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,238,860</b>	<b>\$ 200,267</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ 11,462	\$ 4,997
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES</b>		
Beneficial interest in perpetual trust contribution	\$ 25,000	\$ -
Capital contributions	-	343,250

See accompanying notes.

## UNITED WAY OF THE GREATER LEHIGH VALLEY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

United Way of the Greater Lehigh Valley (the "Organization") is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of supporting nonprofit health and human service agencies who serve the needs of Lehigh, Northampton, and Carbon County citizens. The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

United Way of the Greater Lehigh Valley merged with United Way of Carbon County effective July 1, 2016. The name of the Organization remains United Way of the Greater Lehigh Valley and will serve Lehigh, Northampton, and Carbon Counties. Notice of the intent to merge was approved by the Pennsylvania State Attorney General's office. The subsequent Statement of Merger was filed with Pennsylvania Department of State, Bureau of Corporations and Charitable Organizations as applicable by law.

United Way Services, Inc. is a wholly-owned subsidiary of the United Way of the Greater Lehigh Valley. The subsidiary is inactive and therefore not reflected in the financial statements.

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

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The significant accounting policies followed by the Organization are set forth below.

##### **Basis of Accounting and Presentation**

The financial statements of the Organization for the year ended June 30, 2018 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).

The financial statements for the year ended June 30, 2017 include certain prior year summarized comparative information in total, but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2017, from which the information was derived.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Financial Statement Presentation**

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

*Net Assets Without Donor Restrictions* - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received and expenses incurred in conducting the Organization's charitable mission are included in this category.

*Net Assets With Donor Restrictions* - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purpose. The annual campaign held April 1 through March 31 of each year, intended to support activities for the subsequent year starting July 1 (time restriction) are carried in this category until the subsequent year when the support is reclassified to the without donor restriction category. Net assets with donor restrictions also include activity and balances under split interest agreements or temporary trusts. Generally, on termination of the agreements or trusts, the net assets would be reclassified as net assets without donor restriction.

In addition, net assets with donor restrictions include gifts, trusts, and pledges which are required by donor-imposed restrictions to be invested in perpetuity and only income be made available for operations in accordance with donor restrictions. Outside perpetual trusts with independent trustees including the Warren York Trust are included in this category.

**Contributions**

Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. The Organization has elected to show restricted contributions or grants whose restrictions are met in the same reporting period as unrestricted contributions.

When a donor 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 restriction.

**Grants and Accounts Receivable**

Grants and accounts receivable represent amounts due from various grantors and governmental agencies. Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2018.

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

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

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**Pledges Receivable**

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

**Allowance for Uncollectible Accounts**

The Organization uses the allowance method to determine uncollectible pledges 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.

**Donated Materials, Equipment, and Services**

Contributed services are recorded if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed materials are recorded at the fair market value of items received. For the years ended June 30, 2018 and 2017 donated services and materials, including advertising and marketing services, totaling \$637,175 and \$504,776, respectively, were recorded in the financial statements. No equipment was donated in the year ended June 30, 2018. For the year ended June 30, 2017, donated equipment totaling \$343,250 was recorded in the financial statements. The values were determined by fair market valuation. A significant amount of time has been donated by volunteers and board members of the Organization; however, such services are typically not recorded.

**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 June 30, 2018 and 2017, the board-approved spending policy was 4% annually.

**Cash and Cash Equivalents**

At year end and at various times during the year, the Organization had cash balances in excess of the federally insured limit. The Organization maintains accounts at various banks. While the Organization maintains cash balances which may exceed federally insured limits, it historically has not experienced any credit related losses. For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.

**Investments**

Investments are presented in the financial statements in the aggregate at fair market value. See Notes 4, 5, and 6 for details. The Organization reports investment income and gains and losses on investments as increases or decreases in net assets without donor restriction unless a donor restricts their use. Investment income, net includes unrealized and realized gains and losses and investment expenses, such as custodial, commission, and advisory fees.

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Furniture, Fixtures, and Equipment**

Purchases of new furniture, fixtures, and equipment are recorded at cost. Donations of new equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions 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 equipment are reported as support with donor restrictions. 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. Depreciation is computed using the straight-line method based on estimated useful lives of the related assets. Additions and betterments of \$500 or more are capitalized while maintenance and repairs that do not improve or extend the original useful lives of the respective assets are expensed as incurred.

Such assets and lives are generally as follows:

Furniture and fixtures	7 years
Equipment	3 - 10 years

During the year ended June 30, 2018, the Organization evaluated furniture, fixtures, and equipment and disposed of fully depreciated assets that were removed from service.

**Postretirement Benefits Other Than Pension**

The Organization accrues the projected future cost of providing postretirement benefits during the period that employees render the services necessary to be eligible for such benefits. The accrued postretirement benefits of \$12,418 and \$16,738 for 2018 and 2017, respectively, are included in accounts payable and accrued expense on the statement of financial position.

**Allocation of Expenses by Function**

As reported in the statement of functional expenses, expenses of the Organization have been allocated to the following functional reporting classifications: Community Investments and Other Programs, Revenue Development Costs, and Administration.

Expenses directly attributable to a specific functional area are reported as expenses of those functions. The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Community Investment Awards to Agencies**

In spring of each year, the United Way issues a letter of "intent to give" (non-recordable until paid) for its annual community investment awards for the following July - June fiscal year. These annual community investment awards are expensed when paid in order to match the recognition of the campaign support in the statement of revenues, expenses, and other changes in net assets without donor restrictions and to maintain the integrity of the campaign years.

Certain special initiatives which are made outside the regular community investment award cycle are expensed when approved by the Board of Directors and all the conditions for receiving the initiative have been met.

**Advertising Costs**

Advertising costs are expensed as incurred and were \$311,402 and \$341,579, including in-kind services of \$194,424 and \$258,384 in 2018 and 2017, respectively.

**Adoption of FASB ASU No. 2016-14**

The Organization adopted FASB ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the previously existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) is replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds ("underwater endowments") and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been clarified. New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Note 12 discloses the extent to which the balance sheet comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use. This standard is effective for fiscal years beginning after December 15, 2017. The Organization early adopted this standard for the year ended June 30, 2018, with application as of July 1, 2017.

**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.

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Tax-Exempt Status**

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

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

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 19, 2018, the date the financial statements were available to be issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

NOTE 2 - PLEDGES RECEIVABLE

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Pledges receivable are recorded net of an allowance for estimated uncollectible amounts as follows:

	2018	2017
Balance of 2015 campaign pledges	\$ -	\$ 529,314
Balance of 2016 campaign pledges	420,218	3,903,059
Balance of 2017 campaign pledges	4,371,640	73,739
Balance of future campaign pledges (net)	74,525	-
	4,866,383	4,506,112
Allowance for uncollectible pledges	(653,201)	(640,534)
	<u>\$ 4,213,182</u>	<u>\$ 3,865,578</u>

The balance of any collectible amounts from the 2017 and 2018 campaign would be expected to be received over 12 months from the balance sheet date.

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

NOTE 2 - PLEDGES RECEIVABLE - CONTINUED

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Changes in the allowance for estimated uncollectibles are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 640,534	\$ 739,282
Addition from campaigns	512,987	376,618
Charge off of known uncollectible pledges	<u>(500,320)</u>	<u>(475,366)</u>
Balance, end of year	<u>\$ 653,201</u>	<u>\$ 640,534</u>

NOTE 3 - FURNITURE, FIXTURES, AND EQUIPMENT

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Furniture, fixtures, and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Computer hardware and software	\$ 142,062	\$ 301,715
Furniture, fixtures, and equipment	<u>368,182</u>	<u>396,850</u>
	510,244	698,565
Less: accumulated depreciation	<u>(171,130)</u>	<u>(302,708)</u>
	<u>\$ 339,114</u>	<u>\$ 395,857</u>

Depreciation and amortization charged to expense was \$77,089 and \$60,634 for the years ended June 30, 2018 and 2017, respectively.



**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 4 - LONG-TERM INVESTMENTS**

Investments consist of the following:

	Market Value June 30,	
	2018	2017
Money market instruments	\$ 63,080	\$ 692,280
Alternatives/real assets	162,862	135,895
Common stock	-	46,778
Fixed income	1,526,674	1,455,711
Mutual funds	1,308,044	1,166,495
Pooled investments	86,021	81,982
	<u>\$ 3,146,681</u>	<u>\$ 3,579,141</u>

The investments are reflected in the various net assets as follows:

	Market Value June 30,	
	2018	2017
Without donor restrictions	\$ 2,682,116	\$ 3,189,616
With donor restrictions, time or purpose	-	79,550
With donor restrictions, in perpetuity	464,565	309,975
	<u>\$ 3,146,681</u>	<u>\$ 3,579,141</u>

Investment activity, net consists of the following:

	2018
Dividend and interest income	\$ 86,412
Realized gain	158,202
Unrealized gain	(64,742)
Investment expenses	(14,924)
	<u>\$ 164,948</u>

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

**NOTE 5 - BENEFICIAL INTERESTS IN PERPETUAL TRUSTS**

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The Organization is an income beneficiary of eight perpetual trusts.

The amounts recorded represent the prorata share of net assets that provide for distribution of income to the Organization as beneficiary. Distributions are made annually to the Organization in accordance with the respective spending policies of the trusts.

The trusts are detailed as follows as of June 30:

Trust	Trust %	Shares of Net Assets	
		2018	2017
Thun Fund	100%	\$ 277,217	\$ 238,510
Albert T. Rex Estate	35	64,699	64,454
Adora Gross Estate	100	84,670	82,662
Samuel A. Kleppinger Estate	100	960,364	936,563
The Warren W. York Fund	100	542,803	540,843
David Rabaut Fund for Neighborhoods	100	22,235	21,190
MacCrindle Fund	70	155,407	-
Stanley R. Liebman Estate	34	129,444	128,325
		<u>\$ 2,236,839</u>	<u>\$ 2,012,547</u>

In the year ended June 30, 2017, \$109,928 related to the MacCrindle trust was included in the cash surrender value of life insurance on the statement of financial position. This amount was restricted in perpetuity for a perpetual trust. The account was liquidated in the year ended June 30, 2018, with total included in beneficial interest in perpetual trusts at June 30, 2018.

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

NOTE 6 - SPLIT-INTEREST AGREEMENTS

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The Organization holds investments under five split-interest agreements. The investments represent the fair market value of assets held under the charitable trusts and gift annuity agreements.

Total assets by split-interest agreement are as follows at June 30:

	<u>2018</u>	<u>2017</u>
Annuity Trust A	\$ 52,176	\$ 52,002
Covert Unitrust	25,695	25,695
Cressman Charitable Gift Annuity	3,523	4,129
Mills Gift Annuity	1,696	1,607
MacCrimdle Perpetual Trust	66,603	-
	<u>\$ 149,693</u>	<u>\$ 83,433</u>

Total liabilities by split-interest agreements are as follows at June 30:

	<u>2018</u>	<u>2017</u>
Annuity Trust A*	\$ 20,867	\$ 23,117
Cressman Charitable Gift Annuity*	3,244	3,415
MacCrimdle Perpetual Trust	66,603	-
	<u>\$ 90,714</u>	<u>\$ 26,532</u>

\* The relevant donor's ages and a discount rate of 6.24% were used to determine the present value of obligations to donors.

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

**NOTE 7 - FAIR VALUE MEASUREMENTS**

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

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

**Investments**

The banks hold the investments of the United Way of the Greater Lehigh Valley in accordance with the investment policy of the Organization. The investments are valued at the quoted market value for shares held at year end

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 7 - FAIR VALUE MEASUREMENTS - CONTINUED**

**Split-Interest Agreements, Annuity Trusts, Pooled Investments, and Perpetual Trusts**

The United Way of the Greater Lehigh Valley, Inc. is the beneficiary of various trusts and split-interest agreements and pooled investments management by banks and the Lehigh Valley Community Foundation (the "Foundation"). The banks and the 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 other investments. 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 the 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 the Greater Lehigh Valley's assets at fair value as of June 30:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Alternatives/real assets	\$ -	\$ 162,862	\$ -	\$ 162,862
Fixed income	-	1,526,674	-	1,526,674
Mutual funds:				
Large cap	814,687	-	-	814,687
Small/mid cap	128,433	-	-	128,433
Developed international	190,657	-	-	190,657
Emerging international	87,938	-	-	87,938
Other international	86,329	-	-	86,329
Pooled investments	-	-	86,021	86,021
Split-interest agreements and annuity trusts	62,671	3,932	83,090	149,693
Perpetual trusts	146,231	9,176	2,081,432	2,236,839
	<u>\$ 1,516,946</u>	<u>\$ 1,702,644</u>	<u>\$ 2,250,543</u>	<u>\$ 5,470,133</u>
Total assets at fair value	<u>\$ 1,516,946</u>	<u>\$ 1,702,644</u>	<u>\$ 2,250,543</u>	<u>\$ 5,470,133</u>

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 7 - FAIR VALUE MEASUREMENTS - CONTINUED**

**Split-Interest Agreements, Annuity Trusts, Pooled Investments, and Perpetual Trusts - continued**

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Alternatives/real assets	\$ 135,895	\$ -	\$ -	\$ 135,895
Common stock:				
Health care	6,370	-	-	6,370
Info technology	40,408	-	-	40,408
Fixed income	1,455,711	-	-	1,455,711
Mutual funds:				
Large cap	715,152	-	-	715,152
Small/mid cap	128,604	-	-	128,604
Developed international	111,482	-	-	111,482
Emerging international	94,983	-	-	94,983
Other international	116,274	-	-	116,274
Pooled investments	-	-	81,982	81,982
Split-interest agreements and annuity trusts	-	-	83,433	83,433
Perpetual trusts	-	-	2,012,547	2,012,547
	<u>\$ 2,804,879</u>	<u>\$ -</u>	<u>\$ 2,177,962</u>	<u>\$ 4,982,841</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	Year Ended June 30, 2018			
	Community Foundation Pooled Investments	Split-Interest Agreements and Annuity Trusts	Perpetual Trusts	Total
Balance, beginning of year	\$ 81,982	\$ 83,433	\$ 2,012,547	\$ 2,177,962
Transfer from life insurance, cash value	-	-	109,928	109,928
Contributions	-	-	70,479	70,479
Realized and unrealized gains (losses)	4,039	(343)	43,885	47,581
Balance, end of year	<u>\$ 86,021</u>	<u>\$ 83,090</u>	<u>\$ 2,236,839</u>	<u>\$ 2,405,950</u>

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 7 - FAIR VALUE MEASUREMENTS - CONTINUED**

**Split-Interest Agreements, Annuity Trusts, Pooled Investments, and Perpetual Trusts - continued**

	Year Ended June 30, 2017			
	Community Foundation Pooled Investments	Split-Interest Agreements and Annuity Trusts	Perpetual Trusts	Total
Balance, beginning of year	\$ 76,582	\$ 81,622	\$ 1,891,282	\$ 2,049,486
Realized and unrealized gains (losses)	5,400	1,811	121,265	128,476
Balance, end of year	<u>\$ 81,982</u>	<u>\$ 83,433</u>	<u>\$ 2,012,547</u>	<u>\$ 2,177,962</u>

**NOTE 8 - LINE OF CREDIT**

The Organization has a \$1,000,000 revolving line of credit bearing interest equal to the Index plus 0.70% with a floor of 4.40%. The line of credit is on demand. There was no outstanding balance at June 30, 2018.

Interest paid on the line of credit was \$11,462 and \$4,997 in 2018 and 2017, respectively.

**NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Organization's net assets without donor restrictions are comprised of undesignated and Board designated amounts as follows:

	2018	2017
Board designated investment reserves without donor restrictions:		
Community fund	\$ 557,131	\$ 557,131
Property and equipment set aside for future expansion	359,080	359,080
Undesignated investment reserves	653,084	513,666
Board designated opportunity investment fund	1,051,799	1,392,527
Board designated property and equipment expended for equipment	52,607	52,607
Undesignated	<u>(5,201,518)</u>	<u>(4,789,556)</u>
Total net assets without donor restrictions	<u>\$ (2,527,817)</u>	<u>\$ (1,914,545)</u>

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consists of:

	<u>2018</u>	<u>2017</u>
Future periods:		
Time restricted net campaign for 2017 and 2016	\$ 8,474,580	\$ 7,081,960
Unspent purpose restricted campaign funds from prior year	70,938	95,490
Future campaign support	949,769	208,839
Split interest and trusts	58,979	56,901
Other purpose and time restricted support	<u>728,491</u>	<u>385,266</u>
Subtotal future periods	10,282,757	7,828,456
Perpetuity Trusts	2,236,839	2,012,547
Life insurance policy, cash value	-	109,928
Endowment Funds:		
J. Bogert Endowment Fund	-	35,119
Fulton Financial Endowment Fund	439,565	259,616
Other Donor Restricted Fund	<u>25,000</u>	<u>25,000</u>
Subtotal perpetuity	<u>2,701,404</u>	<u>2,442,210</u>
Total net assets with donor restrictions	<u><u>\$ 12,984,161</u></u>	<u><u>\$ 10,270,666</u></u>

In the year ended June 30, 2018, the life insurance policy, cash value was liquidated and transferred to a perpetual trust and the J. Bogert Endowment Fund was transferred to the Fulton Financial Endowment Fund.

Distributions from the perpetual trusts totaled \$84,849 and \$88,058 in 2018 and 2017, respectively.

**NOTE 11 - ENDOWMENT NET ASSETS**

The Organization's endowment consists of funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.



UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Information for June 30, 2017

NOTE 11 - ENDOWMENT NET ASSETS - CONTINUED

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The Board of Directors of the Organization has interpreted the laws of the Commonwealth of Pennsylvania as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, in perpetuity (a) the original value of gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the laws of the Commonwealth of Pennsylvania, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies:* The Organization has adopted investment policies, approved by the Board of Directors, for donor-restricted endowment funds and board-designated endowments. The primary purpose of the board designated *opportunity investment fund* is to maintain a quasi-endowment fund which will be utilized for opportunistic investments of a strategic nature, both programmatically and for resource generation including grant matches. The target balance of the fund is a minimum of \$1M. The Board Opportunity Investment Fund Committee and the Financial Investment Committee will oversee the management of the fund. The primary purpose of the *donor-restricted endowment fund* is to allow for preservation of principal for gifts given in perpetuity; whose earnings will be utilized as defined by the donor upon creation of the gift. The target balance of the fund is \$10M short-term and \$100M long-term. The fund excludes the perpetual trusts. The Finance Committee and the Financial Investment Committee will oversee the management of the fund.

*Spending Policy:* The spending policy of the *opportunity investment fund* shall be 5% annually or at the discretion of the Board of Directors given a grant matching opportunity. If the fund balance falls below minimum level, measures must be taken to restore the fund balance within a three-year period. The spending policy of the *donor-restricted endowment fund* shall be 4% annually as part of the annual budget.

*Underwater Endowment Funds:* The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the director of the applicable donor gift instrument. The Organization has no underwater endowment funds at June 30, 2018 or 2017.

The purpose of establishing an investment policy asset mix is to construct a target or "normal" set of investments, well diversified among suitable asset classes that will generate, on average, the level of expected return necessary to meet endowment objectives at the lowest volatility consistent with achieving that return.

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 11 - ENDOWMENT NET ASSETS - CONTINUED**

The investment asset allocations mix, including target levels and ranges approved by the Investment Committee, is as follows:

	<u>Opportunity Investment</u>	<u>Donor- Restricted Endowment</u>
Equities	50%	60%
Bonds	50%	40%

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

	<u>June 30, 2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 464,565	\$ 464,565
Opportunity investment fund	1,051,799		1,051,799
Totals funds	<u>\$ 1,051,799</u>	<u>\$ 464,565</u>	<u>\$ 1,516,364</u>
	<u>June 30, 2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 319,735	\$ 319,735
Opportunity investment fund	1,392,527	-	1,392,527
Totals funds	<u>\$ 1,392,527</u>	<u>\$ 319,735</u>	<u>\$ 1,712,262</u>

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 11 - ENDOWMENT NET ASSETS - CONTINUED**

Changes in endowment net assets as of June 30, 2018 and 2017 are as follows:

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,392,527	\$ 319,735	\$ 1,712,262
Contributions	-	127,018	127,018
Investment activity, net	70,272	19,596	89,868
Net appropriated for expenditures	(411,000)	(1,784)	(412,784)
Endowment net assets, end of year	\$ 1,051,799	\$ 464,565	\$ 1,516,364

Board action is taken to approve appropriation for amounts in excess of spending policy for endowment without restrictions.

	June 30, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,326,502	\$ 57,209	\$ 1,383,711
Contributions	-	258,000	258,000
Investment activity, net	131,025	4,526	135,551
Net appropriated for expenditures	(65,000)	-	(65,000)
Endowment net assets, end of year	\$ 1,392,527	\$ 319,735	\$ 1,712,262

**NOTE 12 - RETIREMENT PLANS**

The Organization sponsors a defined contribution 401(k) plan. Participation is available to substantially all full-time employees. Organization contributions to the plan were based on 5% of compensation. Employees are eligible to receive an additional employer matching contribution of 50% of employee contributions up to 2% of salary. Employer contributions to the plan were \$115,812 and \$114,188 in 2018 and 2017, respectively.

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 13 - POSTRETIREMENT HEALTH BENEFITS**

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Employees of the United Way of Lehigh County as of January 1, 1993, who also retire with the United Way of the Greater Lehigh Valley are eligible for a \$100 per month contribution toward their health insurance coverage beginning with their retirement and throughout their life. New employees hired since that date and employees of the former United Way of Northampton and Warren Counties are not eligible for the benefit at retirement.

Costs incurred under this benefit were \$4,320 for each of the years ended June 30, 2018 and 2017.

**NOTE 14 - LEASES**

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The Organization leases its office space in Allentown under a lease agreement which will expire December 31, 2023. Rent charged to expense was \$250,056 and \$196,466 in 2018 and 2017, respectively.

The Organization entered into 63-month lease agreements for equipment which expire through June 2021. Rental expense is \$865 per month under these agreements.

Minimum lease payments under these leases for the years ending June 30 are as follows:

2019	\$	269,805
2020		284,205
2021		296,467
2022		296,236
2023		300,119

**NOTE 15 - UNEMPLOYMENT INSURANCE SELF-FUNDING**

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The Organization uses the Unemployment Services Trust. Payments for this insurance totaled \$9,446 for each of the years ended June 30, 2018 and 2017.

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 16 - COMMUNITY IMPACT SERVICES**

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Community impact services are provided by the United Way are summarized as follows:

	<u>2018</u>	<u>2017</u>
Labor/community services	\$ 73,591	\$ 78,247
Community initiatives/coalition building and funds distribution	<u>2,208,653</u>	<u>2,012,755</u>
	<u>\$ 2,282,244</u>	<u>\$ 2,091,002</u>

**NOTE 17 - COLLECTIVE IMPACT**

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In 2015, the United Way of the Greater Lehigh Valley's Board of Directors voted to invest \$500,000 over three years into collective impact initiatives. In the year ending June 30, 2018, the Organization invested \$100,000 which required funding from the Board Opportunity Fund to fulfill. The initiative included in person professional development opportunities for more than 600 community members from partner agencies and businesses.

**NOTE 18 - 100<sup>TH</sup> ANNIVERSARY GALA**

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The United Way of the Greater Lehigh Valley celebrated its 100<sup>th</sup> anniversary in April of 2018. To commemorate this milestone and kick off the campaign year, a 100<sup>th</sup> Anniversary Gala was held in September of 2017, complete with a live performance by Grammy Award winning artist, Vince Gill. This event raised \$347,000 (\$300,000 in sponsorships, \$41,000 in ticket sales, and \$6,000 in in-kind donations). Expenses for the event totaled \$292,000.

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 19 - AVAILABILITY OF FINANCIAL RESOURCES**

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The following reflects the Organization's financial assets as of June 30, 2018 and 2017, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions and financial liabilities due within one year. The Organization's financial assets include cash, receivables, investments, split-interest agreements, a life insurance policy, cash value, and beneficial interest in perpetual trusts. The Organization has funds held for others, funds designated for other organizations, restricted funds, board designated funds, and funds committed for leases due within one year. To help manage liquidity needs, the Organization has committed lines of credit totaling \$1,000,000 which it could draw upon. There is no outstanding balance on the line of credit at June 30, 2018 or 2017. In addition, the Organization has board designated endowment totaling \$1,051,799 and investment reserves totaling \$1,051,799 that are expected to be held for long-term purposes. With board approval, these investments could be used to meet cash needs, if necessary.

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**With Comparative Information for June 30, 2017**

**NOTE 19 - AVAILABILITY OF FINANCIAL RESOURCES - CONTINUED**

	<u>2018</u>	<u>2017</u>
Cash	\$ 2,238,860	\$ 200,267
Grants and accounts receivable	470,889	469,519
Capital campaign pledges receivable, net	4,213,182	3,865,578
Investments	3,146,681	3,579,141
Split interest agreements	149,693	83,433
Life insurance policy, cash value	174,410	276,947
Beneficial interest in perpetual trusts	<u>2,236,839</u>	<u>2,012,547</u>
Total financial assets	12,630,554	10,487,432
Less:		
Contractual, board designated, or donor-imposed restrictions:		
Custodial funds	(18,666)	(19,976)
Liabilities under split interest agreements	(90,714)	(26,532)
Campaign support designated to organizations and other United Ways	(2,056,452)	(2,073,422)
MacCrimdle life insurance cash value restricted for perpetual trust	-	(109,928)
Beneficial interest in perpetual trusts	(2,236,839)	(2,012,547)
Split interest agreements	(58,979)	(56,901)
Investments held for long term purposes	(1,569,295)	(1,392,527)
Other time and purpose restrictions	(1,749,198)	(689,595)
Endowment, with donor restriction	(464,565)	(319,735)
Endowment, board designated	<u>(1,051,799)</u>	<u>(1,392,527)</u>
Financial assets available to meet cash needs for general expenditures within one year	3,334,047	2,393,742
Plus line of credit	<u>1,000,000</u>	<u>1,000,000</u>
Total financial assets and line of credit available to meet cash needs for general expenditures within one year	<u>\$ 4,334,047</u>	<u>\$ 3,393,742</u>

UNITED WAY OF THE GREATER LEHIGH VALLEY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE 20 - NEW ACCOUNTING PRONOUNCEMENTS**

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

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

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



**SUPPLEMENTARY INFORMATION**

UNITED WAY OF THE GREATER LEHIGH VALLEY

SCHEDULE OF COMMUNITY INVESTMENTS

June 30, 2018

Education

Big Brothers Big Sisters of the Lehigh Valley	School-Based Mentoring - Elementary School level	\$ 36,000
Big Brothers Big Sisters of the Lehigh Valley	School-Based Mentoring - Middle School level	36,000
Boy Scouts of America Minsi Trails Council	Urban Scouting	25,000
Boys & Girls Club of Allentown, Inc.	Istation	60,000
Boys & Girls Club of Allentown, Inc.	Literacy 4 R Youth 4-8	20,000
Boys & Girls Club of Allentown, Inc.	Literacy 4 R Youth K-Thlrd Grade	80,000
Boys & Girls Club of Allentown, Inc.	Make Your M.A.R.K. Fourth-Eighth Grade	20,000
Boys & Girls Club of Allentown, Inc.	Make Your M.A.R.K. K-Third Grade	200,000
Boys & Girls Club of Bethlehem, Inc.	Positive Youth Development	22,403
Boys & Girls Club of Easton	Project learn K-3 with Imagination Station	28,050
Boys & Girls Club of Easton	Summer Brain Gain	25,000
Broughal Middle School	United Way Community School at Broughal Middle School ( <i>pay direct</i> )	20,000
Center for Humanistic Change, Inc.	Crossroads & Project Success Mentoring Program 4-8	50,000
Center for Humanistic Change, Inc.	Crossroads Mentoring Program K-3	100,000
Child Care Information Services, Inc.	Unconditional Child Care-Case-Based Services	70,000
Child Care Information Services, Inc.	Unconditional Child care-Social Skills Training	31,200
Communities in Schools of the Lehigh Valley	United Way Community School at Cheston Elementary	50,000
Communities in Schools of the Lehigh Valley	United Way Community School at Lincoln Elementary	60,000
Communities in Schools of the Lehigh Valley	United Way Community School at South Mountain MS	50,000
Communities in Schools of the Lehigh Valley	United Way Community School at Central Elementary	65,000
Communities in Schools of the Lehigh Valley	United Way Community School at Cleveland Elementary	60,000
Communities in Schools of the Lehigh Valley	United Way Community School at McKinley Elementary	35,000
Communities in Schools of the Lehigh Valley	United Way Community School at Roosevelt Elementary	60,000
Communities in Schools of the Lehigh Valley	United Way Community School at Paxinosa Elementary	37,500
Communities in Schools of the Lehigh Valley	After School Supports - Donley & McKinley	20,000
Communities in Schools of the Lehigh Valley	Community School Coordination of Services	25,000
Communities in Schools of the Lehigh Valley	Supportive Case Management	50,000
Communities in Schools of the Lehigh Valley	Intensive Case Management	42,500
Community Bike Works	Earn a Bike: School Year	20,000
Community Bike Works	Junior Earn a Bike: School Year	30,000
Community Services for Children	Head Start Quality Early Learning	50,000
Diakon LSM	Girls on the Run of Lehigh Valley	20,000
Donegan Elementary School	United Way Community School at Donegan Elementary ( <i>pay direct</i> )	118,000
Easton Area Community Center	SAINTS Clubhouse 4-8	23,826
Easton Area Community Center	SAINTS Clubhouse K-3	50,000
EITC	Childcare Scholarships	199,811
Family Connection of Easton, Inc.	United Way Community School at Paxinosa	12,500
Family Connection of Easton, Inc.	After-School Learning Clubs	46,000
Family Connection of Easton, Inc.	Family Support and Case Management	32,000
Family Connection of Easton, Inc.	EASD Kindergarten Transition Coordination Success	42,900
Family Connection of Easton, Inc.	Parent Child Home Program	52,000
Fountain Hill Elementary School	United Way Community School at Fountain Hill Elementary ( <i>pay direct</i> )	8,606
Girl Scouts of Eastern Pennsylvania, Inc.	Mountain House Summer Programming	25,000
Greater Valley YMCA	Quality Learning Experiences for Children ages 0-5	20,000
Hispanic Center Lehigh Valley	Community Empowerment Program (CEP) Donegan /Broughal	28,000
Lehigh University	United Way Community School at Broughal MS	50,000
Lehigh University	United Way Community School at Donegan Elementary	35,000
Lehigh Valley Association of Independent Colleges	Collective Impact Research	14,824
Lehigh Valley Children's Centers, Inc.	FIRST STEPS TO READINESS	114,520
Lehigh Valley Children's Centers, Inc.	LCCC at Spring Garden Early Learning Center	20,000
Lehigh Valley FACES	Diversity & Inclusion	14,200
Marvine Elementary School	United Way Community School at Marvine Elementary ( <i>pay direct</i> )	53,750
Moravian College	United Way Community School at William Penn Elementary	35,000
Northampton Community College	United Way Community School at Bangor Area SD	40,000
Northampton Community College	United Way Community School at Fountain Hill Elementary	60,000

UNITED WAY OF THE GREATER LEHIGH VALLEY

SCHEDULE OF COMMUNITY INVESTMENTS - CONTINUED

June 30, 2018

Northeast Ministry	Northeast Ministry 4-8 After School Homework Club	12,500
Northeast Ministry	Northeast Ministry K-3 After School Homework Club	12,500
Pinebrook Family Answers	SHAPE	20,000
Pinebrook Family Answers	Making the Grade K-3	60,000
Pinebrook Family Answers	Making the Grade 4-8	73,825
Pinebrook Family Answers	Middle School Integrated Behavioral Health	30,400
Pinebrook Family Answers	SHAPE- Middle	40,000
ProJeCt of Easton, Inc.	SIZZLE! Summer Literacy Day Camp	20,000
Promise Neighborhoods of the Lehigh Valley	Neighborhood-based Coordination for Cradle to Career	150,000
Raub Middle School	United Way Community School at Raub Middle School <i>(pay direct)</i>	53,750
Slater Family Network	Case Management-Stabilize Families with Students 4-8	25,000
St. Luke's University Health Network	Parent Advocate in the Home	50,000
St. Luke's University Health Network	Donegan Elementary "Youth Succeeding in School"	70,680
TeenWorks	Youth Run Community Projects	23,638
The Children's Center, Volunteers of America	Starting Strong and Active Learning	95,000
The Literacy Center of the Lehigh Valley	The Literacy Center's Family Reading, Literacy and Support Program	50,591
Third Street Alliance for Women & Children	Learning Center Scholarship Fund ages 0-3	80,000
United Way Education Goal	Summer Learning Program	127,612
United Way Collective Impact	Community Capacity Building	30,500
Valley Youth House	Student Assistance Program	33,000
Valley Youth House	Truancy Intervention Program K-3	85,000
Via of the Lehigh Valley, Inc.	Reading Together at Home	22,000
Visiting Nurse Association of St. Luke's	Nurse-Family Partnership (NFP)	66,000
Wildlands Conservancy	Wild About Learning	42,844
Women United	Afterschool Programs	154,411
Zoe Beckeman Consulting	Together for Students	12,500
		4,036,341
<b>Healthy Aging</b>		
Catholic Charities, Diocese of Allentown	Senior Case Management	25,000
Catholic Charities, Diocese of Allentown	United Way Gatekeepers Initiative	65,000
Center for Vision Loss	Escorted Transportation	26,000
Greater Valley YMCA	"GO" (Golden Opportunities) Active Older Adults	30,000
Hispanic Center Lehigh Valley	Hispanic Center Senior Center Program	30,000
Meals on Wheels of Lehigh County, Inc.	Market on Wheels-Grocery Shopping Service	20,000
Meals on Wheels of Northampton County, Inc.	Grocery Shopping Service	26,196
Meals on Wheels of Northampton County, Inc.	Better Fresh - Farm to Institution Initiative	10,000
Pinebrook Family Answers	Family Answers HOMECARE	60,000
Pinebrook Family Answers	Family Answers Homecare - Fall Education and Prevention	42,211
ShareCare Faith in Action	Sharecare Grocery Shopping Program	20,000
ShareCare Faith in Action	Sharecare Transportation Program	25,000
Third Street Alliance for Women & Children	Sharing the Caring Adult Day Services	20,000
YWCA of Bethlehem	Adult Day Services Center	25,000
		424,407
<b>Food Access</b>		
Community Action Committee of the Lehigh Valley	Lehigh Valley Food Polley Council Leadership	50,000
Community Action Committee of the Lehigh Valley	Second Harvest Food Bank of the LV and NE PA's Share Our Strength's Cooking	50,000
Hispanic Center Lehigh Valley	Hispanic Center Food Pantry	20,000
Meals on Wheels of Lehigh County, Inc.	Meals Delivery	40,000
Meals on Wheels of Northampton County, Inc.	Meal Subsidy Program - Home Delivered Meals	40,000
New Bethany Ministries	Food Pantry - Mallard Hospitality Center	20,000
ProJeCt of Easton, Inc.	ProJeCt of Easton Interfaith Food Pantry	20,000
Slater Family Network	SFN Emergency Food Pantry and Back Packs	20,000
The Salvation Army of the Lehigh Valley	Emergency Assistance at Four Pantries	82,875
		342,875

**UNITED WAY OF THE GREATER LEHIGH VALLEY**

**SCHEDULE OF COMMUNITY INVESTMENTS - CONTINUED**

**June 30, 2018**

<b>Emergency Services</b>		
American Red Cross of the Greater Lehigh Valley	Disaster Response	65,000
Catholic Charities, Diocese of Allentown	Catholic Charities, Diocese of Allentown Ecumenical Soup Kitchen	20,000
Crime Victims Council of the Lehigh Valley, Inc.	Sexual Violence Program	50,000
Lehigh County Conference of Churches	LCCC Ecumenical Soup Kitchen	20,000
New Bethany Ministries	Meal Center - Mollard Hospitality Center	20,000
North Penn Legal Services, Inc.	NPLS HELP Project (Help for Emergency Legal Problems)	30,000
ProJeCt of Easton, Inc.	ASSIST Emergency Shelter	40,000
The Salvation Army of the Lehigh Valley	Hospitality House	50,000
Third Street Alliance for Women & Children	Shelter Program	45,000
Turning Point of Lehigh Valley, Inc.	Turning Point of Lehigh Valley, Inc.	115,000
United Way of Lancaster County	PA 2-1-1 Services for Lehigh and Northampton Counties	50,000
Valley Youth House	Lehigh Valley Youth Shelter	50,000
Victory House of Lehigh Valley	Shelter Services	40,000
		<u>595,000</u>
<b>Carbon County</b>		
ARC of NE PA	Services for People with Disabilities	700
Carbon County Action Committee	Emergency Services for Low-Income Families	3,300
CTC Manufacturing	Services for People with Disabilities	1,800
Family Promise	Homelessness and Transitional Housing	1,200
Healthy Smiles	Dental Van for Low-Income Children	1,400
Human Resources Center	Services for People with Disabilities	1,200
Meals on Wheels of Palmerton, Inc.	Senior Food Access	500
Pathstone	Headstart and Preschool	4,900
Penn State Cooperative Ext/Prosper Project	School-Based Coordination of Health and Human Services	1,000
Shepherd House Inc.	Large Network of Food Pantries	3,500
Penn-Kidder Ministerium After-School Program	School-Based Extended-Day Student Enrichment	500
		<u>20,000</u>
<b>Other</b>		
Family Centers	Passthrough Grants	240,738
Volunteer Center of the LV	Volunteer Management	50,000
		<u>290,738</u>
	Total Community Investments	<u>\$ 5,709,361</u>