

POCONO MOUNTAINS UNITED WAY

FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pocono Mountains United Way
Stroudsburg, Pennsylvania

Opinion

We have audited the accompanying financial statements of Pocono Mountains United Way (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pocono Mountains United Way as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pocono Mountain United Way and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Pocono Mountains United Way as of June 30, 2022, were audited by other auditors whose report dated May 11, 2023, expressed an unmodified opinion on those financial statements.

Emphasis of Matter

As discussed in Note 1 of the financial statements, in 2023, Pocono Mountains United Way adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Herbein + Company, Inc.

**Reading, Pennsylvania
December 19, 2023**

POCONO MOUNTAINS UNITED WAY
STATEMENTS OF FINANCIAL POSITION

June 30

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,782,156	\$ 1,689,941
Certificates of deposit	57,527	109,271
Grants receivable	255,344	181,341
Pledges receivable, net	121,213	188,354
Prepaid expenses	6,576	22,800
	TOTAL CURRENT ASSETS	2,222,816
		2,191,707
NONCURRENT ASSETS		
Investments	827,480	691,040
Right-of-use asset - finance lease	2,074	-
Property, furniture, and equipment:		
Land and building	511,876	511,876
Building improvements	123,636	123,636
Furniture	57,068	57,068
Equipment	66,184	66,184
	758,764	758,764
Less: accumulated depreciation	(178,637)	(143,335)
Net property, furniture, and equipment	580,127	615,429
	TOTAL NONCURRENT ASSETS	1,409,681
		1,306,469
	TOTAL ASSETS	\$ 3,632,497
		\$ 3,498,176
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 163,135	\$ 106,906
Due to member agencies	310,225	381,250
Designated funds payable	5,690	13,417
Donor choice designated to agencies and other United Ways	7,268	30,056
Deferred income	95,153	207,866
Finance lease liability	490	-
	TOTAL CURRENT LIABILITIES	581,961
		739,495
NONCURRENT LIABILITY		
Finance lease liability	1,530	-
	TOTAL LIABILITIES	583,491
		739,495
NET ASSETS		
Without donor restrictions:		
Undesignated	1,972,403	1,761,207
Board designated	185,135	185,135
Total without donor restrictions	2,157,538	1,946,342
With donor restrictions:		
Time and purpose	461,446	382,317
Perpetual in nature	430,022	430,022
Total with donor restrictions	891,468	812,339
	TOTAL NET ASSETS	3,049,006
		2,758,681
TOTAL LIABILITIES AND NET ASSETS	\$ 3,632,497	\$ 3,498,176

See accompanying notes.

POCONO MOUNTAINS UNITED WAY

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 115,658	\$ 2,048,471	\$ 2,164,129	\$ 280,829	\$ 1,628,633	\$ 1,909,462
Current campaigns	643,298	85,376	728,674	766,674	91,759	858,433
Contributed nonfinancial assets	390,379	-	390,379	124,500	20,965	145,465
Special events, net of direct expenses of \$43,499 and \$3,933, respectively	75,833	-	75,833	13,078	-	13,078
Other income	98	3,700	3,798	-	-	-
Paycheck Protection Program loan forgiveness	-	-	-	116,431	-	116,431
Employee retention credits	6,898	-	6,898	37,635	-	37,635
Net assets released from restrictions	2,058,418	(2,058,418)	-	1,615,421	(1,615,421)	-
TOTAL SUPPORT AND REVENUE	3,290,582	79,129	3,369,711	2,954,568	125,936	3,080,504
EXPENSES						
Programs and events	2,659,098	-	2,659,098	2,461,562	-	2,461,562
General and administrative	162,823	-	162,823	100,583	-	100,583
Fundraising	326,765	-	326,765	160,617	-	160,617
TOTAL EXPENSES	3,148,686	-	3,148,686	2,722,762	-	2,722,762
INCOME FROM OPERATIONS	141,896	79,129	221,025	231,806	125,936	357,742
INVESTMENT RETURN	69,300	-	69,300	(102,216)	-	(102,216)
CHANGE IN NET ASSETS	211,196	79,129	290,325	129,590	125,936	255,526
NET ASSETS AT BEGINNING OF YEAR	1,946,342	812,339	2,758,681	1,816,752	686,403	2,503,155
NET ASSETS AT END OF YEAR	\$ 2,157,538	\$ 891,468	\$ 3,049,006	\$ 1,946,342	\$ 812,339	\$ 2,758,681

See accompanying notes.

POCONO MOUNTAINS UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

EXPENSES	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 710,173	\$ 105,533	\$ 158,476	\$ 974,182
Employee benefits	89,273	7,404	16,298	112,975
Payroll taxes	64,514	9,768	13,758	88,040
Total salaries and related expenses	<u>863,960</u>	<u>122,705</u>	<u>188,532</u>	<u>1,175,197</u>
Program expenses	404,858	-	-	404,858
Community investment grants	341,945	-	-	341,945
Scholarships	166,845	-	-	166,845
Bad debt expense	16,384	-	-	16,384
Collections	-	-	4,084	4,084
Dues and subscriptions	11,440	4,513	6,544	22,497
Insurance	9,857	1,378	1,999	13,234
Interest expense	-	58	-	58
Miscellaneous	4,245	594	861	5,700
Occupancy	21,116	2,443	3,542	27,101
Postage	1,551	255	370	2,176
Printing and publicity	343,804	-	76,060	419,864
Professional fees	155,855	21,797	31,606	209,258
Rent	15,000	-	-	15,000
Subcontract services	216,479	-	-	216,479
Supplies	13,106	1,833	2,658	17,597
Telephone	13,678	1,913	2,774	18,365
Travel, meals, and lodging	11,851	1,657	2,403	15,911
United Way Worldwide and United Way of Pennsylvania dues	20,831	-	-	20,831
Depreciation	<u>26,293</u>	<u>3,677</u>	<u>5,332</u>	<u>35,302</u>
TOTAL EXPENSES	<u>\$ 2,659,098</u>	<u>\$ 162,823</u>	<u>\$ 326,765</u>	<u>\$ 3,148,686</u>

See accompanying notes.

POCONO MOUNTAINS UNITED WAY
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

EXPENSES	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 703,245	\$ 72,387	\$ 76,363	\$ 851,995
Employee benefits	61,786	2,947	8,907	73,640
Payroll taxes	62,825	6,230	6,825	75,880
Total salaries and related expenses	<u>827,856</u>	<u>81,564</u>	<u>92,095</u>	<u>1,001,515</u>
Program expenses	391,056	-	-	391,056
Community investment grants	309,451	-	-	309,451
Scholarships	112,448	-	-	112,448
Bad debt expense	21,836	-	-	21,836
Collections	-	-	3,665	3,665
				-
Dues and subscriptions	13,717	3,029	4,442	21,188
Insurance	11,915	977	1,433	14,325
Interest expense	80	7	10	97
Miscellaneous	6,042	-	-	6,042
Occupancy	27,057	1,870	2,743	31,670
Postage	4,664	382	561	5,607
Printing and publicity	131,377	-	36,962	168,339
Professional fees	95,161	7,800	11,440	114,401
Rent	18,000	-	-	18,000
Subcontract services	407,749	43	64	407,856
Supplies	6,284	515	755	7,554
Telephone	16,307	1,337	1,960	19,604
Travel, meals, and lodging	2,251	184	270	2,705
United Way Worldwide and United Way of Pennsylvania dues	23,236	-	-	23,236
Depreciation	<u>35,075</u>	<u>2,875</u>	<u>4,217</u>	<u>42,167</u>
TOTAL EXPENSES	<u>\$ 2,461,562</u>	<u>\$ 100,583</u>	<u>\$ 160,617</u>	<u>\$ 2,722,762</u>

See accompanying notes.

POCONO MOUNTAINS UNITED WAY

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 290,325	\$ 255,526
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	35,302	42,167
Amortization of finance lease	546	-
Realized loss (gain) on investments	19,819	(27,923)
Unrealized (gain) loss on investments	(61,850)	152,110
Paycheck Protection Program loan forgiveness	-	(116,431)
Change in:		
Grants receivable	(74,003)	5,088
Pledges receivable, net	67,141	31,464
Prepaid expenses	16,224	(20,585)
Accounts payable and accrued expenses	56,229	14,679
Due to member agencies	(71,025)	76,250
Designated funds payable	(7,727)	(12,427)
Donor choice designated to agencies and other United Ways	(22,788)	1,613
Deferred income	(112,713)	207,866
	<u>135,480</u>	<u>609,397</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	135,480	609,397
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of certificates of deposit	51,744	227,741
Purchase of equipment	-	(28,470)
Proceeds from sale of investments	300,308	-
Purchase of investments	(394,717)	(22,662)
	<u>(42,665)</u>	<u>176,609</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(42,665)	176,609
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of finance lease liability	(600)	-
	<u>(600)</u>	<u>-</u>
NET CHANGE IN CASH	92,215	786,006
CASH - BEGINNING OF YEAR	<u>1,689,941</u>	<u>903,935</u>
CASH - END OF YEAR	<u><u>\$ 1,782,156</u></u>	<u><u>\$ 1,689,941</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest on finance lease	\$ 58	\$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY		
Paycheck Protection Program loan forgiveness	\$ -	\$ 116,431
Right-of-use asset - finance lease in exchange for finance lease liability	2,620	-

See accompanying notes.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pocono Mountains United Way (the "Organization") is a nonprofit organization dedicated to providing funds to various charitable and welfare organizations in Monroe County. The agency conducts an annual campaign to seek pledges of contributions for the following year which are then allocated to its member agencies.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP).

Cash

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.

At various times during the years, the Organization had cash balances in excess of the federally insured limit in deposit accounts.

Certificates of Deposit

The Organization purchases certificates of deposit at a local bank with its excess operating funds. Certificates of deposit are carried at cost plus accrued interest, which approximates fair value.

Grants Receivable

Grants 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, 2023 and 2022.

Pledges Receivable

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

The Organization maintains allowances for doubtful accounts resulting from the inability of its donors to make planned payments. Management considers the following factors when determining the collectability of specific donor accounts: historical collection experience, a review of the current status of receivables and judgment. Based on management's assessment, the Organization provides for estimated doubtful accounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation and a credit to contributions receivable.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

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

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

Property, Furniture, and Equipment

Purchased property, furniture and equipment are capitalized at cost. Donations of property, furniture and equipment are recorded as contributions at their fair market value. The Organization's policy is to capitalize any assets in excess of \$1,000 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Such assets and lives are generally as follows:

Building	39 years
Building improvements	39 years
Furniture	5 - 7 years
Equipment	3 - 5 years

Maintenance and repairs of property, furniture, and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of property, furniture, and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Project in progress is stated at cost and consists primarily of costs incurred for building improvement projects. No provision for depreciation is made on project in progress until the assets are complete and placed into service.

Leases

The Organization is the lessee of a postage machine. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. The postage machine was determined to be a finance lease and is included in right-of-use asset - finance lease and finance lease liability on the statements of financial position.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - continued

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

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

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liability represent their obligation to make lease payments arising from the lease. The Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The Organization’s lease terms may include options to extend or terminate the lease. When it is reasonably certain that they will exercise the option, the ROU asset and liability will be recalculated and adjusted. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

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

Due to Member Agencies

The amounts due to member agencies represent commitments due to, or expected to be due to the agencies and are released to them upon fulfilling the requirements set forth by the Organization.

Donor Choice Designated to Agencies and Other United Ways

Donor choice designations consist of contributions from individuals and businesses that designate their contributions to a specific agency or to a United Way other than Monroe County. These amounts are held on behalf of the contributors and are distributed as they are collected.

Net Assets

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 includes 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 purposes.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - continued

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Contributions, Grants and Campaign Revenue

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

The Organization recognized contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. When a restriction is fulfilled, net assets with donor restriction are reclassified and reported in the statements of activities as net assets without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. Deferred revenue related to grants totaled \$57,648 and \$178,866 at June 30, 2023 and 2022, respectively.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Nonfinancial Assets - continued

Contributed nonfinancial assets are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. Donated goods and services totaled \$390,379 and \$145,465 for the years ended June 30, 2023 and 2022, respectively.

A substantial number of volunteers have donated significant hours to the Organization during the year; however, these donated services are not reflected in the financial statements since they do not meet the requirements for recording.

Revenue Recognition

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

Special events

The Organization conducts special events in which a portion of the gross proceeds paid by the participants or sponsor represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. The fair value of meals or activities provided at special events is measured at the actual cost to the Organization and any sponsor benefit is determined based on the stand-alone price for those benefits. The contribution component is the excess of the gross proceeds over the fair value of the direct/sponsor benefit. Revenue is recognized when the event occurs and the performance obligation is met. Fees paid in advance are maintained as deferred revenue until the event occurs. Deferred revenue related to special events totaled \$37,505 and \$29,000 at June 30, 2023 and 2022, respectively.

Advertising Costs

The Organization incurs advertising costs, which are expensed as incurred. Total advertising costs were \$389,723 and \$139,397, including in-kind services of \$338,539 and \$127,228, respectively, for the years ended June 30, 2023 and 2022, and are included in printing and publicity on the statements of functional expenses.

Functional Expense Allocations

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Costs incurred to provide the Organization's programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, compensation costs are allocated by a department-level estimate of time and effort. Other office, occupancy, and operating expenses are allocated by organization-wide estimates of time and effort.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassification

Certain amounts in the fiscal year 2022 financial statements have been reclassified to conform to the presentation of the fiscal year 2023 financial statements. These reclassifications had no effect on the previously reported net assets or changes therein.

Tax-Exempt Status

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

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

Use of Estimates

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

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 19, 2023, 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.

Adoption of Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification ("ASC") 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Adoption of Accounting Pronouncement - continued

The Organization elected the available practical expedients to account for their existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The Organization also elected the practical expedients disclosed in the lease policy footnote on page 9.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 (beginning of the year of adoption) a finance lease liability of \$2,620, which represents the present value of the remaining finance lease payments of \$2,763 discounted using the risk-free rate, and a right-of-use asset of \$2,620.

The most significant impact was the recognition of a ROU asset and lease liability.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consist of amounts due from the following:

	<u>2023</u>	<u>2022</u>
Monroe County Administrative Offices	\$ 64,622	\$ 91,706
Community Care Behavioral Health Organization	65,305	34,462
Pocono Mountains Visitors Bureau	19,542	13,028
Housing Alliance of Pennsylvania	16,875	15,145
NeighborWorks Northeastern Pennsylvania	10,000	10,000
Internal Revenue Service	29,000	17,000
East Stroudsburg Area School District	<u>50,000</u>	<u>-</u>
Balance, end of year	<u>\$ 255,344</u>	<u>\$ 181,341</u>

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the Organization's public support derived from contributions from individuals and businesses primarily located in Monroe County, Pennsylvania. Pledges receivable are recorded net of an allowance for estimated uncollectible amounts as follows:

	<u>2023</u>	<u>2022</u>
Balance of 2019 campaign pledges	\$ -	\$ 44,681
Balance of 2020 campaign pledges	40,643	69,258
Balance of 2021 campaign pledges	19,264	161,190
Balance of 2022 campaign pledges	89,624	17,926
Balance of 2023 campaign pledges	<u>48,438</u>	<u>-</u>
	197,969	293,055
Allowance for uncollectible pledges	<u>(76,756)</u>	<u>(104,701)</u>
	<u><u>\$ 121,213</u></u>	<u><u>\$ 188,354</u></u>

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments held as of June 30 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Money market	\$ 49,926	\$ 34,455
Exchange traded funds	-	119,201
Fixed income	235,407	185,688
Equities	<u>542,147</u>	<u>351,696</u>
	<u><u>\$ 827,480</u></u>	<u><u>\$ 691,040</u></u>

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 32,468	\$ 27,947
Unrealized gain (loss)	61,850	(152,110)
Realized gain (loss)	(19,819)	27,923
Investment fees	<u>(5,199)</u>	<u>(5,976)</u>
Total investment return	<u>\$ 69,300</u>	<u>\$ (102,216)</u>

Financial accounting standards require the use of fair value measurement. Pocono Mountain United Way, in accordance with generally accepted accounting principles, has applied fair value measurement and disclosure in the financial statements as follows:

The framework for measuring fair value 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 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.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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, 2023.

Investments

The bank holds the investments of the Pocono Mountain United Way in accordance with the investment policy of the Organization. The investments are valued at the quoted market price for shares held at year end. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investments, or the net asset value (NAV) based on the fair value of the underlying investments less its liability.

The following tables set forth by level, within the fair value hierarchy, the Pocono Mountain United Way's assets at fair value as of June 30:

Investments at Fair Value as of June 30, 2023				
	Level 1	Level 2	Level 3	Total
Money market	\$ 49,926	\$ -	\$ -	\$ 49,926
Fixed income	235,407	-	-	235,407
Equities	542,147	-	-	542,147
Total	\$ 827,480	\$ -	\$ -	\$ 827,480
Investments at Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
Money market	\$ 34,455	\$ -	\$ -	\$ 34,455
Exchange traded funds	119,201	-	-	119,201
Fixed income	185,688	-	-	185,688
Equities	351,696	-	-	351,696
Total	\$ 691,040	\$ -	\$ -	\$ 691,040

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 - LEASES

The Organization included the following amounts related to a finance lease asset and liability within the statements of financial position:

		June 30 2023
Assets	Classification	
Right-of-use asset	Right-of-use asset - finance lease	\$ 2,074
Liabilities		
<u>Current</u>		
Finance lease	Current portion of finance lease liability	\$ 490
<u>Long-term</u>		
Finance lease	Noncurrent portion of finance lease liability	1,530
Total lease liability		\$ 2,020

The components of lease expense were as follows for the year ended June 30, 2023:

Finance lease amortization	\$ 546
Interest on finance lease liability	\$ 58

Supplemental cash flow information related to leases was as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liability:	
Financing cash flows from finance leases (i.e. principal portion)	\$ 600
Right-of-use asset obtained in exchange for lease obligation:	
Finance lease	\$ 2,620

Supplemental balance sheet information related to leases was as follows:

Weighted Average Remaining Lease Term	
Finance lease	5.25 years
Weighted Average Discount Rate	
Finance lease	1.96%

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 - LEASES - CONTINUED

Maturities of the lease liability are as follows for the years ending June 30:

2024	\$	526
2025		526
2026		526
2027		<u>526</u>
Total lease payments		2,104
Less: present value discount		<u>(84)</u>
Total	\$	<u><u>2,020</u></u>

The Organization has not restated prior year information for the adoption of ASC 842.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 6 - NET ASSETS

The Organization's net assets without donor restrictions are comprised of undesignated and board designated funds. From time to time the Board may designate a portion of net assets for specific purposes which would be included with net assets without donor restrictions. Board designated net assets total \$185,135 at June 30, 2023 and 2022 and are held for working capital.

Net assets with donor restrictions consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Time and purpose:		
Anti-poverty	\$ 16,095	\$ 51,128
Access to healthy food	2,381	6,379
Crisis Response	-	61,177
Diversity, equity, inclusion	19,860	19,314
Early Childhood	238,949	83,480
Homeless prevention	79,760	90,512
Scholarship	73,331	56,834
Health initiatives	7,487	-
Other	<u>23,583</u>	<u>13,493</u>
Subtotal time and purpose	461,446	382,317
Perpetual in nature	<u>430,022</u>	<u>430,022</u>
Total net assets with donor restrictions	<u><u>\$ 891,468</u></u>	<u><u>\$ 812,339</u></u>

Donor restrictions perpetual in nature

Prior to the year ended June 30, 2021, the Organization received gifts totaling \$430,022 from various donors which has been intended to support a future endowment. As of June 30, 2023, the Organization has yet to implement a formal endowment policy and define the terms of use of the original donation. All such amounts have been recorded as net assets with donor restrictions and will be held within the investment account until such time that a formal policy is prepared and executed.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 6 - NET ASSETS - CONTINUED

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor. Net assets released from donor restrictions for the years ended June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Anti-poverty	\$ 95,533	\$ 60,343
Access to healthy food	10,899	7,472
Crisis response	130,130	73,562
Diversity, equity, inclusion	225,773	625
Early Childhood	100,840	78,856
Homelessness prevention	1,258,958	1,250,423
Scholarship	223,383	112,448
Other	<u>12,903</u>	<u>31,692</u>
Total net assets released from restriction	<u>\$ 2,058,419</u>	<u>\$ 1,615,421</u>

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2023</u>	<u>2022</u>
Program Services:		
Advertising	\$ 338,539	\$ 127,228
Supplies	51,840	-
School supplies	-	16,837
Program support	<u>-</u>	<u>1,400</u>
Total	<u>\$ 390,379</u>	<u>\$ 145,465</u>

Valuation Techniques:

Contributed advertising services are valued using the volume of hours and the average hourly rate of those providing the services. All other donated materials are valued using estimated US wholesale prices of identical or similar products using pricing data of similar products under a "like-kind" methodology, considering the goods condition and utility for use at the time of contribution.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS - CONTINUED

Donor Restrictions:

There are no restrictions on in-kind donations at year end. For the year ended June 30, 2022, \$20,965 of contributed goods and services were considered restricted upon receipt until used in the Early Childhood program the donations were intended for. The Organization does not sell donated gifts in-kind and only utilized in-kinds for the programs detailed above.

NOTE 8 - PAYCHECK PROTECTION PROGRAM

In February 2021, the Organization qualified for and received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$116,431. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program.

The Organization initially recorded a note payable upon receipt of the PPP Loan and subsequently recorded forgiveness when the loan obligation was legally released upon notification by the SBA. The \$116,431 forgiven is recognized as loan forgiveness income in the statements of activities for the year ended June 30, 2022.

NOTE 9 - EMPLOYEE RETENTION CREDIT

The ERC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, that was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization expects to meet the ERC's eligibility requirements and considers these payments as a conditional grant. Accordingly, the Organization has initially recorded the payments as a refundable advance in accordance with the guidance for conditional contributions and will recognize the grant in the statements of activities when there is no longer a measurable performance or other barrier. The Organization has interpreted the condition(s) of the grant to be met as of June 30, 2023 and 2022 and recognized \$6,898 and \$37,635, respectively, in employee retention credit contributions in the statements of activities.

In April 2022 and October 2022, the Organization received refunds from the Internal Revenue Service in the amount of \$37,635 and \$6,898, respectively, the full amount of the credit applied for plus interest accrued on the credits. The interest portion was recognized as employee retention credit contributions when received.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 10 - CONCENTRATION OF CREDIT RISK

During the years ended June 30, 2023 and 2022, the Organization received approximately 32% (\$1,108,833) and 44% (\$1,307,271), respectively, of its revenues from two sources: Monroe County and Community Care Behavioral Health (CCBH) with related receivables totaling \$129,927 and \$126,168, respectively.

NOTE 11 - PAYMENTS TO AFFILIATED AGENCIES

The Organization is an affiliate of both the United Way Worldwide and the United Way of Pennsylvania. Dues of 1.5% of the campaign total are paid annually to the United Way of America for the right to use the United Way name and logo as well as extensive research services, access to marketing materials, training courses, and national marketing efforts such as the National Football League television and radio advertising. Dues to the United Way of Pennsylvania are a fixed amount of \$5,250 for public policy review, management of the State employee campaign and specialized training and conferences.

Payments made to United Way Worldwide and United Way of Pennsylvania for the years ended June 30, 2023 and 2022 amounted to \$20,831 and \$23,236, respectively.

NOTE 12 - PENSION PLAN

The Organization maintains a SEP/IRA plan, in which all full-time employees with at least one year of service receive benefits. Under the plan, contributions are made based upon a percentage of participants' base annual salaries (5% for each of the years ended June 30, 2023 and 2022). Pension expense was \$33,555 and \$24,804 for the years ended June 30, 2023 and 2022, respectively, and is included in employee benefits on the statements of activities.

NOTE 13 - CONTINGENCY

The Organization receives significant funding from state and local agencies. Revenue from these agencies is subject to audit and verification by the awarding agency. Any disallowed amounts, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures or claims which may be disallowed cannot be determined at this time. As of the date of this report, management is unaware of any material adjustments that will be required as a result of such audits.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 14 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year because of board designations and donor-imposed restrictions. The Organization's financial assets include cash, certificates of deposit, receivables, and investments.

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,782,156	\$ 1,689,941
Certificates of deposit	57,527	109,271
Grants receivable	255,344	181,341
Pledges receivable, net	121,213	188,354
Investments	827,480	691,040
Total financial assets	<u>3,043,720</u>	<u>2,859,947</u>
Less amounts unavailable for general expenses within one year due to:		
Board designations	(185,135)	(185,135)
Donor restrictions for specific purposes	(461,446)	(382,317)
Donor restrictions, perpetual in nature	<u>(430,022)</u>	<u>(430,022)</u>
	<u>(1,076,603)</u>	<u>(997,474)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,967,117</u>	<u>\$ 1,862,473</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Should the need arise to help manage unanticipated liquidity needs, the Organization has adequate net assets to obtain a line of credit which it could draw upon if needed.

POCONO MOUNTAINS UNITED WAY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848), as amended by ASU 2021-01 in January 2021, directly addressing the effects of reference rate reform on financial reporting as a result of the cessation of the publication of certain LIBOR rates beginning December 31, 2021, with complete elimination of the publication of the LIBOR rates by June 30, 2023. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform by virtue of referencing LIBOR or another reference rate expected to be discontinued. This guidance became effective on March 12, 2020 and can be adopted no later than December 31, 2024, with early adoption permitted. The Organization is evaluating the impact this guidance will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326) - *Measurement of Credit Losses on Financial Instruments*, which changes the way companies evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. Enhanced disclosures are also required, including the requirement to disclose the information used to track credit quality by year or origination for most financing receivables. The new standard is effective for fiscal years beginning after December 15, 2022. The Organization is evaluating the impact that the guidance will have on its financial statements and related disclosures.