

**BERKSHIRE UNITED WAY, INC.**

***FINANCIAL STATEMENTS***

***JUNE 30, 2020 WITH COMPARATIVE TOTALS  
FOR THE YEAR ENDED JUNE 30, 2019***

**BERKSHIRE UNITED WAY, INC.**  
**FINANCIAL STATEMENTS**

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## MeyersBrothersKalicka , P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS STRATEGISTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Berkshire United Way, Inc.

#### Report on the Financial Statements

We have audited the accompanying financial statements of Berkshire United Way, Inc. (a nonprofit "Organization") which comprise the statements of financial position as of June 30, 2020, and the related statement of activities, cash flows, and functional expenses 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.

#### Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Organization'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 Organization's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkshire United Way, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2019 financial statements, and our report dated October 18, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mayer Brothers Kalicka, P.C.*

Holyoke, Massachusetts

October 16, 2020

**BERKSHIRE UNITED WAY, INC.**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

***ASSETS***

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash	\$ 1,134,173	\$ 327,605
Cash - restricted for COVID-ER Fund	113,408	-
Contributions receivable, net	557,882	631,796
Grants receivable	23,132	21,106
Other receivables	82,687	2,500
Prepaid expenses	8,662	21,755
Investments, at market value	3,189,510	3,262,311
Property and equipment, net	<u>32,528</u>	<u>274,996</u>
<b>Total assets</b>	<u>\$ 5,141,982</u>	<u>\$ 4,542,069</u>

***LIABILITIES AND NET ASSETS***

<b>Liabilities</b>		
Community grants payable	\$ 1,136,351	\$ 1,362,389
Due to designated agencies	79,058	106,989
Accounts payable	1,543	39,318
Accrued expenses	59,529	42,374
Payroll protection program note payable	<u>119,000</u>	<u>-</u>
<b>Total liabilities</b>	<u>1,395,481</u>	<u>1,551,070</u>
<b>Net assets</b>		
Without donor restrictions		
Undesignated	1,343,832	346,147
Board designated reserve	644,018	806,830
Property and equipment	<u>32,528</u>	<u>274,996</u>
Total without donor restrictions	2,020,378	1,427,973
With donor restrictions	<u>1,726,123</u>	<u>1,563,026</u>
Total net assets	<u>3,746,501</u>	<u>2,990,999</u>
<b>Total liabilities and net assets</b>	<u>\$ 5,141,982</u>	<u>\$ 4,542,069</u>

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

**BERKSHIRE UNITED WAY, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR 2019**

	2020		2019
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support</b>			
Campaign contributions			
Total campaign amounts raised	\$ 1,981,668	\$ -	\$ 1,981,668
Special events	2,000	-	2,000
In-kind support	38,812	29,505	68,317
Less: amounts raised on behalf of others	(72,079)	-	(72,079)
Less: provision for uncollectible pledges	(13,522)	-	(13,522)
Net campaign contributions	<u>1,936,879</u>	<u>29,505</u>	<u>1,966,384</u>
COVID-19 ER fund contributions	-	2,106,334	2,106,334
Interest and dividend income, net of investment fees	17,516	21,882	39,398
Administrative fees charged on designations	5,054	-	5,054
Grant income	116,667	-	116,667
Rental income	74,957	-	74,957
Gain on sale of building	427,939	-	427,939
Other	1,993	-	1,993
Realized and unrealized gains on investments	19,120	29,634	48,754
Released from restrictions (SABIC endowment)	69,953	(69,953)	-
Released from restrictions (COVID ER fund)	1,937,805	(1,937,805)	-
Investment return released for operations	16,500	(16,500)	-
<b>Total revenues, gains and other support</b>	<u>4,624,383</u>	<u>163,097</u>	<u>4,787,480</u>
<b>Expenses</b>			
Program services -community investment	3,464,682	-	3,464,682
Supporting services:			
Management and general	185,079	-	185,079
Fundraising (resource development)	<u>382,217</u>	<u>-</u>	<u>382,217</u>
<b>Total expenses</b>	<u>4,031,978</u>	<u>-</u>	<u>4,031,978</u>
<b>Change in net assets</b>			
Net assets, beginning of year	592,405	163,097	755,502
Net assets, end of year	<u>1,427,973</u>	<u>1,563,026</u>	<u>2,990,999</u>
	<u>\$ 2,020,378</u>	<u>\$ 1,726,123</u>	<u>\$ 3,746,501</u>
			<u>\$ 2,990,999</u>

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

**BERKSHIRE UNITED WAY, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 755,502	\$ (203,992)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	32,521	37,103
Net realized and unrealized gain on investments	(48,754)	(135,077)
Provision for uncollectible pledges	13,522	56,914
Gain on sale of building	(427,939)	-
Change in operating assets and liabilities:		
Contributions receivable	60,392	83,763
Grants receivable	(2,026)	27,078
Other receivables	(80,187)	10,349
Prepaid expenses	13,093	(296)
Community grants payable	(226,038)	55,630
Due to designated agencies	(27,931)	(61,077)
Accounts payable	(37,775)	(5,958)
Accrued expenses	<u>17,155</u>	<u>(4,754)</u>
Net cash provided (used) by operating activities	<u>41,535</u>	<u>(140,317)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of building	647,730	-
Purchase of property and equipment	(9,844)	-
Purchase of investments	(1,784,396)	(832,957)
Proceeds from the sales of investments	<u>1,905,951</u>	<u>1,031,313</u>
Net cash provided by investing activities	<u>759,441</u>	<u>198,356</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	<u>119,000</u>	<u>-</u>
Net increase in cash and restricted cash	919,976	58,039
<b>Cash and restricted cash, beginning of year</b>	<u>327,605</u>	<u>269,566</u>
<b>Cash and restricted cash, end of year</b>	<u>\$ 1,247,581</u>	<u>\$ 327,605</u>

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

**BERKSHIRE UNITED WAY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services	Supporting Services	
	Community Investment	Management and General	Fundraising
Community impact initiative work and grants	\$ 994,726		
COVID-19 ER Fund grants	1,908,300		
Total grants to other organizations	<u>2,903,026</u>		
			<u>Total</u>
			\$ 994,726
			1,908,300
			<u>2,903,026</u>
Salaries and related expenses			
Salaries	287,459	\$ 96,388	\$ 208,014
Employee benefits	31,783	10,731	17,509
Payroll taxes	24,561	9,420	18,945
Total salaries and related expenses	<u>343,803</u>	<u>116,539</u>	<u>244,468</u>
Support costs			
Contracted services	27,049	22,714	37,266
Supplies and small equipment	10,283	1,324	3,865
Telephone	4,398	528	938
Postage	55	639	2,502
Occupancy, other than depreciation	39,259	21,007	8,376
Equipment maintenance	-	-	131
Printing and publications	4,260	1,800	5,309
Advertising	3,597	-	4,364
Travel	1,326	371	769
Conferences, meetings and special events	1,483	(188)	3,261
Conferences, training	1,141	1,524	394
Dues and subscriptions	253	802	1,225
National and state affiliation dues	22,087	2,650	4,712
General and liability insurance	4,913	590	1,048
Bank charges	2,618	1,783	5,220
Depreciation	24,391	2,927	5,203
Technology	40,742	7,429	16,247
In-kind expenses	29,998	1,400	36,919
Miscellaneous expense	-	1,240	-
Total support costs	<u>217,853</u>	<u>68,540</u>	<u>137,749</u>
	\$ 3,464,682	\$ 185,079	\$ 382,217
<b>Total community impact and other expenses</b>			<u>\$ 4,031,978</u>

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



**BERKSHIRE UNITED WAY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Supporting Services		Total
	Community Investment	Management and General	Fundraising	
Community impact initiative work and grants to other organizations	\$ 1,354,025			\$ 1,354,025
Salaries and related expenses				
Salaries	327,481	\$ 120,748	\$ 248,181	696,410
Employee benefits	53,523	14,011	48,772	116,306
Payroll taxes	28,190	10,028	20,764	58,982
Total salaries and related expenses	409,194	144,787	317,717	871,698
Support costs				
Contracted services	8,666	35,674	17,882	62,222
Supplies and small equipment	13,581	5,670	6,349	25,600
Telephone	3,802	456	811	5,069
Postage	201	462	4,481	5,144
Occupancy, other than depreciation	42,895	5,322	8,976	57,193
Printing and publications	6,273	3,556	14,329	24,158
Advertising	47,524	-	36,828	84,352
Travel	3,358	301	1,650	5,309
Conferences, meetings and special events	6,085	1,011	30,007	37,103
Conferences, training	5,934	3,683	4,943	14,560
Dues and subscriptions	510	186	667	1,363
National and state affiliation dues	26,579	3,189	5,670	35,438
General and liability insurance	4,839	581	1,032	6,452
Bank charges	2,566	855	2,228	5,649
Depreciation	27,827	3,340	5,936	37,103
Technology	40,523	9,583	15,698	65,804
In-kind expenses	4,707	2	13,159	17,868
Miscellaneous expense	1,500	694	345	2,539
Total support costs	247,370	74,565	170,991	492,926
<b>Total community impact and other expenses</b>	<b>\$ 2,010,589</b>	<b>\$ 219,352</b>	<b>\$ 488,708</b>	<b>\$ 2,718,649</b>

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

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 1. ORGANIZATION:

Berkshire United Way, Inc. (the "Organization") is a nonprofit organization that ignites the collective power of individuals and organizations to build a stronger community together. The Organization raises funds through workplace campaigns, corporate gifts, sponsorships, government and foundation grants and individual donations. The Organization invests these resources in support of three priority community issues: early childhood literacy, positive youth development and economic prosperity. The Organization partners with a variety of nonprofit organizations in Berkshire County and leads several initiatives to address community needs including Pittsfield Promise and the Economic Prosperity Impact Council.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The statements of financial position present assets and liabilities in order of their relative liquidity.

#### Accounting policies adopted

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by subsequent ASUs (collectively, "ASU 606") which amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which an organization expects to be entitled in exchange for those goods or services. The Organization adopted this ASU effective July 1, 2019. The adoption of this ASU did not have a material impact on revenue recognition for the Organization.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance assists organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the Scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted this ASU effective July 1, 2019. The adoption of this ASU did not have a material impact on recognition of contributions for the Organization.

#### Net assets

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Organization, the accompanying financial statements are classified for accounting and reporting purposes into classes of net assets in accordance with the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. Designated net assets consist of assets without restrictions designated by the Board for investment purposes.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Realized and unrealized gains and losses on restricted purpose gifts are reported as net assets with donor restrictions in accordance with donor stipulations and Massachusetts law.

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Net assets (continued)

The Board has adopted a reserve policy whereby certain net assets without donor restrictions are board designated in order to establish a means to provide ongoing funding for operations and community programs related to significant operational disruptions for a period of four months. This allows time to develop alternative plans if there is an unanticipated decline in available funds. Additionally, it provides a rational basis by which to determine a target range that is not excessive.

#### Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

#### Revenue and receivables

Unconditional contributions and grants are recognized as support at the time they are pledged. Grants are presented as restricted support 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. Conditional promises to give represent gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds. They are not recognized as support until the barrier is substantially met.

The Organization reports campaign contributions net of amounts that are designated by donors to a specific non-profit agency. Donor designated pledges were assessed a processing fee of 9.3% and 11% (which includes administrative costs) for the years ended June 30, 2020 and 2019, respectively, with a maximum fee of \$200 per donor which is based on historical costs in accordance with United Way Worldwide membership standards.

Campaign contributions include amounts donated by SABIC retirees, and the related corporate match, paid as a pass-through payment to recipient organizations. There were no pass-through funds for the year ended June 30, 2020. Pass-through funds totaled \$228,750 for the year ended June 30, 2019, and they are not reflected in the statements of activities.

Rental income is earned monthly.

Contributions receivable are typically due within one year or less and therefore are recorded without any present value discount. The Organization provides for an allowance for uncollectible contributions and grants receivable based upon historical averages and management's estimates of current economic factors. Accounts are written off against the allowance when management has exhausted all reasonable collection efforts. The allowance for uncollectible contributions receivable was \$78,000 and \$73,000 as of June 30, 2020 and 2019, respectively. There was no allowance for grants receivable as of June 30, 2020 and 2019.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Investments, including endowments**

Investments are recorded at fair value using methodologies discussed in Note 5. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Investment activity is reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

The Organization's investments include donor restricted endowment funds and funds functioning as quasi-endowment funds. Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of board designated and donor restricted purpose funds. Board designated funds consist of monies internally designated. Donor restricted purpose funds consist of gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Massachusetts Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds.

The Board of Directors (the "Board") has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, 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, the original value of bequests donated to the permanent endowment.

The remaining portion of the donor restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: the duration and preservation of the funds, the purpose of the Organization and the donor restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

The Organization's endowment spending policy is calculated as up to 4.5% of its endowment fund's average fair value as of June 30<sup>th</sup> of the preceding three years in which the distribution was planned for. In fiscal years 2020 and 2019, this amounted to \$16,500 and \$41,047, respectively, which was used by the Organization. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. Although not required by state law, the same spending policy is followed for investment funds without restrictions.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Recent accounting standards**

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. As part of this new standard, there are significant changes that call for the treatment of current operating leases as capital leases, resulting in recognition by the lessee (the Organization) of a lease liability and a corresponding right-of-use asset. The lessor will recognize an asset representing its right to receive payments. The Organization is not required to apply the new standard until years beginning after December 30, 2021 (for the year ending June 30, 2023). The Organization may also early adopt the new standard. In preparation of this standard, management will be reviewing and evaluating all leases, review its capitalization policy, and assess the potential impact on any related financial covenants required by the Organization financing arrangements.

**Property and equipment, net**

Property and equipment are carried at cost less accumulated depreciation. The Organization capitalizes expenditures for equipment in excess of \$2,500. The fair value of donated equipment is similarly capitalized. Depreciation is calculated based on the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of buildings and improvements is from seven to twenty years and the lives of furniture and equipment is from three to ten years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. The Organization evaluated the carrying value of its property and equipment and no impairment was recorded.

Depreciation expense was \$32,521 and \$37,103 for the years ended June 30, 2020 and 2019, respectively.

**Community grants payable**

Community impact grants are awarded to agencies for specific programs for one or two years and are contingent on satisfactory program performance, contract compliance, and available dollars. The grants are recommended by staff, community volunteers and approved by the board of directors. These expenses are recorded prior to fiscal year end and monthly distributions will be made in the subsequent fiscal year. The Organization requires grant recipients to provide all required reporting in order to receive their last payment.

**Due to designated agencies**

Contributions that are designated to a specific third-party beneficiary are recorded as a liability at the time that the contribution is received. These pledges are paid to designated agencies, as received, with payments issued at least twice per year. The Organization received donor designations to outside parties of \$89,512 and \$106,519 for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020, the Organization wrote off \$17,433 of designation pledges received in prior campaign years that were deemed uncollectible. This resulted in net designations on the statements of activities of \$72,079.

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### **In-kind contributions and contributed services**

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization benefited from donated supplies, a vehicle, special event related items, as well as services from a workplace campaign coordinator valued in the amounts of \$38,812 and \$17,868 during the years ended June 30, 2020 and 2019, respectively. The Organization benefited from \$29,505 of food donations relating to the COVID-19 Emergency Response Fund for the year ended June 30, 2020. These amounts have been reported as both in-kind revenue and expense on the statement of activities.

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. Approximately 3,500 and 4,100 volunteer hours were contributed, including approximately 360 and 580 hours by volunteers from local companies participating in the Organization's annual campaign during the years ended June 30, 2020 and 2019, respectively. The value of the volunteer hours has not been recorded in the statement of activities.

#### **Functional allocation of expenses**

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain building costs have been allocated among the programs and supporting services benefited. This allocation is based on the full time equivalent of employees in each respective department. The remaining expenses are direct or allocated based on time spent in each function.

#### **Advertising**

The Organization charges advertising costs to expense as incurred which amounted to \$7,961 and \$84,352 for the years ended June 30, 2020 and 2019, respectively.

#### **Tax-exempt status**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state income taxes has been made.

#### **Uncertain tax positions**

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Organization's tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2017.

#### **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 during the reporting period. Actual results could differ from those estimates.

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

#### Financial assets at June 30:

	2020	2019
Cash, less amounts restricted for COVID-19 fund	\$ 1,134,173	\$ 327,605
Contributions receivable, net	557,882	631,796
Grants receivable	23,132	21,106
Other receivables	1,445	2,500
Annual spending policy distribution	16,500	41,000
Total financial assets available for general expenditure	\$ 1,733,132	\$ 1,024,007

Berkshire United Way, Inc. manages its liquidity by developing and adopting annual operating budgets that are designed to provide sufficient funds for general expenditures and allow the Organization to satisfy its liabilities and other obligations as they become due. Berkshire United Way, Inc. maintains financial assets on hand to meet approximately three months of normal operating expenses. The Organization has Board Designated endowments available for use throughout the fiscal year (approximately \$1,656,000 and \$1,693,000 at June 30, 2020 and 2019, respectively). The spending policy is detailed in Note 2. The Organization also has a line of credit in the amount of \$300,000, which it could draw upon in the event of an unanticipated liquidity need. The available balance on the line was \$300,000 at June 30, 2020 and 2019.

### 4. INVESTMENTS:

The Board of Directors of the Organization, as the governing Board, is responsible for oversight of the Organization's investments. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, is the Board of Directors' responsibility. Investments authorized include marketable equity and debt securities and other types of investments that may be made with the prior approval of the Board of Directors.

The primary investment objective of the investment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future activities of the Organization. Long term, the total return on the portfolio should equal the rate of inflation, plus the payout rate which is used to support current activities, plus an amount reinvested to support future activities.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires to be retained for perpetual funds. The historic gift value of donor restricted endowment funds cannot be reduced for any excess losses. Any excess losses shall reduce net assets with donor restrictions. As of June 30, 2020 and 2019, there were no cumulative losses on the investments of donor restricted endowment funds.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**4. INVESTMENTS: (CONTINUED)**

Investments at June 30, 2020 consist of:

	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain/(Loss)</b>
Cash and equivalents	\$ 143,158	\$ 143,158	\$ -
Fixed income	365,852	389,451	23,599
Corporate bonds	496,302	525,492	29,190
Government bonds	94,601	97,903	3,302
Common stocks	641,309	834,001	192,692
Equity funds	815,231	876,086	60,855
Real estate investment trust	20,300	20,070	(230)
Mutual funds	68,073	78,344	10,271
Exchange traded products	209,640	225,005	15,365
Total investments	<u>\$ 2,854,466</u>	<u>\$ 3,189,510</u>	<u>\$ 335,044</u>

Investments at June 30, 2019 consist of:

	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain/(Loss)</b>
Cash and equivalents	\$ 86,116	\$ 86,116	\$ -
Fixed income	506,867	524,927	18,060
Corporate bonds	654,029	663,480	9,451
Common stocks	542,293	682,158	139,865
Equity funds	843,701	940,611	96,910
Mutual funds	73,977	84,697	10,719
Exchange traded products	280,498	280,322	(175)
Total investments	<u>\$ 2,987,481</u>	<u>\$ 3,262,311</u>	<u>\$ 274,830</u>

The Organization's bonds were rated as follows as of June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
AAA	\$ 26,931	\$ -
AA	124,279	80,587
A	365,792	373,691
BAA	28,510	68,170
BBB	77,883	141,032
Total	<u>\$ 623,395</u>	<u>\$ 663,480</u>

The following schedule summarizes the investment return in the statement of activities for the years ended June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Interest and dividends	\$ 71,283	\$ 73,331
Less: fees and other costs	(31,885)	(27,090)
Unrealized gains	60,214	122,154
Realized gains (losses)	(11,460)	12,923
Total	<u>\$ 88,152</u>	<u>\$ 181,318</u>



# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 5. FAIR VALUE MEASUREMENTS:

The Organization follows established guidelines for a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

Investments are reported at fair value based on quoted market prices, where available, and/or other market data for the same or comparable instruments and transactions in establishing the prices. Fixed income funds are valued at the closing price reported in the active market in which the bond is traded. All of the Organization's investments qualify as Level 1. (See Note 4).

### 6. ENDOWMENTS:

Endowment by net asset class and type at June 30, 2020 and 2019 consists of:

	Net Assets with Donor Restrictions		
	Time or Purpose Restricted	Restricted in Perpetuity	Total
<b>June 30, 2020</b>			
Donor restricted endowment funds	\$ <u>1,041,801</u>	\$ <u>486,288</u>	\$ <u>1,528,089</u>
<b>June 30, 2019</b>			
Donor restricted endowment funds	\$ <u>1,076,738</u>	\$ <u>486,288</u>	\$ <u>1,563,026</u>

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 6. ENDOWMENTS: (CONTINUED)

The following schedule reconciles the change in endowments by net asset class for the years ended June 30, 2020 and 2019:

	Net Assets with Donor Restrictions		
	Time or Purpose Restricted	Restricted in Perpetuity	Total
Endowment investments - June 30, 2018	\$ 1,150,448	\$ 486,288	\$ 1,636,736
Realized and unrealized gains	63,569	-	63,569
Interest and dividends, net	28,037	-	28,037
Distributions (SABIC)	(124,269)	-	(124,269)
Spending policy distribution	(41,047)	-	(41,047)
Endowment investments - June 30, 2019	1,076,738	486,288	1,563,026
Realized and unrealized gains	29,634	-	29,634
Interest and dividends, net	21,882	-	21,882
Distributions (SABIC)	(69,953)	-	(69,953)
Spending policy distribution	(16,500)	-	(16,500)
Endowment investments - June 30, 2020	\$ 1,041,801	\$ 486,288	\$ 1,528,089

### 7. PROPERTY AND EQUIPMENT:

The Organization's property and equipment consists of the following as of June 30:

	2020	2019
Land	\$ -	\$ 128,939
Buildings and improvements	64,887	616,967
Furniture and equipment	275,114	265,280
	340,001	1,011,186
Less: accumulated depreciation	(307,473)	(736,190)
Property and equipment, net	\$ 32,528	\$ 274,996

On June 30, 2020, the Organization sold their building, but still occupy the same space as a tenant of the new ownership.

### 8. LINE OF CREDIT:

The Organization has a line of credit agreement with a local bank. The maximum amount available on the line of credit is \$300,000 which is due on demand. The line of credit is subject to annual renewal in June and secured by the property owned by the Organization and the unrestricted investment accounts. The line was renewed to May 31, 2021. The interest rate is the New York Prime Rate as published in the Wall Street Journal (3.25% at June 30, 2020 and 5.25% at June 30, 2019) with an interest rate floor of 2%. There was no outstanding balance against the line of credit at June 30, 2020 and 2019.

# BERKSHIRE UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 9. NOTE PAYABLE:

The Organization's note payable - bank at June 30 consisted of:

	<u>2020</u>	<u>2019</u>
Berkshire Bank:		
\$119,000 U.S. Small Business Administration Paycheck Protection Program ("PPP") unsecured note payable with interest at 1%. Monthly installments of \$13,444 and payable over a two year period commencing upon determination if the loan is not forgiven. Payments do not start until October 2021, assuming the note is not forgiven. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan amount may be forgiven, and the Organization will apply for forgiveness. No amounts are due in fiscal year 2021.	\$ <u>119,000</u>	\$ <u>-</u>

### 10. LEASE INCOME:

The Organization leased office space to two other organizations at \$4,484 per month and at \$2,817 per month. One lease agreement terminated on December 20, 2019 and the other expired with the sale of the building on June 30, 2020. Total rent received was \$74,957 and \$87,905 for the years ended June 30, 2020 and 2019, respectively.

### 11. OPERATING LEASE:

The Organization sold their current office space as of June 30, 2020. On July 1, 2020, the Organization began leasing the space under a non-cancelable operating lease with payments of \$4,400 due through July 2025. The Organization also leases office equipment with expenses totaling \$4,005 and \$4,354 for the years ended June 30, 2020 and 2019, respectively.

The following is a schedule of future minimum lease payments required under operating leases as of June 30:

<u>June 30,</u>	
2021	\$ 55,358
2022	52,800
2023	52,800
2024	52,800
2025	52,800
Total required minimum lease payments	\$ <u>266,558</u>

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

Net assets with time/purpose donor restrictions are summarized as follows at June 30:

Net assets with donor restrictions in perpetuity are summarized as follows at June 30:

The net assets with donor restrictions released from restrictions in 2020 related to the following:

The Organization maintains a 403(b) Plan (the "Plan") for eligible employees. Employees are able to make salary reduction contributions upon hire. Employees are eligible for matching and base contributions from the Organization upon reaching age twenty-one and achieving one year of service (1,000 hours of service). The Organization's contribution to the Plan was \$7,599 and \$35,051 for the years ended June 30, 2020 and 2019, respectively.

The Organization recorded grants to various agencies who had affiliations with members of the board of directors and Berkshire United Way staff, totaling approximately \$468,000 and \$378,000 for the years ended June 30, 2020 and 2019, respectively.

**BERKSHIRE UNITED WAY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**16. CONTINGENCIES:**

**Disallowed claims**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds requiring repayment to the funding source. As of the date of these financial statements, the Organization has not been informed of any disallowed expenditures.

**Coronavirus**

The 2019 novel coronavirus ("COVID-19") has adversely affected and may continue to adversely affect the economic activity globally, nationally and locally. While the Organization's operations did not halt, these economic conditions and other effects of the COVID-19 pandemic may, in the future, adversely affect the Organization. The extent of any financial impact on the Organization's operations will depend on future developments, including the duration of the pandemic, business interruption, and any related governmental or other regulatory actions, which cannot be predicted at this time.

**17. CONCENTRATIONS OF CREDIT RISK:**

The Organization maintains its cash balance in local financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At various times during the period, the cash balances may exceed the insured amounts. The Organization has not experienced any losses on these accounts and monitors the credit-worthiness of the financial institutions with which it conducts business. The Organization believes it is not exposed to any significant credit risk with respect to its cash balances.

**18. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through October 16, 2020, the date of which the financial statements were available to be issued.