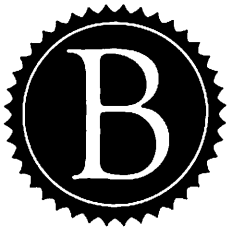


**UNITED WAY OF SOUTHERN CHESTER COUNTY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AUGUST 31, 2011 AND 2010**

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10 NORTH CHURCH STREET | SUITE 305 | WEST CHESTER PA 19380-3007

TEL | 610 696 1012 FAX | 610 696 2291

www.blisscpas.com

BLISS & CO., LTD.

certified public accountants | advisors

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Statements of Financial Position of the United Way of Southern Chester County (a nonprofit corporation) as of August 31, 2011 and 2010, and the related Statements of Activities and Functional Expenses for the year ended August 31, 2011, and the Statements of Cash Flows for the years ended August 31, 2011 and 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the United Way of Southern Chester County's 2010 financial statements that were audited by another auditor, Maillie, Falconiero and Company. In their report dated January 14, 2011, they expressed an unqualified opinion on the financial statements for the year ending August 31, 2010 using a standard report for comparative financial statements including supplementary information.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Southern Chester County as of August 31, 2011 and 2010, and the changes in net assets for the year ended August 31, 2011, and its cash flows for the years ended August 31, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Allocations to Agencies on page 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


BLISS & COMPANY, LTD.

December 13, 2011
West Chester, Pennsylvania

UNITED WAY OF SOUTHERN CHESTER COUNTY

Statements of Financial Position

August 31, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Cash or equivalents	474,538	477,620
Certificates of deposit	200,980	253,370
Pledges receivable, net of \$25,600 (2011) and \$25,000 (2010) allowance for bad debts	334,400	247,937
Prepaid expenses	6,405	6,709
Total Current Assets	1,016,323	985,636
Property and Equipment, net of accumulated depreciation of \$28,317 (2011) and \$30,011 (2010)	4,849	7,162
<u>Other Assets</u>		
Endowment investments	134,130	77,861
Security deposits	800	800
Total Other Assets	134,930	78,661
Total Assets	1,156,102	1,071,459
 <u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts payable	1,385	1,446
Allocations payable to agencies	865,000	835,000
Accrued donor designated contributions	9,007	8,398
Accrued payroll taxes and expenses	252	254
Deferred revenue	5,000	10,000
Total Current Liabilities	880,644	855,098
 <u>Net Assets</u>		
Unrestricted		
Operations	(236,252)	(154,273)
Fixed assets	4,849	7,162
Total Unrestricted Net Deficit	(231,403)	(147,111)
Temporarily restricted	372,731	285,611
Permanently restricted	134,130	77,861
Total Net Assets	275,458	216,361
Total Liabilities and Net Assets	1,156,102	1,071,459

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

UNITED WAY OF SOUTHERN CHESTER COUNTY

Statement of Activities

For the Year Ended August 31, 2011

(With Comparative Totals for August 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
Support, Revenue and Reclassifications					
Campaign contributions	805,967	360,000	51,645	1,217,612	1,139,046
Less allowance for uncollectible pledges	(12,578)	-	-	(12,578)	(38,712)
Total Campaign Contributions	<u>793,389</u>	<u>360,000</u>	<u>51,645</u>	<u>1,205,034</u>	<u>1,100,334</u>
Investment income	3,005	57	4,624	7,686	7,877
Net assets released from restrictions	<u>272,937</u>	<u>(272,937)</u>	-	-	-
Total Support, Revenue and Reclassifications	1,069,331	87,120	56,269	1,212,720	1,108,211
Expenses					
Allocations to agencies	891,675	-	-	891,675	889,239
Supporting services					
Program services	52,690	-	-	52,690	41,778
Management and general	123,058	-	-	123,058	123,691
Fund raising	<u>86,200</u>	-	-	<u>86,200</u>	<u>86,897</u>
Total Expenses	1,153,623	-	-	1,153,623	1,141,605
Change in Net Assets	(84,292)	87,120	56,269	59,097	(33,394)
Net Assets (Deficit) at Beginning of Year	<u>(147,111)</u>	<u>285,611</u>	<u>77,861</u>	<u>216,361</u>	<u>249,755</u>
Net Assets (Deficit) at End of Year	<u><u>(231,403)</u></u>	<u><u>372,731</u></u>	<u><u>134,130</u></u>	<u><u>275,458</u></u>	<u><u>216,361</u></u>

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

UNITED WAY OF SOUTHERN CHESTER COUNTY

Statement of Functional Expenses

For the Year Ended August 31, 2011

(With Comparative Totals for August 31, 2010)

	Program Services	Management & General	Fund Raising	Totals	
				2011	2010
Functional Expenses					
Salaries	29,484	67,248	28,731	125,463	125,484
Employee health and retirement benefits	7,390	16,855	7,201	31,446	31,520
Payroll taxes	2,406	5,488	2,345	10,239	10,134
Total Salaries and Related Expenses	39,280	89,591	38,277	167,148	167,138
Advertising	-	-	1,180	1,180	1,180
Dues and memberships	1,581	5,420	1,541	8,542	8,010
Events	561	568	23,719	24,848	21,349
Healthcare transportation	2,936	-	-	2,936	211
Insurance	795	1,814	775	3,384	3,296
Office supplies	511	2,223	558	3,292	2,051
Other	3,009	344	-	3,353	2,119
Postage	73	859	2,929	3,861	4,271
Professional fees	-	8,990	2,130	11,120	11,970
Rent	2,115	4,824	2,061	9,000	9,000
Repairs and maintenance	135	1,780	1,416	3,331	2,099
Stationary and printing	57	713	9,661	10,431	7,029
Telephone	905	2,065	882	3,852	3,995
Travel and meetings	732	1,554	1,071	3,357	6,054
Total Expenses Before Depreciation	52,690	120,745	86,200	259,635	249,772
Depreciation	-	2,313	-	2,313	2,594
Total Functional Expenses	52,690	123,058	86,200	261,948	252,366

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

UNITED WAY OF SOUTHERN CHESTER COUNTY

Statements of Cash Flows

For the Years Ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	59,097	(33,394)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation	2,313	2,594
Net realized and unrealized losses on investments	(4,264)	(2,289)
(Increase) decrease in assets:		
Pledges receivable	(86,463)	128,852
Prepaid expenses	304	1,939
Increase (decrease) in liabilities:		
Accounts payable	(61)	(2,198)
Allocations payable to agencies	30,000	(5,120)
Accrued donor designated contributions	609	1,513
Accrued payroll taxes and expenses	(2)	(1,684)
Deferred revenue	(5,000)	9,000
Net Cash Provided (Used) by Operating Activities	<u>(3,467)</u>	<u>99,213</u>
Cash Flows from Investing Activities		
Purchase of investments	<u>(52,005)</u>	<u>(12,456)</u>
Net Change in Cash or Equivalents	(55,472)	86,757
Cash or Equivalents at Beginning of Year	<u>730,990</u>	<u>644,233</u>
Cash or Equivalents at End of Year	<u><u>675,518</u></u>	<u><u>730,990</u></u>

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

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2011 and 2010

(See Independent Auditors' Report)

Notes:

(1) Nature of Organization

The United Way of Southern Chester County (the "Organization") is a nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code which provides funding for local, state, or national organizations conducted for charitable, health, welfare and social purposes in southern Chester County. The Organization conducts annual campaigns to raise support for allocation to nonprofit agencies.

(2) Summary of Significant Accounting Policies

Method of Accounting:

The Organization uses the accrual method of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation:

Financial statement presentation standards require the Organization to report information regarding its financial position and activities according to three classes of net assets according to externally (donor) imposed restrictions as follows: unrestricted, temporarily restricted and permanently restricted. In addition, the Organization is required to present a statement of cash flows. For the years ended August 31, 2011 and 2010, the Organization had accounting transactions in all of the net asset categories as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met by the passage of time or which will be fulfilled by actions of the Organization.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that require the net assets to be maintained permanently.

Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2011 and 2010

(See Independent Auditors' Report)

Use of Estimates:

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

Property, Equipment and Improvements:

Property, equipment and improvements are carried at cost. It is the Organization's policy to capitalize expenditures for those items in excess of \$1,000. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets, which range from five to seven years.

Income Tax Status:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents:

For purposes of reporting cash flows, the Organization considers certificates of deposit purchased with an original maturity of one year or less to be cash equivalents.

Uncertain Tax Positions:

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Date of Management's Review:

Management has evaluated subsequent events through December 13, 2011, the date which the financial statements were available to be issued.

(3) Pledges Receivable:

Pledges receivable, which are unconditional promises to give, are summarized as follows:

	<u>2011</u>	<u>2010</u>
Pledges receivable expected to be collected in less than one year	360,000	272,937
Allowance for unredeemed promises	<u>(25,600)</u>	<u>(25,000)</u>
Net Pledges Receivable	<u>334,400</u>	<u>247,937</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2011 and 2010

(See Independent Auditors' Report)

(3) Pledges Receivable (continued)

As of August 31, 2011 and 2010, the Organization did not have any outstanding conditional promises to give.

(4) Property and Equipment

Property and equipment consist of the following:

	<u>2011</u>	<u>2010</u>
Office equipment	18,352	22,359
Furniture and fixtures	<u>14,814</u>	<u>14,814</u>
	33,166	37,173
Accumulated depreciation	<u>(28,317)</u>	<u>(30,011)</u>
	<u>4,849</u>	<u>7,162</u>

(5) Concentration of Credit Risk for Cash Held in Bank

The Organization maintains cash balances at local banks. The Federal Deposit Insurance Corporation (FDIC) insures deposit account balances up to \$250,000 per institution. At times, the Organization's balance can be in excess of the insured limit. Money market funds held by the Organization are not insured by the FDIC. For the years ended August 31, 2011 and 2010, the Organization maintained uninsured balances of \$202,361 and \$285,676, respectively.

(6) Functional Allocation of Expenses

The costs of providing the various programs and services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2011 and 2010

(See Independent Auditors' Report)

(7) Donated Services, Materials and Facilities:

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization. No amounts have been recognized in the accompanying statement of activities because they do not meet the criteria for recognition in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605.

Contributions which did meet the criteria and are thus recognized as contributions and offsetting expenses are as follows:

	<u>2011</u>	<u>2010</u>
Items for fund-raising event	15,864	14,445
Advertising space	980	-
Miscellaneous	559	-
	<u>17,403</u>	<u>14,445</u>

(8) Retirement Plan:

The Organization has implemented a defined contribution plan covering eligible employees. The Organization contributed monthly to the plan based on a percentage of eligible employees' regular annual salary. Pension expense for the years ended August 31, 2011 and 2010, was \$7,528 and \$7,529, respectively.

(9) Endowment Fund:

In 2004, the Organization established an Endowment Fund with Chester County Community Foundation. The Organization is permitted to spend 5% of its Endowment Fund each year to provide grants for community nonprofits or for its own operating or capital needs. The Organization's long-term goal is to keep the Endowment Fund intact until it reaches an amount such that its earnings will cover operating costs.

A portion of the current year's contributions were designated by the donors to the Endowment Fund. Additional contributors deposited funds directly to the Chester County Community Foundation. In accordance with FASB ASC 958-605, amounts contributed by the Board are reflected as permanently restricted assets in the financial statements. Amounts contributed directly to the Endowment Fund are not reflected in the financial statements.

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2011 and 2010

(See Independent Auditors' Report)

Allocations at August 31, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Permanently restricted assets	134,130	77,861
Community Foundation assets	<u>46,173</u>	<u>42,299</u>
	<u>180,303</u>	<u>120,160</u>

The following schedule summarizes the Endowment Fund's investment activity and its classification in the statement of activities:

	<u>Permanently Restricted</u>	<u>Community Fund</u>	<u>Totals</u>
Balance at August 31, 2009	63,116	40,569	103,685
Contributions	12,226	-	12,226
Net investment income	3,656	2,409	6,065
Management and investment fees	<u>(1,137)</u>	<u>(679)</u>	<u>(1,816)</u>
Balance at August 31, 2010	77,861	42,299	120,160
Contributions	51,645	-	51,645
Net investment income	6,112	4,607	10,719
Management and investment fees	<u>(1,488)</u>	<u>(733)</u>	<u>(2,221)</u>
Balance at August 31, 2011	<u>134,130</u>	<u>46,173</u>	<u>180,303</u>

(10) Fair Value Measurements:

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs based on the Organization's assumptions used to measure assets and liabilities at fair value. The asset 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.

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2011 and 2010

(See Independent Auditors' Report)

(10) Fair Value Measurements (continued):

The following table summarizes the assets of the Organization for which fair values are determined on a recurring basis as of August 31, 2011:

	<u>Level 2</u>
Benefit interest in perpetual trust	<u>134,130</u>

There are no *Level 1* or *Level 3* assets included in the total investment assets at August 31, 2011.

Following is a description of the valuation methodologies used for assets measured at fair value:

Beneficial Interest in Perpetual Trust: Valued at the fair value of the assets in the trust at year-end.

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

(11) Contributions of Stock:

Some contributors to the Organization's annual campaigns fulfill their pledges by donating stock. The Organization maintains an account with a local investment firm to serve as a conduit for these donations. The donated securities are sold immediately upon receipt via the conduit account.

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2011 and 2010

(See Independent Auditors' Report)

(12) Investment Return:

The following schedule summarizes the Organization's investment return and its classification in the statement of activities for the years ended August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest/dividends	4,910	6,725
Gains (losses)	4,264	2,289
Investment fees	<u>(1,488)</u>	<u>(1,137)</u>
	<u>7,686</u>	<u>7,877</u>

(13) Operating Lease Commitment:

As of September 1, 2008, the Organization renewed a cancelable operating lease for its office space, requiring rent of \$9,000 annually for the next three years. This agreement expired August 31, 2011 and was not extended. The lease is currently a month-to-month lease an annual rate of \$9,000.

Rent expense for the years ended August 31, 2011 and 2010, for this lease was \$9,000.

(14) Permanently Restricted Net Assets:

Permanently restricted net assets consist of the following:

	<u>2011</u>	<u>2010</u>
Endowment Fund	<u>134,130</u>	<u>77,861</u>

(15) Comparative Financial Statements:

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2010, from which the summarized information was derived.

(16) Reclassification of Financial Statements:

The August 31, 2010, financial statements have been reclassified to conform to the current year presentation.

SUPPLEMENTARY INFORMATION

UNITED WAY OF SOUTHERN CHESTER COUNTY

Schedules of Allocations to Agencies

For the Years Ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Allocations to Agencies		
Adult Care of Chester County, Inc.	29,240	17,440
Adult Literacy Program	31,260	30,040
ARC of Chester County	13,180	15,220
Boy Scouts of America	12,700	10,660
Camp Dreamcatcher	10,060	11,240
Cerebral Palsy Association of Chester County	-	2,900
Community Volunteers in Medicine	4,240	23,260
Crime Victims' Center of Chester County, Inc.	19,120	20,340
Domestic Violence Center of Chester County	45,000	43,600
Family Service of Chester County	22,120	24,220
Garage Community & Youth Center	91,260	97,200
Good Neighbors	31,700	17,440
Kennett After School Association	27,120	26,640
Kennett Area Community Service	128,460	135,660
Kennett Area Senior Center	48,260	44,580
La Comunidad Hispana	104,040	92,060
Legal Aid Southeastern Pennsylvania	8,560	7,260
Maternal and Child Health Consortium	30,000	19,380
Oxford Neighborhood Services Center	85,560	79,440
Oxford Area Senior Center	9,700	10,660
Planned Parenthood of Southeastern Pennsylvania	12,120	23,720
Safe Harbor of Greater West Chester	5,060	4,840
Tick Tock Early Learning Center	96,240	87,200
Donor-directed gifts	26,675	44,239
	<u>891,675</u>	<u>889,239</u>
Total Allocations to Agencies		