

**UNITED WAY OF SOUTHERN CHESTER COUNTY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AUGUST 31, 2012 AND 2011**

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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, 2012 and 2011, and the related Statements of Activities and Functional Expenses for the year ended August 31, 2012, and the Statements of Cash Flows for the years ended August 31, 2012 and 2011. 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.

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, 2012 and 2011, and the changes in net assets for the year ended August 31, 2012, and its cash flows for the years ended August 31, 2012 and 2011, 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.

January 23, 2013
West Chester, Pennsylvania

UNITED WAY OF SOUTHERN CHESTER COUNTY

Statements of Financial Position

August 31, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash or equivalents	653,065	474,538
Certificates of deposit	200,061	200,980
Pledges receivable, net of \$12,800 (2012) and \$25,600 (2011)		
allowance for bad debts	300,812	334,400
Prepaid expenses	9,858	6,405
Total Current Assets	<u>1,163,796</u>	<u>1,016,323</u>
Property and Equipment, net of accumulated depreciation of \$30,546 (2012) and \$28,317 (2011)	2,620	4,849
Other Assets		
Endowment investments	145,551	134,130
Security deposits	800	800
Total Other Assets	<u>146,351</u>	<u>134,930</u>
Total Assets	<u><u>1,312,767</u></u>	<u><u>1,156,102</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	2,158	1,385
Allocations payable to agencies	900,000	865,000
Accrued donor designated contributions	1,090	9,007
Accrued payroll taxes and expenses	6,468	252
Deferred revenue	-	5,000
Total Current Liabilities	<u>909,716</u>	<u>880,644</u>
Net Assets		
Unrestricted		
Operations	(108,767)	(236,252)
Fixed assets	2,620	4,849
Total Unrestricted Net Deficit	<u>(106,147)</u>	<u>(231,403)</u>
Temporarily restricted	344,907	372,731
Permanently restricted	164,291	134,130
Total Net Assets	<u>403,051</u>	<u>275,458</u>
Total Liabilities and Net Assets	<u><u>1,312,767</u></u>	<u><u>1,156,102</u></u>

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, 2012

(With Comparative Totals for August 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
Support, Revenue and Reclassifications					
Campaign contributions	914,075	313,612	20,825	1,248,512	1,203,653
Less allowance for uncollectible pledges	-	-	-	-	(12,578)
Total Campaign Contributions	<u>914,075</u>	<u>313,612</u>	<u>20,825</u>	<u>1,248,512</u>	<u>1,191,075</u>
Grants	-	25,000	-	25,000	-
Investment income	2,120	46	9,336	11,502	7,686
Net assets released from restrictions	<u>360,000</u>	<u>(360,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Reclassifications	1,276,195	(21,342)	30,161	1,285,014	1,198,761
Expenses					
Allocations to agencies	917,029	-	-	917,029	891,675
Supporting services					
Program services	46,350	6,482	-	52,832	52,690
Management and general	123,134	-	-	123,134	123,058
Fund raising	<u>64,426</u>	<u>-</u>	<u>-</u>	<u>64,426</u>	<u>72,241</u>
Total Expenses	1,150,939	6,482	-	1,157,421	1,139,664
Change in Net Assets	125,256	(27,824)	30,161	127,593	59,097
Net Assets (Deficit) at Beginning of Year	<u>(231,403)</u>	<u>372,731</u>	<u>134,130</u>	<u>275,458</u>	<u>216,361</u>
Net Assets (Deficit) at End of Year	<u><u>(106,147)</u></u>	<u><u>344,907</u></u>	<u><u>164,291</u></u>	<u><u>403,051</u></u>	<u><u>275,458</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, 2012

(With Comparative Totals for August 31, 2011)

	Program Services	Management & General	Fund Raising	Totals	
				2012	2011
Functional Expenses					
Salaries	29,057	69,007	25,105	123,169	125,463
Employee health and retirement benefits	6,984	16,586	6,034	29,604	31,446
Payroll taxes	2,471	5,870	2,135	10,476	10,239
Total Salaries and Related Expenses	<u>38,512</u>	<u>91,463</u>	<u>33,274</u>	<u>163,249</u>	<u>167,148</u>
Advertising	-	236	2,685	2,921	1,180
Dues and memberships	1,580	5,908	1,365	8,853	8,542
Events	403	370	5,323	6,096	10,889
Insurance	940	2,234	812	3,986	3,384
Office supplies	301	2,298	1,090	3,689	3,292
Other	-	517	1,155	1,672	3,353
Postage	170	628	2,919	3,717	3,861
Professional fees	142	7,157	1,232	8,531	11,120
Program expenses	6,482	-	-	6,482	2,936
Rent	2,123	5,043	1,834	9,000	9,000
Repairs and maintenance	14	-	2,366	2,380	3,331
Stationary and printing	-	938	8,244	9,182	10,431
Telephone	1,124	2,671	971	4,766	3,852
Travel and meetings	1,041	1,442	1,156	3,639	3,357
Total Expenses Before Depreciation	<u>52,832</u>	<u>120,905</u>	<u>64,426</u>	<u>238,163</u>	<u>245,676</u>
Depreciation	-	2,229	-	2,229	2,313
Total Functional Expenses	<u><u>52,832</u></u>	<u><u>123,134</u></u>	<u><u>64,426</u></u>	<u><u>240,392</u></u>	<u><u>247,989</u></u>

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Change in net assets	127,593	59,097
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation	2,229	2,313
Net realized and unrealized gains on investments	(6,129)	(4,264)
(Increase) decrease in assets:		
Pledges receivable	33,588	(86,463)
Prepaid expenses	(3,453)	304
Increase (decrease) in liabilities:		
Accounts payable	773	(61)
Allocations payable to agencies	35,000	30,000
Accrued donor designated contributions	(7,917)	609
Accrued payroll taxes and expenses	6,216	(2)
Deferred revenue	<u>(5,000)</u>	<u>(5,000)</u>
Net Cash Provided (Used) by Operating Activities	182,900	(3,467)
 Cash Flows from Investing Activities		
Purchase of investments, net	<u>(5,292)</u>	<u>(52,005)</u>
 Net Change in Cash or Equivalents	177,608	(55,472)
 Cash or Equivalents at Beginning of Year	<u>675,518</u>	<u>730,990</u>
 Cash or Equivalents at End of Year	<u><u>853,126</u></u>	<u><u>675,518</u></u>

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

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements

August 31, 2012 and 2011

(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, 2012 and 2011, 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, 2012 and 2011

(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.

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.

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.

Uncertain Tax Positions:

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. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for tax years 2009, 2010 and 2011 are open for examination by the IRS, generally for three years after the tax returns were filed.

Date of Management's Review:

Management has evaluated subsequent events through January 23, 2013, 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>2012</u>	<u>2011</u>
Pledges receivable expected to be collected in less than one year	313,612	360,000
Allowance for unredeemed promises	<u>(12,800)</u>	<u>(25,600)</u>
Net Pledges Receivable	<u>300,812</u>	<u>334,400</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2012 and 2011

(See Independent Auditors' Report)

(3) Pledges Receivable (continued)

As of August 31, 2012 and 2011, the Organization did not have any outstanding conditional promises to give.

(4) Property and Equipment

Property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Office equipment	18,352	18,352
Furniture and fixtures	<u>14,814</u>	<u>14,814</u>
	33,166	33,166
Accumulated depreciation	<u>(30,546)</u>	<u>(28,317)</u>
	<u>2,620</u>	<u>4,849</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, 2012 and 2011, the Organization maintained uninsured balances of \$372,478 and \$202,361, 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, 2012 and 2011

(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>2012</u>	<u>2011</u>
Items for fund-raising event	-	15,864
Advertising space	-	980
Miscellaneous	<u>273</u>	<u>559</u>
	<u>273</u>	<u>17,403</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, 2012 and 2011, was \$7,364 and \$7,528, 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, 2012 and 2011

(See Independent Auditors' Report)

Allocations at August 31, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Permanently restricted assets	145,551	134,130
Community Foundation assets	<u>48,950</u>	<u>46,173</u>
	<u>194,501</u>	<u>180,303</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, 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	134,130	46,173	180,303
Contributions	2,085	-	2,085
Net investment income	11,544	3,490	15,034
Management and investment fees	<u>(2,208)</u>	<u>(713)</u>	<u>(2,921)</u>
Balance at August 31, 2012	<u>145,551</u>	<u>48,950</u>	<u>194,501</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, 2012 and 2011

(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, 2012 and 2011:

	<u>Level 2</u>	<u>Level 3</u>
<i>At August 31, 2012:</i>		
Unconditional promises to give		<u>300,812</u>
Beneficial interest in perpetual trust	<u>145,551</u>	
<i>At August 31, 2011:</i>		
Unconditional promises to give		<u>334,400</u>
Beneficial interest in perpetual trust	<u>134,130</u>	

There are no *Level 1* assets included in the total investment assets at August 31, 2012.

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

Unconditional Promises to Give: Valued at present value of expected receipts less a discount for the risk associated in receiving the promises to give.

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

The preceding methods 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, 2012 and 2011

(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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest/dividends	7,582	4,910
Gains (losses)	6,128	4,264
Investment fees	<u>(2,208)</u>	<u>(1,488)</u>
	<u>11,502</u>	<u>7,686</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 at an annual rate of \$9,000.

Rent expense for the years ended August 31, 2012 and 2011, for this lease was \$9,000.

(15) Permanently Restricted Net Assets:

Permanently restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Endowment contributions held in the operating account	18,740	-
Endowment Fund	<u>145,551</u>	<u>134,130</u>
	<u>164,291</u>	<u>134,130</u>

(16) 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, 2011, from which the summarized information was derived.

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2012 and 2011

(See Independent Auditors' Report)

(17) **Reclassification of Financial Statements:**

The August 31, 2011, 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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Allocations to Agencies		
Adult Care of Chester County, Inc.	28,840	29,240
Adult Literacy Program	44,800	31,260
ARC of Chester County	13,260	13,180
Boy Scouts of America	13,960	12,700
Camp Dreamcatcher	9,520	10,060
Chester County Community Dental	9,300	-
Community Volunteers in Medicine	-	4,240
Crime Victims' Center of Chester County, Inc.	24,160	19,120
Domestic Violence Center of Chester County	46,360	45,000
Family Service of Chester County	20,620	22,120
Garage Community & Youth Center	114,820	91,260
Good Neighbors	35,220	31,700
Kennett After School Association	28,620	27,120
Kennett Area Community Service	109,220	128,460
Kennett Area Senior Center	49,540	48,260
La Comunidad Hispana	101,540	104,040
Legal Aid Southeastern Pennsylvania	8,300	8,560
Life Transforming Ministries	2,300	-
Maternal and Child Health Consortium	30,000	30,000
Oxford Neighborhood Services Center	93,080	85,560
Oxford Area Senior Center	10,620	9,700
Planned Parenthood of Southeastern Pennsylvania	-	12,120
Safe Harbor of Greater West Chester	5,300	5,060
Tick Tock Early Learning Center	100,620	96,240
Donor-directed gifts	17,029	26,675
	<u>917,029</u>	<u>891,675</u>
Total Allocations to Agencies		