

**UNITED WAY OF SOUTHERN CHESTER COUNTY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AUGUST 31, 2013 AND 2012**

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
Supplementary Information	
Schedules of Allocations to Agencies	14

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the United Way of Southern Chester County (a nonprofit corporation) which comprise the statement of financial position as of August 31, 2013 and 2012, and the related statements of activities and functional expenses for the year ended August 31, 2013, and the statements of cash flows for the years ended August 31, 2013 and 2012 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Southern Chester County as of August 31, 2013 and 2012, and the changes in its net assets for the year ended August 31, 2013, and its cash flows for the years ended August 31, 2013 and 2012, 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 14 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BLISS & COMPANY, LTD.

October XX, 2013
West Chester, Pennsylvania

UNITED WAY OF SOUTHERN CHESTER COUNTY
Statements of Financial Position
August 31, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current Assets		
Cash or equivalents	822,337	653,065
Certificates of deposit	-	200,061
Pledges receivable, net of \$18,400 (2013) and \$12,800 (2012) allowance for bad debts	357,464	300,812
Prepaid expenses	8,841	9,858
Total Current Assets	1,188,642	1,163,796
 Property and Equipment, net of accumulated depreciation of \$26,480 (2013) and \$30,546 (2012)	 7,510	 2,620
 Other Assets		
Endowment investments	158,491	145,551
Security deposits	800	800
Total Other Assets	159,291	146,351
 Total Assets	1,355,443	1,312,767
 <u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	2,127	2,158
Allocations payable to agencies	975,000	900,000
Accrued donor designated contributions	-	1,090
Accrued payroll taxes and expenses	6,023	6,468
Total Current Liabilities	983,150	909,716
 Net Assets		
Unrestricted		
Operations	(205,444)	(108,767)
Fixed assets	7,510	2,620
Total Unrestricted Net Deficit	(197,934)	(106,147)
Temporarily restricted	375,864	344,907
Permanently restricted	194,363	164,291
Total Net Assets	372,293	403,051
 Total Liabilities and Net Assets	1,355,443	1,312,767

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, 2013

(With Comparative Totals for August 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Support, Revenue and Reclassifications					
Campaign contributions	871,867	375,864	17,132	1,264,863	1,248,512
Less allowance for uncollectible pledges	(25,613)	-	-	(25,613)	-
Total Campaign Contributions	846,254	375,864	17,132	1,239,250	1,248,512
Grants	2,400	-	-	2,400	25,000
Investment income	972	26	12,940	13,938	11,502
Net assets released from restrictions	313,612	(313,612)	-	-	-
Total Support, Revenue and Reclassifications	1,163,238	62,278	30,072	1,255,588	1,285,014
Expenses					
Allocations to agencies	996,244	-	-	996,244	917,029
Loss on asset disposal	513	-	-	513	-
Supporting services					
Program services	39,686	31,321	-	71,007	52,832
Management and general	109,297	-	-	109,297	123,134
Fund raising	109,285	-	-	109,285	64,426
Total Expenses	1,255,025	31,321	-	1,286,346	1,157,421
Change in Net Assets	(91,787)	30,957	30,072	(30,758)	127,593
Net Assets (Deficit) at Beginning of Year	(106,147)	344,907	164,291	403,051	275,458
Net Assets (Deficit) at End of Year	(197,934)	375,864	194,363	372,293	403,051

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, 2013

(With Comparative Totals for August 31, 2012)

	Program Services	Management & General	Fund Raising	Totals	
				2013	2012
Functional Expenses					
Salaries	27,697	58,337	53,371	139,405	123,169
Employee health and retirement benefits	6,542	13,780	12,607	32,929	29,604
Payroll taxes	2,359	4,969	4,545	11,873	10,476
Total Salaries and Related Expenses	<u>36,598</u>	<u>77,086</u>	<u>70,523</u>	<u>184,207</u>	<u>163,249</u>
Advertising	-	251	250	501	2,921
Dues and memberships	1,490	3,140	2,870	7,500	8,853
Events	403	414	8,029	8,846	6,096
Insurance	-	4,028	-	4,028	3,986
Office supplies	171	2,661	851	3,683	3,689
Other	-	795	2,008	2,803	1,672
Postage	98	2,218	2,581	4,897	3,717
Professional fees	-	6,850	2,600	9,450	8,531
Program expenses	29,383	-	-	29,383	6,482
Rent	1,788	3,766	3,446	9,000	9,000
Repairs and maintenance	-	3,415	-	3,415	2,380
Stationary and printing	80	-	13,458	13,538	9,182
Telephone	621	1,509	1,196	3,326	4,766
Travel and meetings	375	1,672	1,473	3,520	3,639
Total Expenses Before Depreciation	<u>71,007</u>	<u>107,805</u>	<u>109,285</u>	<u>288,097</u>	<u>238,163</u>
Depreciation	-	1,492	-	1,492	2,229
Total Functional Expenses	<u><u>71,007</u></u>	<u><u>109,297</u></u>	<u><u>109,285</u></u>	<u><u>289,589</u></u>	<u><u>240,392</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change in net assets	(30,758)	127,593
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation	1,492	2,229
Net realized and unrealized gains on investments	(12,433)	(6,129)
Loss on fixed asset disposal	513	
(Increase) decrease in assets:		
Pledges receivable	(56,652)	33,588
Prepaid expenses	1,017	(3,453)
Increase (decrease) in liabilities:		
Accounts payable	(31)	773
Allocations payable to agencies	75,000	35,000
Accrued donor designated contributions	(1,090)	(7,917)
Accrued payroll taxes and expenses	(445)	6,216
Deferred revenue	-	(5,000)
Net Cash Provided (Used) by Operating Activities	<u>(23,387)</u>	<u>182,900</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(6,895)	-
Purchase of investments, net	<u>(507)</u>	<u>(5,292)</u>
Net Cash Used by Investing Activities	<u>(7,402)</u>	<u>(5,292)</u>
Net Change in Cash or Equivalents	(30,789)	177,608
Cash or Equivalents at Beginning of Year	<u>853,126</u>	<u>675,518</u>
Cash or Equivalents at End of Year	<u><u>822,337</u></u>	<u><u>853,126</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, 2013 and 2012

(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, 2013 and 2012, 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, 2013 and 2012

(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 2010, 2011 and 2012 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 October XX, 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>2013</u>	<u>2012</u>
Pledges receivable expected to be collected in less than one year	375,864	313,612
Allowance for unredeemed promises	<u>(18,400)</u>	<u>(12,800)</u>
Net Pledges Receivable	<u>357,464</u>	<u>300,812</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2013 and 2012

(See Independent Auditors' Report)

(3) Pledges Receivable (continued)

As of August 31, 2013 and 2012, the Organization did not have any outstanding conditional promises to give.

(4) Property and Equipment

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Office equipment	19,176	18,352
Furniture and fixtures	<u>14,814</u>	<u>14,814</u>
	33,990	33,166
Accumulated depreciation	<u>(26,480)</u>	<u>(30,546)</u>
	<u>7,510</u>	<u>2,620</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, 2013 and 2012, the Organization maintained uninsured balances of \$97,825 and \$372,478, 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, 2013 and 2012

(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.

(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, 2013 and 2012, was \$8,364 and \$7,364, 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.

Allocations at August 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Permanently restricted assets	158,491	145,551
Community Foundation assets	<u>53,302</u>	<u>48,950</u>
	<u>211,793</u>	<u>194,501</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2013 and 2012

(See Independent Auditors' Report)

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

	Permanently Restricted	Community Fund	Totals
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	145,551	48,950	194,501
Net investment income	15,433	5,190	20,623
Management and investment fees	<u>(2,493)</u>	<u>(838)</u>	<u>(3,331)</u>
Balance at August 31, 2013	<u>158,491</u>	<u>53,302</u>	<u>211,793</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, 2013 and 2012

(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, 2013 and 2012:

	<u>Level 2</u>	<u>Level 3</u>
<i>At August 31, 2013:</i>		
Unconditional promises to give		<u>357,464</u>
Beneficial interest in perpetual trust	<u>158,491</u>	
<i>At August 31, 2012:</i>		
Unconditional promises to give		<u>300,812</u>
Beneficial interest in perpetual trust	<u>145,551</u>	

There are no *Level 1* assets included in the total investment assets at August 31, 2013.

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, 2013 and 2012

(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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest/dividends	3,998	7,582
Gains (losses)	12,433	6,128
Investment fees	<u>(2,493)</u>	<u>(2,208)</u>
	<u>13,938</u>	<u>11,502</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, 2013 and 2012, for this lease was \$9,000.

(15) Permanently Restricted Net Assets:

Permanently restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Endowment contributions held in the operating account	35,872	18,740
Endowment Fund	<u>158,491</u>	<u>145,551</u>
	<u>194,363</u>	<u>164,291</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, 2012, from which the summarized information was derived.

UNITED WAY OF SOUTHERN CHESTER COUNTY

Notes to the Financial Statements - continued

August 31, 2013 and 2012

(See Independent Auditors' Report)

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

The August 31, 2012, 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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Allocations to Agencies		
Adult Care of Chester County, Inc.	23,300	28,840
Adult Literacy Program	45,000	44,800
ARC of Chester County	18,980	13,260
Boy Scouts of America	9,160	13,960
Camp Dreamcatcher	11,920	9,520
Chester County Community Dental	9,000	9,300
Crime Victims' Center of Chester County, Inc.	28,300	24,160
Domestic Violence Center of Chester County	49,660	46,360
Family Service of Chester County	19,980	20,620
Garage Community & Youth Center	127,960	114,820
Good Neighbors	35,000	35,220
Kennett After School Association	29,320	28,620
Kennett Area Community Service	138,040	109,220
Kennett Area Senior Center	44,660	49,540
La Comunidad Hispana	123,320	101,540
Legal Aid Southeastern Pennsylvania	8,660	8,300
Life Transforming Ministries	-	2,300
Maternal and Child Health Consortium	33,320	30,000
Oxford Neighborhood Services Center	99,160	93,080
Oxford Area Senior Center	11,540	10,620
Safe Harbor of Greater West Chester	5,200	5,300
Tick Tock Early Learning Center	103,520	100,620
Donor-directed gifts	21,244	17,029
	<u>996,244</u>	<u>917,029</u>
Total Allocations to Agencies		