



UNITED WAY OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities.....	4 - 5
Statements of Functional Expenses.....	6 - 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 - 25
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26 - 27

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
United Way of Berks County, Inc.
Reading, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Berks County, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 United Way of Berks County, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2014, on our consideration of United Way of Berks County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Berks County, Inc.'s internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
May 20, 2014**

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,750,871	\$ 1,849,904
Certificates of deposit	1,295,000	1,245,000
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2013 - \$736,684; 2012 - \$749,002)	6,774,183	6,539,168
Other	67,197	47,726
Prepaid expenses	11,562	12,020
Long-term investments, at market	8,676,931	7,590,972
Beneficial interest in perpetual trusts, at market	828,056	759,062
Leasehold improvements, furniture, fixtures, and equipment, net	102,584	123,935
TOTAL ASSETS	\$ 19,506,384	\$ 18,167,787
LIABILITIES		
Accounts payable and accrued expenses	\$ 280,624	\$ 198,263
Unfunded pension liability	172,803	276,176
Due to other United Way agencies	487,142	465,234
Due to affiliated agencies	1,362,446	1,352,647
TOTAL LIABILITIES	2,303,015	2,292,320
NET ASSETS		
Unrestricted		
Undesignated, available for general activities	3,170,808	2,789,241
Unfunded pension liability	(433,901)	(347,876)
Board-designated endowment, at market	1,652,389	1,429,793
Total Unrestricted	4,389,296	3,871,158
Total Temporarily Restricted	7,265,351	7,135,611
Permanently Restricted		
Endowment, at market	4,720,666	4,109,636
Beneficial interest in perpetual trust, at market	828,056	759,062
Total Permanently Restricted	5,548,722	4,868,698
TOTAL NET ASSETS	17,203,369	15,875,467
TOTAL LIABILITIES AND NET ASSETS	\$ 19,506,384	\$ 18,167,787

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2013			Year Ended December 31, 2012			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Totals	2012 Totals
REVENUES, GAINS, AND OTHER SUPPORT								
Campaign contributions applicable to current period:								
Contributions received - current period	\$ 1,311,592	\$ -	\$ -	\$ 1,317,696	\$ -	\$ -	\$ 1,311,592	\$ 1,317,696
Less: Donor designations	(196,201)	-	-	(244,477)	-	-	(196,201)	(244,477)
Less: Amounts not available for operations	(133,110)	-	-	(120,973)	-	-	(133,110)	(120,973)
Contributions received in prior periods and now released from restriction	7,973,189	(7,973,189)	-	7,682,674	(7,682,674)	-	-	-
Less: Donor designations	(1,628,424)	1,628,424	-	(1,480,717)	1,480,717	-	-	-
Less: Allowance for uncollectible pledges	(368,000)	368,000	-	(355,648)	355,648	-	-	-
Less: Amounts not available for operations	(24,006)	24,006	-	(38,707)	38,707	-	-	-
Total campaign contributions applicable to current period	6,935,040	(5,952,759)	-	6,759,848	(5,807,602)	-	982,281	952,246
Campaign contributions received for next allocation period:	-	7,943,485	-	-	7,738,189	-	7,943,485	7,738,189
Less: Donor designations	-	(1,655,368)	-	-	(1,628,424)	-	(1,655,368)	(1,628,424)
Less: Allowance for uncollectible pledges	-	(372,165)	-	-	(368,000)	-	(372,165)	(368,000)
Less: Amounts not available for operations	-	(47,905)	-	-	(24,006)	-	(47,905)	(24,006)
Total campaign contributions for next allocation period	-	5,868,047	-	-	5,717,759	-	5,868,047	5,717,759
Campaign contributions received for future years	-	90,000	-	-	160,000	-	90,000	160,000
Donor designations from other United Way agencies	113,803	-	-	151,976	-	-	113,803	151,976
Prior year campaign contributions	188,452	-	-	198,077	-	-	188,452	198,077
Total Campaign Related Revenue	7,237,295	5,288	-	7,109,901	70,157	-	7,242,583	7,180,058
Other contributions	11,253	189,373	-	31,582	170,368	39,321	200,626	241,271
Donated materials and services	107,670	-	-	130,178	-	-	107,670	130,178
Special event contributions received in prior periods and now released from restriction	9,696	(9,696)	-	43,540	(43,540)	-	-	-
Special events	-	-	-	-	9,696	-	-	9,696
Total Public Support	7,365,914	184,965	-	7,315,201	206,681	39,321	7,550,879	7,561,203
Grants, governmental agencies	-	-	-	25,668	-	-	-	25,668
Other revenue								
Investment income from trusts	30,407	-	-	23,187	-	-	30,407	23,187
Endowment investment income, net of fees (2013 - \$8,355; 2012 - \$7,851)	29,632	-	84,961	28,642	-	81,583	114,593	110,225
Transfers	81,469	34,248	(180,178)	(62,619)	168,524	(170,683)	(64,461)	(64,778)
Other investment income, net of fees (2013 - \$15,720; 2012 - \$13,570)	60,984	158	-	64,202	384	-	61,142	64,586
Other income	68,582	-	-	66,040	-	-	68,582	66,040
Gain (loss) on sale of investments	125,068	-	222,180	79,353	-	176,009	347,248	255,362
Net appreciation (depreciation) on investments	168,675	186,359	484,067	71,502	97,975	201,816	839,101	371,293
Net appreciation (depreciation) on beneficial interest	-	-	68,994	-	-	61,624	68,994	61,624
Other net assets released from restriction	275,990	(275,990)	-	256,209	(256,209)	-	-	-
Total Other Revenue	840,807	(55,225)	680,024	526,516	10,674	350,349	1,465,606	887,539
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	8,206,721	129,740	680,024	7,867,385	217,355	389,670	9,016,485	8,474,410

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2013			Year Ended December 31, 2012			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Totals	2012 Totals
PROGRAM SERVICES								
Allocations and expenses								
Gross funds distributed for services	6,370,117	-	-	6,372,812	-	-	6,370,117	6,372,812
Less: donor designations	(1,470,277)	-	-	(1,385,956)	-	-	(1,470,277)	(1,385,956)
Net funds distributed for services	4,899,840	-	-	4,986,856	-	-	4,899,840	4,986,856
Community impact, including donated materials and services (2013 - \$12,224; 2012 - \$19,189)	788,637	-	-	736,472	-	-	788,637	736,472
Total Program Services	5,688,477	-	-	5,723,328	-	-	5,688,477	5,723,328
Support services								
Fundraising and resource development, including donated materials and services (2013 - \$87,689; 2012 - \$88,439)	1,190,793	-	-	1,122,089	-	-	1,190,793	1,122,089
Administration, including donated materials and services, (2013 - \$7,756; 2012 - \$22,050)	633,198	-	-	630,584	-	-	633,198	630,584
Payments to affiliated organization - United Way Worldwide	90,090	-	-	86,968	-	-	90,090	86,968
Total Supporting Services	1,914,081	-	-	1,839,641	-	-	1,914,081	1,839,641
TOTAL ALLOCATIONS AND EXPENSES	7,602,558	-	-	7,562,969	-	-	7,602,558	7,562,969
INCREASE IN NET ASSETS BEFORE EFFECT OF THE UNFUNDED PENSION LIABILITY	604,163	129,740	680,024	304,416	217,355	389,670	1,413,927	911,441
ADJUSTMENT TO REFLECT UNFUNDED PENSION LIABILITY	(86,025)	-	-	323,778	-	-	(86,025)	323,778
INCREASE IN NET ASSETS	518,138	129,740	680,024	628,194	217,355	389,670	1,327,902	1,235,219
NET ASSETS AT BEGINNING OF YEAR	3,871,158	7,135,611	4,868,698	3,242,964	6,918,256	4,479,028	15,875,467	14,640,248
NET ASSETS AT END OF YEAR	\$ 4,389,296	\$ 7,265,351	\$ 5,548,722	\$ 3,871,158	\$ 7,135,611	\$ 4,868,698	\$ 17,203,369	\$ 15,875,467

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

	Program Services	Support Services		Support Services		
	Community Impact	Fundraising and Resource Development	Administration	UWW Dues	Total Support Services	Totals
Gross funds distributed for services	\$ 6,370,117	\$ -	\$ -	\$ -	\$ -	\$ 6,370,117
Less: donor designations	(1,470,277)	-	-	-	-	(1,470,277)
Net allocations to services	4,899,840	-	-	-	-	4,899,840
Salaries	452,432	574,280	353,970	-	928,250	1,380,682
Employee benefits	106,794	142,805	95,441	-	238,246	345,040
Payroll taxes	35,002	44,539	26,215	-	70,754	105,756
Total Salaries and Related Expenses	594,228	761,624	475,626	-	1,237,250	1,831,478
Contract services	75,980	49,756	38,620	-	88,376	164,356
Supplies	7,376	2,727	1,579	-	4,306	11,682
Telephone	3,512	4,981	3,239	-	8,220	11,732
Postage	407	8,828	2,413	-	11,241	11,648
Occupancy	39,676	53,342	37,073	-	90,415	130,091
Rent, purchase, and maintenance of equipment	4,472	13,102	3,568	-	16,670	21,142
Printing and promotion	12,361	121,068	130	-	121,198	133,559
Travel and conferences	14,838	26,522	15,059	-	41,581	56,419
United Way of Pennsylvania dues	5,355	7,200	4,945	-	12,145	17,500
Donated materials and services	12,224	87,689	7,757	-	95,446	107,670
Depreciation of equipment	10,450	16,991	10,115	-	27,106	37,556
Miscellaneous expenses	7,758	36,963	33,074	-	70,037	77,795
Total Before United Way Worldwide Dues	5,688,477	1,190,793	633,198	-	1,823,991	7,512,468
United Way Worldwide dues	-	-	-	90,090	90,090	90,090
Total Expenses	\$ 5,688,477	\$ 1,190,793	\$ 633,198	\$ 90,090	\$ 1,914,081	\$ 7,602,558

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Program Services	Support Services		Support Services		
	Community Impact	Fundraising and Resource Development	Administration	UWW Dues	Total Support Services	Totals
Gross funds distributed for services	\$ 6,372,812	\$ -	\$ -	\$ -	\$ -	\$ 6,372,812
Less: donor designations	(1,385,956)	-	-	-	-	(1,385,956)
Net allocations to services	4,986,856	-	-	-	-	4,986,856
Salaries	446,592	559,764	346,190	-	905,954	1,352,546
Employee benefits	97,308	130,752	98,048	-	228,800	326,108
Payroll taxes	34,445	43,313	24,835	-	68,148	102,593
Total Salaries and Related Expenses	578,345	733,829	469,073	-	1,202,902	1,781,247
Contract services	47,601	40,052	31,811	-	71,863	119,464
Supplies	5,435	2,750	1,135	-	3,885	9,320
Telephone	3,667	4,990	3,291	-	8,281	11,948
Postage	406	8,909	2,232	-	11,141	11,547
Occupancy	38,715	53,073	39,009	-	92,082	130,797
Rent, purchase, and maintenance of equipment	4,126	12,994	3,213	-	16,207	20,333
Printing and promotion	10,236	118,698	197	-	118,895	129,131
Travel and conferences	9,698	16,141	7,547	-	23,688	33,386
United Way of Pennsylvania dues	4,752	6,164	4,085	-	10,249	15,001
Donated materials and services	19,189	88,439	22,050	-	110,489	129,678
Depreciation of equipment	7,405	12,960	6,153	-	19,113	26,518
Miscellaneous expenses	6,897	23,090	40,788	-	63,878	70,775
Total Before United Way Worldwide Dues	5,723,328	1,122,089	630,584	-	1,752,673	7,476,001
United Way Worldwide dues	-	-	-	86,968	86,968	86,968
Total Expenses	\$ 5,723,328	\$ 1,122,089	\$ 630,584	\$ 86,968	\$ 1,839,641	\$ 7,562,969

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,327,902	\$ 1,235,219
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	37,556	26,518
(Gain) loss on sale of investments	(347,248)	(255,362)
Unrealized (gain) loss on investments	(839,101)	(371,293)
Unrealized (gain) loss on beneficial interest in perpetual trust	(68,994)	(61,624)
Contributions restricted for endowment funds	(1,720)	(41,041)
Changes in:		
Pledges receivable	(235,015)	(234,288)
Grants receivable	-	1,255
Other receivables	(19,471)	36,778
Prepaid expenses	458	(497)
Accounts payable and accrued expenses	82,361	2,413
Unfunded pension liability	(103,373)	(323,778)
Due to other United Way agencies	21,908	40,145
Due to affiliated agencies	9,799	131,051
Deferred revenue	-	(41,833)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(134,938)	143,663
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(16,205)	(139,520)
Proceeds from sale of investments	2,005,182	2,244,279
Purchase of investments	(1,904,792)	(2,831,284)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	84,185	(726,525)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment funds	1,720	41,041
NET DECREASE IN CASH	(49,033)	(541,821)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,094,904	3,636,725
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,045,871	\$ 3,094,904
RECONCILIATION OF CASH AT END OF YEAR		
Cash and cash equivalents	\$ 1,750,871	\$ 1,849,904
Certificates of deposit	1,295,000	1,245,000
CASH AND CERTIFICATES OF DEPOSIT	\$ 3,045,871	\$ 3,094,904

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Berks County, Inc. (the Organization) is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania. The Organization's mission is to improve lives by inspiring collaboration, volunteerism, and financial support to build a stronger community. The Organization is governed by a volunteer board of directors. The Organization's principal programs include: Community Impact is the work of the Organization intended to create sustained changes in health and human services. It includes community-wide, collaborative planning and problem resolution activities and the operation of community-wide initiatives and direct service programs. A key component of Community Impact is the investment of funds raised through the Annual Campaign to support health and human services. Fundraising and resource development encompasses all activities related to the annual fundraising campaign and to the development of endowment resources. United Way of Berks County's annual fundraising campaign generates revenue to support health and human services in the local community in the subsequent calendar year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Basis of Accounting

The Organization uses the accrual basis of accounting.

Tax-Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2013 and 2012, there was no unrelated business income for the Organization.

Under generally accepted accounting principles, an Organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. Tax years 2010 and forward remain open for examination by the applicable taxing authorities.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of any donor restrictions.

Donor-Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

United Way of Berks County records all restricted contributions as permanently or temporarily restricted contributions and releases them when the restrictions are met.

Promises to Give/Pledges

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Allowance for Uncollectible Pledges

The Organization uses the allowance method to determine uncollectible unconditional monies receivable. The allowance is computed based on a four-year historical average adjusted by management's estimates of current economic factors applied to gross campaign estimates.

Donated Materials, Equipment, and Services

Donated materials, equipment, and services have been recorded at their estimated fair values at date of receipt. No amounts have been reflected in the financial statements for volunteer donated services since no objective basis is available to measure the value of such services. Nevertheless, a large number of volunteers have given significant amounts of their time to the Organization's programs and fundraising campaigns.

Spending Policy

The Organization has a board-approved spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. As of December 31, 2013 and 2012, the board-approved spending policy was five percent of the rolling five-year average of the market value of the trust.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

At year-end and at various times during the year, the Organization had cash balances in excess of the federally insured limit in its primary operating bank account. For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with a maturity of three months or less to be cash equivalents.

Certificates of Deposit

The Organization purchases certificates of deposit with its excess operating funds. While some certificates of deposit are purchased at local banks, the majority of the funds are invested through a local bank, on a reciprocal basis, through the Certificate of Deposit Account Registry Service. This program allows the Organization to invest in multiple banks, at competitive rates, so that all the excess funds invested through this program are FDIC insured. The Organization maintains a certificate of deposit ladder with most certificates maturing on a three-year basis.

Leasehold Improvements, Furniture, Fixtures, and Equipment

Purchases of new leasehold improvements, furniture, fixtures, and equipment are recorded at cost. Donations of new furniture, fixtures, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and conditional contributions of cash that must be used to acquire furniture, fixtures, and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Furniture, fixtures, and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	7 years (or estimated life of lease)
Furniture and fixtures	5 years
Computer and office equipment	3 years

Functional Expenses Allocation Methodology

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the methodology which is most appropriate.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 20, 2014, the date the financial statements were available to be issued.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

United Way of Berks County conducts an annual campaign to generate revenue to support health and human services in the local community.

Unconditional promises to give at December 31 are as follows:

	2013	2012
Pledges receivable	<u>\$ 7,510,867</u>	<u>\$ 7,288,170</u>
Receivable in less than one year	<u>\$ 7,382,367</u>	<u>\$ 7,087,003</u>
Receivable in one to three years	<u>128,500</u>	<u>201,167</u>
Total unconditional promises to give	7,510,867	7,288,170
Less allowance for uncollectible pledges	<u>736,684</u>	<u>749,002</u>
Net Unconditional Promises to Give	<u>\$ 6,774,183</u>	<u>\$ 6,539,168</u>

NOTE 3 - LONG-TERM INVESTMENTS

All investments are recorded at market value.

The following table shows long-term investments held, including board-designated and donor-restricted endowment funds, endowment income held as temporarily restricted net assets, and other funds which can be used for future operating purposes. The board-designated and donor-restricted endowment funds are held in a common trust and the board-designated funds can only be accessed by dissolution of the trust.

	December 31, 2013		December 31, 2012	
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Equity securities	\$ 4,031,209	\$ 5,964,209	\$ 3,913,097	\$ 4,899,865
Fixed income securities	<u>2,766,870</u>	<u>2,712,722</u>	<u>2,638,123</u>	<u>2,691,107</u>
	<u>\$ 6,798,079</u>	<u>\$ 8,676,931</u>	<u>\$ 6,551,220</u>	<u>\$ 7,590,972</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 4 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

United Way of Berks County is a beneficiary under various perpetual trusts. The Organization recorded its proportionate share of the fair value of the principal received. Total value recorded at December 31, 2013 and 2012 was \$828,056 and \$759,062, respectively. Annual distributions from the trusts have been recorded as investment income from trusts in unrestricted net assets and amounted to \$30,407 and \$23,187 in 2013 and 2012, respectively. The change in market value has been recorded in net appreciation on beneficial interests in permanently restricted net assets and amounted to \$68,994 and \$61,624 in 2013 and 2012, respectively.

NOTE 5 - FURNITURE, FIXTURES, AND EQUIPMENT

A summary is as follows at December 31:

	<u>2013</u>	<u>2012</u>
Furniture and fixtures	\$ 36,379	\$ 36,379
Leasehold improvements	34,216	34,216
Computer and office equipment	<u>258,775</u>	<u>270,547</u>
	329,370	341,142
Less accumulated depreciation	<u>(226,786)</u>	<u>(217,207)</u>
	<u>\$ 102,584</u>	<u>\$ 123,935</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$37,556 and \$26,518, respectively.

NOTE 6 - LEASE AGREEMENT

The Organization leases its office facility under a noncancelable agreement, which expires on December 31, 2021 with the option to renew for two additional five-year terms. The lease requires monthly minimum rentals of \$10,767 and provides that the lessee maintains and pays for comprehensive general public liability insurance.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 6 - LEASE AGREEMENT - CONTINUED

The total minimum rental commitment is due as follows at December 31:

2014	\$ 129,201
2015	137,228
2016	137,228
2017	137,228
2018	146,290
2019	146,290
2020	146,290
2021	<u>155,352</u>
Total	<u>\$ 1,135,107</u>

Total rental expense for both years ended December 31, 2013 and 2012 was \$129,201.

NOTE 7 - PAYMENTS TO AFFILIATED AGENCIES AND TO THE AMERICAN CANCER SOCIETY

In accordance with the membership criteria of United Way Worldwide, one percent of total unrestricted support from the previous campaign is shared with United Way Worldwide. Additionally, an amount is shared with United Way of Pennsylvania. Payments made to United Way Worldwide and United Way of Pennsylvania for the years ended December 31, 2013 and 2012 amounted to \$107,589 and \$101,968, respectively.

In addition, the Organization participates in a cooperative agreement with the American Cancer Society, Berks County Unit and the American Cancer Society, Pennsylvania Division, Inc. for business, industry, and government fundraising. In accordance with this agreement, the American Cancer Society receives 2.3 percent of the annual campaign received by United Way of Berks County less donor designations and allowance for uncollectible pledges. This contract is renewable on an annual basis.

NOTE 8 - COMMITMENTS

The Organization has committed \$5,999,378 of contributions for the next allocation period to various affiliated agencies. The resources used to fulfill this commitment are largely reflected in the temporarily restricted net asset balance.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS

Defined Benefit Plan

United Way of Berks County sponsored a defined benefit noncontributory pension plan that covered eligible employees. Effective December 31, 2012, the Organization approved a hard freeze of the plan, eliminating future service benefits. At that time, all participants in the plan became 100 percent vested.

During 2013, a settlement of the pension obligation took place when the sum of the annuity purchase for the year exceeded the sum of service cost and interest cost. When a settlement takes place the employer recognizes a portion of the remaining unrecognized net asset and net actuarial gain/(loss) existing at the date of settlement.

Composition of the net benefit cost for the plan's valuation date for the year ended December 31 is:

	<u>2013</u>	<u>2012</u>
Service costs (benefits earned)	\$ 6,665	\$ 126,259
Interest cost on projected benefit obligation	100,628	111,194
Actual return on plan assets	(196,045)	(153,181)
Amount of recognized actuarial losses	<u>5,342</u>	<u>28,374</u>
Net periodic pension cost before settlement	(83,410)	112,646
Amount of (gain) or loss from settlement	<u>146,599</u>	<u>-</u>
Net periodic pension cost	<u><u>\$ 63,189</u></u>	<u><u>\$ 112,646</u></u>

Funded status:

	<u>2013</u>	<u>2012</u>
Pension benefit obligation	\$ (2,317,564)	\$ (2,680,075)
Plan assets at fair value	<u>2,144,761</u>	<u>2,403,899</u>
Funded status	<u><u>\$ (172,803)</u></u>	<u><u>\$ (276,176)</u></u>
Additional loss in Unrestricted Net Assets not yet recognized in net periodic pension costs	\$ 433,901	\$ 347,876

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

The Organization recognized a decrease in the unfunded pension liability of \$103,373 for the year ended December 31, 2013 and a decrease of \$323,778 for the year ended December 31, 2012.

Actuarial assumptions are as follows at December 31:

	2013	2012
Weighted-average assumptions:		
Discount rate	3.75%	4.50%
Rate of increase in compensation levels	0.00%	3.00% per year
Expected long-term rate of return on plan assets	8.00%	8.00%

The Organization's expected long-term rate of return on plan assets assumption of 8.0 percent was selected using the "building block" approach described in the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection of Economic Assumptions for Measuring Pension Obligations. Based on United Way of Berks County's investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 3.75 percent was selected and added to the real rate of return range to arrive at a best estimate range of 6.39 percent - 8.66 percent. The rate of 8.0 percent was selected.

The investment policy is for plan assets to be managed with a long-term asset mix guideline of 65 percent equity alternatives and 35 percent fixed income alternatives, including the general account for assets in excess of the liquidity reserve described below. Plan assets shall be managed on a total return basis. This "guideline" ratio should be regarded as a neutral position, reflecting no strong bias to equity or fixed income alternatives. The actual ratio, however at any particular time may vary from the guideline due to intentional adjustments to the asset mix because of, or in anticipation of, changing market conditions, and/or contributions to and withdrawals from amounts maintained under the plan.

A portion of the amounts under contract will be maintained as a Liquidity Reserve in the aggregate amount of anticipated benefit and expense outflow in the next one year based on the most recent valuation furnished by the Plan actuary or such other amount as may be determined by the Organization.

Total equity and fixed income exposure may range plus or minus ten percent from the target allocations. These ranges may be exceeded on a temporary basis as a result of market conditions, contributions to and withdrawals from the amounts maintained under the Plan.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

The investment objective for Plan assets is to achieve an average annual rate of return (net of investment management expense) over a three-to-five year period which exceeds the average annual rate of return that would have been achieved in the same period by a composite market index comprised of the Standard & Poor's 500 Composite Stock Price Index (weighted 44%) the Barclays Capital Intermediate U.S. Aggregate Index (weighted 23%) and 90-day Treasury Bills (weighted 33%).

For the purpose of this objective, rate of return shall mean total rate of return, that is, investment income plus realized and unrealized gains and losses; and the three-to-five year measurement period shall be computed on a calendar quarter moving average basis.

Plan assets consist of fixed income securities, and equity securities. The fair value of the Organization's pension plan assets and weighted-average allocation by asset category is as follows at December 31:

	2013		2012	
Equity	\$ 1,068,183	49.8%	\$ 1,101,307	45.8%
Fixed income	544,424	25.4%	579,078	24.1%
General account (cash)	532,154	24.8%	723,514	30.1%
	<u>\$ 2,144,761</u>	<u>100.0%</u>	<u>\$ 2,403,899</u>	<u>100.0%</u>

All assets were determined to be Level 1 (See Note 13) as the funds are all publicly traded.

The following benefit payments are expected to be paid:

2014	\$ 709,000
2015	14,000
2016	30,000
2017	255,000
2018	-
2019 - 2023	577,000

Defined Contribution Plan

The Organization maintains a 403 (b) Defined Contribution plan for all employees. Under this Plan a participant shall be 20 percent vested after one year and 20 percent each year thereafter. An employee shall be considered 100 percent vested after five years or upon the attainment of age 55 whichever occurs first. The employer has the sole right to determine the amount of any discretionary employer matching contributions annually.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

Effective January 1, 2013 the Organization provided a 100 percent match of one percent of employee contributions and a 50 percent match of the next four percent of employee contributions. The Organization also provided a two percent of base salary end of year discretionary contribution for employees on the payroll as of December 31, 2013. An additional two percent of base salary discretionary match was available for employees materially impacted by the hard freeze of the defined benefit plan. During 2013 and 2012, the Organization made contributions of \$61,947 and \$2,549, respectively to the plan.

NOTE 10 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2013</u>	<u>2012</u>
Human service allocation for the next fiscal year	\$ 6,048,047	\$ 5,952,759
Human service allocations for future years	140,000	230,000
United Way programs and activities	917,280	801,018
Childcare initiative	33,088	72,582
Court-appointed special advocate program	56,005	58,741
Other community impact activities	70,931	20,511
	<u>\$ 7,265,351</u>	<u>\$ 7,135,611</u>

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the appreciation of which is also permanently restricted. Investment earnings originating from the endowment fund is unrestricted and may be used for current operations unless restricted by the donor.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the year ended December 31 were:

	<u>2013</u>	<u>2012</u>
Expiring time restrictions - campaign	\$ 5,952,759	\$ 5,807,602
United Way programs and activities	182,874	158,573
Childcare initiative	64,652	67,270
Other community impact activities	28,464	30,366
	<u>\$ 6,228,749</u>	<u>\$ 6,063,811</u>

The net assets released on the Statement of Activities include the following for the year December 31:

	<u>2013</u>	<u>2012</u>
Contributions received in prior year and now released from restriction	\$ 7,973,189	\$ 7,682,674
Less: Donor designations	(1,628,424)	(1,480,717)
Less: Allowance for uncollectible pledges	(368,000)	(355,648)
Less: Amounts not available for operations	(24,006)	(38,707)
Total campaign contributions released from restriction	<u>5,952,759</u>	<u>5,807,602</u>
Other net assets released from restriction	<u>275,990</u>	<u>256,209</u>
Total net assets released from restriction	<u>\$ 6,228,749</u>	<u>\$ 6,063,811</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS

The Organization's endowment consists of nine donor-restricted sub-funds and one board-designated sub-fund, all of which are to be held indefinitely, with the income expendable for operations as directed by donors or the board of directors. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Funds as of December 31, 2013:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,720,666	\$ 4,720,666
Board-designated endowment funds	<u>1,652,389</u>	<u>-</u>	<u>1,652,389</u>
Totals funds	<u><u>\$ 1,652,389</u></u>	<u><u>\$ 4,720,666</u></u>	<u><u>\$ 6,373,055</u></u>

**Changes in Endowment Net Assets
for the Fiscal Year Ended December 31, 2013:**

Endowment net assets, beginning of year	\$ 1,429,793	\$ 4,109,636	\$ 5,539,429
Investment return:			
Investment income	29,632	84,961	114,593
Net appreciation (depreciation) (realized and unrealized)	<u>246,247</u>	<u>706,247</u>	<u>952,494</u>
Total investment return	<u>275,879</u>	<u>791,208</u>	<u>1,067,087</u>
Contributions	-	-	-
Transfers of donor-restricted income	-	(86,725)	(86,725)
Transfers of income to general operations	<u>(53,283)</u>	<u>(93,453)</u>	<u>(146,736)</u>
Endowment net assets, end of year	<u><u>\$ 1,652,389</u></u>	<u><u>\$ 4,720,666</u></u>	<u><u>\$ 6,373,055</u></u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS - CONTINUED

Endowment Net Asset Composition by Type of Funds as of December 31, 2012:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,109,636	\$ 4,109,636
Board-designated endowment funds	<u>1,429,793</u>	<u>-</u>	<u>1,429,793</u>
Totals funds	<u><u>\$ 1,429,793</u></u>	<u><u>\$ 4,109,636</u></u>	<u><u>\$ 5,539,429</u></u>

**Changes in Endowment Net Assets
for the Fiscal Year Ended December 31, 2012:**

Endowment net assets, beginning of year	\$ 1,328,784	\$ 3,781,590	\$ 5,110,374
Investment return:			
Investment income	28,642	81,583	110,225
Net appreciation (depreciation) (realized and unrealized)	<u>133,266</u>	<u>377,825</u>	<u>511,091</u>
Total investment return	<u>161,908</u>	<u>459,408</u>	<u>621,316</u>
Contributions	1,720	39,321	41,041
Transfers of donor-restricted income	-	(87,327)	(87,327)
Transfers of income to general operations	<u>(62,619)</u>	<u>(83,356)</u>	<u>(145,975)</u>
Endowment net assets, end of year	<u><u>\$ 1,429,793</u></u>	<u><u>\$ 4,109,636</u></u>	<u><u>\$ 5,539,429</u></u>

From time to time, the fair value of assets with individual donor-restricted endowment funds falls below the level the donor requires. In accordance with generally accepted accounting principals in the United States of America, deficiencies of this nature would be recorded in unrestricted net assets. As of December 31, 2013 and 2012, there were no such donor requirements and, therefore, there were no deficiencies to be recorded.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS - CONTINUED

The Organization has adopted investments and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. The goal of the Organization's investment policy, which follows a total return investment strategy, is to conserve and enhance the capital value of the fund, in real terms, through asset appreciation and income generation while maintaining a moderate level of risk. Under the investment policy approved by the board of directors, the endowment assets are invested 50 percent to 80 percent in equity securities and 20 percent to 50 percent in fixed income securities. The Organization expects its endowment funds, over time, to provide an average rate of return that meets or exceeds the returns of the S&P 500, for equity holdings, and Barclays' Capital Global Index, for fixed income holdings. The Organization's actual returns may vary from this amount in any given year.

The spending policy for the Organization is disclosed in Note 1.

NOTE 13 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. The primary effect of fair value measurement on the Organization was to expand the required disclosures pertaining to the methods used to determine fair values.

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2:* Inputs to the valuation methodology include:
- Quoted prices for similar assets and liabilities in active markets;
 - Quoted prices for identical or similar assets and liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 13 - FAIR VALUE MEASUREMENTS - CONTINUED

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

Long-Term Investments

National Penn Investors Trust Company holds the investments of the United Way of Berks County, Inc. in accordance with the investment policy of the Organization. The policy restricts the investments to cash, fixed income, and equity securities which are publicly traded. The investments are valued at the quoted market value for shares held at year-end.

Beneficial Interests in Perpetual Trusts

United Way of Berks County, Inc. is the beneficiary of four trusts of which three are managed by banks and the fourth by the Berks County Community Foundation. The banks and Foundation hold the investments in diversified and balanced portfolios consisting of cash and money market funds, corporate and government debt securities, equity securities and mutual funds, fixed income mutual funds, and limited investment partnerships. These investments are valued by the trust managers based on the quoted market prices for shares held or current bid price of held funds.

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of the banks and Foundation 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 13 - FAIR VALUE MEASUREMENTS - CONTINUED

The following tables set forth by level, within the fair value hierarchy, the United Way of Berks County, Inc.'s assets at fair value as of December 31:

	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities - U.S.	\$ 5,027,140	\$ -	\$ -	\$ 5,027,140
Equity securities - International	937,069	-	-	937,069
Government - agency notes and bonds	937,705	-	-	937,705
U.S. Treasury Notes	714,521	-	-	714,521
Corporate bonds	1,060,496	-	-	1,060,496
Beneficial interests in perpetual trusts	-	-	828,056	828,056
Total	<u>\$ 8,676,931</u>	<u>\$ -</u>	<u>\$ 828,056</u>	<u>\$ 9,504,987</u>

	2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 4,150,154	\$ -	\$ -	\$ 4,150,154
Equity securities - International	749,711	-	-	749,711
Government - agency notes and bonds	1,096,947	-	-	1,096,947
U.S. Treasury Notes	641,342	-	-	641,342
Corporate bonds	952,818	-	-	952,818
Beneficial interests in perpetual trusts	-	-	759,062	759,062
Total	<u>\$ 7,590,972</u>	<u>\$ -</u>	<u>\$ 759,062</u>	<u>\$ 8,350,034</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ending December 31:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 759,062	\$ 697,438
Realized and unrealized gains (losses)	<u>68,994</u>	<u>61,624</u>
Balance, end of year	<u>\$ 828,056</u>	<u>\$ 759,062</u>

The carrying value of receivables approximates fair value because of the short-term maturity of these instruments.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 14 - DISTRIBUTION FOR SERVICES

United Way of Berks County raises funds that are distributed to human service programs in the community. A breakdown of support, which includes donor designations provided by focus area, is as follows at December 31:

	<u>2013</u>	<u>2012</u>
Education	\$ 2,471,097	\$ 2,351,837
Health	1,882,542	2,092,055
Safety-Net	1,617,400	1,575,217
Income	<u>399,078</u>	<u>353,703</u>
Total Support	<u>\$ 6,370,117</u>	<u>\$ 6,372,812</u>

\$6,079,371 and \$5,935,272 of the total support was distributed to affiliates as part of the annual allocation process for the years 2013 and 2012, respectively. An additional \$290,746 and \$437,540, respectively, was distributed through other grant programs for the years 2013 and 2012.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

**To the Board of Directors
United Way of Berks County, Inc.
Reading, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Berks County, Inc., which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Berks County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Berks County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Berks County, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of Berks County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
May 20, 2014