



UNITED WAY OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 14, 2015, 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 14, 2015**

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 2,022,971	\$ 1,750,871
Certificates of deposit	1,045,000	1,295,000
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2014 - \$756,511; 2013 - \$736,684)	7,263,944	6,774,183
Other	98,869	67,197
Prepaid expenses	13,304	11,562
Long-term investments, at market	9,046,457	8,676,931
Beneficial interest in perpetual trusts, at market	833,076	828,056
Leasehold improvements, furniture, fixtures, and equipment, net	77,260	102,584
TOTAL ASSETS	\$ 20,400,881	\$ 19,506,384
LIABILITIES		
Accounts payable and accrued expenses	\$ 265,170	\$ 280,624
Unfunded pension liability	256,201	172,803
Due to other United Way agencies	472,820	487,142
Due to affiliated agencies	1,593,452	1,362,446
TOTAL LIABILITIES	2,587,643	2,303,015
NET ASSETS		
Unrestricted		
Undesignated, available for general activities	3,234,200	3,170,808
Unfunded pension liability	(649,732)	(433,901)
Board-designated endowment, at market	1,709,527	1,652,389
Total Unrestricted	4,293,995	4,389,296
Total Temporarily Restricted	7,841,281	7,265,351
Permanently Restricted		
Endowment, at market	4,844,886	4,720,666
Beneficial interest in perpetual trust, at market	833,076	828,056
Total Permanently Restricted	5,677,962	5,548,722
TOTAL NET ASSETS	17,813,238	17,203,369
TOTAL LIABILITIES AND NET ASSETS	\$ 20,400,881	\$ 19,506,384

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2014			Year Ended December 31, 2013			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Totals	2013 Totals
REVENUES, GAINS, AND OTHER SUPPORT								
Campaign contributions applicable to current period:								
Contributions received - current period	\$ 1,220,821	\$ -	\$ -	\$ 1,311,592	\$ -	\$ -	\$ 1,220,821	\$ 1,311,592
Less: Donor designations	(178,923)	-	-	(196,201)	-	-	(178,923)	(196,201)
Less: Amounts not available for operations	(152,709)	-	-	(133,110)	-	-	(152,709)	(133,110)
Contributions received in prior periods and now released from restriction	8,123,485	(8,123,485)	-	7,973,189	(7,973,189)	-	-	-
Less: Donor designations	(1,655,368)	1,655,368	-	(1,628,424)	1,628,424	-	-	-
Less: Allowance for uncollectible pledges	(372,165)	372,165	-	(368,000)	368,000	-	-	-
Less: Amounts not available for operations	(47,905)	47,905	-	(24,006)	24,006	-	-	-
Total campaign contributions applicable to current period	6,937,236	(6,048,047)	-	6,935,040	(5,952,759)	-	889,189	982,281
Campaign contributions received for next allocation period:								
Contributions received - current period	-	8,833,619	-	-	7,943,485	-	8,833,619	7,943,485
Less: Donor designations	-	(1,925,128)	-	-	(1,655,368)	-	(1,925,128)	(1,655,368)
Less: Allowance for uncollectible pledges	-	(383,535)	-	-	(372,165)	-	(383,535)	(372,165)
Less: Amounts not available for operations	-	(58,068)	-	-	(47,905)	-	(58,068)	(47,905)
Total campaign contributions for next allocation period	-	6,466,888	-	-	5,868,047	-	6,466,888	5,868,047
Campaign contributions received for future years	-	160,528	-	-	90,000	-	160,528	90,000
Donor designations from other United Way agencies	205,929	-	-	113,803	-	-	205,929	113,803
Prior year campaign contributions	71,000	-	-	188,452	-	-	71,000	188,452
Total Campaign Related Revenue	7,214,165	579,369	-	7,237,295	5,288	-	7,793,534	7,242,583
Other contributions	13,312	221,704	-	11,253	189,373	-	235,016	200,626
Donated materials and services	122,917	-	-	107,670	-	-	122,917	107,670
Special event contributions received in prior periods and now released from restriction	-	-	-	9,696	(9,696)	-	-	-
Total Public Support	7,350,394	801,073	-	7,365,914	184,965	-	8,151,467	7,550,879
Other revenue								
Investment income from trusts	30,674	-	-	30,407	-	-	30,674	30,407
Endowment investment income, net of fees (2014 - \$8,994; 2013 - \$8,355)	26,789	-	76,415	29,632	-	84,961	103,204	114,593
Transfers	42,275	88,007	(197,166)	81,469	34,248	(180,178)	(66,884)	(64,461)
Other investment income, net of fees (2014 - \$17,264; 2013 - \$15,720)	50,046	53	-	60,984	158	-	50,099	61,142
Other income	52,139	-	-	68,582	-	-	52,139	68,582
Gain (loss) on sale of investments	176,481	-	277,264	125,068	-	222,180	453,745	347,248
Net appreciation (depreciation) on investments	(11,390)	14,995	(32,293)	168,675	186,359	484,067	(28,688)	839,101
Net appreciation (depreciation) on beneficial interest	-	-	5,020	-	-	68,994	5,020	68,994
Other net assets released from restriction	328,198	(328,198)	-	275,990	(275,990)	-	-	-
Total Other Revenue	695,212	(225,143)	129,240	840,807	(55,225)	680,024	599,309	1,465,606
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	8,045,606	575,930	129,240	8,206,721	129,740	680,024	8,750,776	9,016,485

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2014			Year Ended December 31, 2013			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Totals	2013 Totals
PROGRAM SERVICES								
Allocations and expenses								
Gross funds distributed for services	6,596,738	-	-	6,370,117	-	-	6,596,738	6,370,117
Less: donor designations	(1,473,118)	-	-	(1,470,277)	-	-	(1,473,118)	(1,470,277)
Net funds distributed for services	5,123,620	-	-	4,899,840	-	-	5,123,620	4,899,840
Community impact, including donated materials and services (2014 - \$38,108; 2013 - \$12,224)	895,668	-	-	788,637	-	-	895,668	788,637
Total Program Services	6,019,288	-	-	5,688,477	-	-	6,019,288	5,688,477
Support services								
Fundraising and resource development, including donated materials and services (2014 - \$83,312; 2013 - \$87,689)	1,190,640	-	-	1,190,793	-	-	1,190,640	1,190,793
Administration, including donated materials and services, (2014 - \$1,497; 2013 - \$7,756)	623,757	-	-	633,198	-	-	623,757	633,198
Payments to affiliated organization - United Way Worldwide	91,391	-	-	90,090	-	-	91,391	90,090
Total Supporting Services	1,905,788	-	-	1,914,081	-	-	1,905,788	1,914,081
TOTAL ALLOCATIONS AND EXPENSES	7,925,076	-	-	7,602,558	-	-	7,925,076	7,602,558
INCREASE IN NET ASSETS BEFORE EFFECT OF THE UNFUNDED PENSION LIABILITY	120,530	575,930	129,240	604,163	129,740	680,024	825,700	1,413,927
ADJUSTMENT TO REFLECT UNFUNDED PENSION LIABILITY	(215,831)	-	-	(86,025)	-	-	(215,831)	(86,025)
INCREASE (DECREASE) IN NET ASSETS	(95,301)	575,930	129,240	518,138	129,740	680,024	609,869	1,327,902
NET ASSETS AT BEGINNING 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
NET ASSETS AT END OF YEAR	\$ 4,293,995	\$ 7,841,281	\$ 5,677,962	\$ 4,389,296	\$ 7,265,351	\$ 5,548,722	\$ 17,813,238	\$ 17,203,369

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

	Program Services	Support Services		Support Services		
	Community Impact	Fundraising and Resource Development	Administration	UWW Dues	Total Support Services	Totals
Gross funds distributed for services	\$ 6,596,738	\$ -	\$ -	\$ -	\$ -	\$ 6,596,738
Less: donor designations	(1,473,118)	-	-	-	-	(1,473,118)
Net allocations to services	5,123,620	-	-	-	-	5,123,620
Salaries	489,022	590,148	358,440	-	948,588	1,437,610
Employee benefits	95,202	130,566	82,914	-	213,480	308,682
Payroll taxes	37,634	45,533	26,409	-	71,942	109,576
Total Salaries and Related Expenses	621,858	766,247	467,763	-	1,234,010	1,855,868
Contract services	81,042	44,917	35,696	-	80,613	161,655
Supplies	53,661	3,009	1,234	-	4,243	57,904
Telephone	3,925	5,126	3,513	-	8,639	12,564
Postage	420	9,352	2,336	-	11,688	12,108
Occupancy	40,117	53,271	36,593	-	89,864	129,981
Rent, purchase, and maintenance of equipment	3,181	14,561	3,967	-	18,528	21,709
Printing and promotion	11,085	120,281	423	-	120,704	131,789
Travel and conferences	10,179	21,306	11,660	-	32,966	43,145
United Way of Pennsylvania dues	6,686	7,892	5,422	-	13,314	20,000
Donated materials and services	38,108	83,312	1,497	-	84,809	122,917
Depreciation of equipment	11,959	14,827	10,662	-	25,489	37,448
Miscellaneous expenses	13,447	46,539	42,991	-	89,530	102,977
Total Before United Way Worldwide Dues	6,019,288	1,190,640	623,757	-	1,814,397	7,833,685
United Way Worldwide dues	-	-	-	91,391	91,391	91,391
Total Expenses	<u>\$ 6,019,288</u>	<u>\$ 1,190,640</u>	<u>\$ 623,757</u>	<u>\$ 91,391</u>	<u>\$ 1,905,788</u>	<u>\$ 7,925,076</u>

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	<u>\$ 5,688,477</u>	<u>\$ 1,190,793</u>	<u>\$ 633,198</u>	<u>\$ 90,090</u>	<u>\$ 1,914,081</u>	<u>\$ 7,602,558</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 609,869	\$ 1,327,902
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	37,448	37,556
(Gain) loss on sale of investments	(453,745)	(347,248)
Unrealized (gain) loss on investments	28,688	(839,101)
Unrealized (gain) loss on beneficial interest in perpetual trust	(5,020)	(68,994)
Contributions restricted for endowment funds	-	(1,720)
Changes in:		
Pledges receivable	(489,761)	(235,015)
Other receivables	(31,672)	(19,471)
Prepaid expenses	(1,742)	458
Accounts payable and accrued expenses	(15,454)	82,361
Unfunded pension liability	83,398	(103,373)
Due to other United Way agencies	(14,322)	21,908
Due to affiliated agencies	231,006	9,799
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(21,307)	(134,938)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(12,124)	(16,205)
Proceeds from sale of investments	2,463,123	2,005,182
Purchase of investments	(2,407,592)	(1,904,792)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	43,407	84,185
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment funds	-	1,720
NET INCREASE (DECREASE) IN CASH	22,100	(49,033)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,045,871	3,094,904
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,067,971</u>	<u>\$ 3,045,871</u>
RECONCILIATION OF CASH AT END OF YEAR		
Cash and cash equivalents	\$ 2,022,971	\$ 1,750,871
Certificates of deposit	1,045,000	1,295,000
CASH AND CERTIFICATES OF DEPOSIT	<u>\$ 3,067,971</u>	<u>\$ 3,045,871</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

United Way of Berks County, Inc. (the Organization) is a Pennsylvania non-profit whose mission is to improve lives by inspiring collaborations, volunteerism and financial support to build a stronger community. Founded in 1925 the Organization has addressed Berks County's most important health and human services needs for more than 90 years.

United Way of Berks County develops and supports health and human services programs that address our community's most pressing needs through four focus areas of Education; Income; Health; and Safety Net Services. The Organization partners with Berks County leaders, business, educational community, government and faith-based supporters, non-profit organizations, volunteers and donors to develop innovative solutions that address our community's immediate needs as well as long-term community solutions. By coming together around common objectives, we create lasting systemic change that transforms lives and builds a stronger community for us all to live, work and raise our families.

Through an annual fundraising campaign conducted primarily by volunteers, United Way of Berks County raises money from individuals, workplace campaigns, corporate giving, and foundation grants to make possible services provided by the Organization and by other area partners and not-for-profit health and human service organizations. United Way of Berks County's annual fundraising campaign generates revenues to support programs and services in the local community in the subsequent calendar year. United Way's fundraising efforts also include special efforts to respond to emerging issues and strategic initiatives as well as the development of endowment resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (US GAAP).

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.

Tax-Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2014 and 2013, 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 2011 and forward remain open for examination by the applicable taxing authorities.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 are not subject to donor-imposed restriction and are available for general use. Unrestricted Net Assets may be designated for a specific purpose by action of the Board of Directors.
- Temporarily Restricted Net Assets are resources received from activities and contributors which are designated to be expended in a specific manner or within a specified time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently Restricted Net Assets are net assets required to be maintained in perpetuity due to the donor imposed restrictions.

Contributions

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

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. A substantial number of volunteers have donated significant amounts of their time and services to the activities of the Organization without compensation. Last year approximately 39,284 hours were donated. 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2014 and 2013, the board-approved spending policy was five percent of the rolling five-year average of the market value of the trust as of September 30th of the year.

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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 14, 2015, the date the financial statements were available to be issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

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:

	<u>2014</u>	<u>2013</u>
Pledges receivable	<u>\$ 8,020,455</u>	<u>\$ 7,510,867</u>
Receivable in less than one year	<u>\$ 7,827,892</u>	<u>\$ 7,382,367</u>
Receivable in one to three years	<u>192,563</u>	<u>128,500</u>
Total unconditional promises to give	<u>8,020,455</u>	<u>7,510,867</u>
Less allowance for uncollectible pledges	<u>756,511</u>	<u>736,684</u>
Net Unconditional Promises to Give	<u>\$ 7,263,944</u>	<u>\$ 6,774,183</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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, 2014		December 31, 2013	
	Book Value	Market Value	Book Value	Market Value
Equity securities	\$ 3,993,958	\$ 5,844,123	\$ 4,031,209	\$ 5,964,209
Fixed income securities	3,202,335	3,202,334	2,766,870	2,712,722
	<u>\$ 7,196,293</u>	<u>\$ 9,046,457</u>	<u>\$ 6,798,079</u>	<u>\$ 8,676,931</u>

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, 2014 and 2013 was \$833,076 and \$828,056, respectively. Annual distributions from the trusts have been recorded as investment income from trusts in unrestricted net assets and amounted to \$30,674 and \$30,407 in 2014 and 2013, respectively. The change in market value has been recorded in net appreciation on beneficial interests in permanently restricted net assets and amounted to \$5,020 and \$68,994 in 2014 and 2013, respectively.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 5 - FURNITURE, FIXTURES, AND EQUIPMENT

A summary is as follows at December 31:

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 36,379	\$ 36,379
Leasehold improvements	34,216	34,216
Computer and office equipment	<u>255,869</u>	<u>258,775</u>
	326,464	329,370
Less accumulated depreciation	<u>(249,204)</u>	<u>(226,786)</u>
	<u>\$ 77,260</u>	<u>\$ 102,584</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$37,448 and \$37,556, 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. Beginning in 2015, minimum monthly rentals will be \$11,436.

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

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>\$ 1,005,906</u>

Total rental expense for both years ended December 31, 2014 and 2013 was \$129,201.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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, 2014 and 2013 amounted to \$111,391 and \$107,589, 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 \$5,936,907 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.

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 2014 and 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

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

	<u>2014</u>	<u>2013</u>
Service costs (benefits earned)	\$ 5,700	\$ 6,665
Interest cost on projected benefit obligation	88,444	100,628
Actual return on plan assets	(125,283)	(196,045)
Amount of recognized actuarial losses	<u>13,622</u>	<u>5,342</u>
Net periodic pension cost before settlement	(17,517)	(83,410)
Amount of (gain) or loss from settlement	<u>41,012</u>	<u>146,599</u>
Net periodic pension cost	<u><u>\$ 23,495</u></u>	<u><u>\$ 63,189</u></u>

Funded status:

	<u>2014</u>	<u>2013</u>
Pension benefit obligation	\$ (2,496,727)	\$ (2,317,564)
Plan assets at fair value	<u>2,240,526</u>	<u>2,144,761</u>
Funded status	<u><u>\$ (256,201)</u></u>	<u><u>\$ (172,803)</u></u>
Additional loss in Unrestricted Net Assets not yet recognized in net periodic pension costs	\$ 649,732	\$ 433,901

The Organization recognized an increase in the unfunded pension liability of \$83,398 for the year ended December 31, 2014 and a decrease of \$103,373 for the year ended December 31, 2013.

Actuarial assumptions are as follows at December 31:

	<u>2014</u>	<u>2013</u>
Weighted-average assumptions:		
Discount rate	3.75%	4.50%
Rate of increase in compensation levels	0.00%	0.00% per year
Expected long-term rate of return on plan assets	7.00%	8.00%

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

The Organization's expected long-term rate of return on plan assets assumption of 7.0 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 return on the applicable asset classes. 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 6.51 percent - 8.69 percent. The rate of 7.0 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.

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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

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:

	2014		2013	
Equity	\$ 944,149	42.1%	\$ 1,068,183	49.8%
Fixed income	505,929	22.6%	544,424	25.4%
General account (cash)	790,448	35.3%	532,154	24.8%
	<u>\$ 2,240,526</u>	<u>100.0%</u>	<u>\$ 2,144,761</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:

2015	\$ 703,000
2016	-
2017	256,000
2018	-
2019	86,000
2020 - 2024	568,000

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.

Effective January 1, 2014 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, 2014. 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 2014 and 2013, the Organization made contributions of \$66,622 and \$61,947, respectively to the plan.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Human service allocation for the next fiscal year	\$ 6,556,888	\$ 6,048,047
Human service allocations for future years	210,528	140,000
United Way programs and activities	928,860	917,280
Childcare initiative	3,069	33,088
Court-appointed special advocate program	54,000	56,005
Other community impact activities	87,936	70,931
	<u>\$ 7,841,281</u>	<u>\$ 7,265,351</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.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2014</u>	<u>2013</u>
Expiring time restrictions - campaign	\$ 6,048,047	\$ 5,952,759
United Way programs and activities	178,725	182,874
Childcare initiative	55,071	64,652
Other community impact activities	94,402	28,464
	<u>\$ 6,376,245</u>	<u>\$ 6,228,749</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS - CONTINUED

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

	<u>2014</u>	<u>2013</u>
Contributions received in prior year and now released from restriction	\$ 8,123,485	\$ 7,973,189
Less: Donor designations	(1,655,368)	(1,628,424)
Less: Allowance for uncollectible pledges	(372,165)	(368,000)
Less: Amounts not available for operations	(47,905)	(24,006)
Total campaign contributions released from restriction	<u>6,048,047</u>	<u>5,952,759</u>
Other net assets released from restriction	<u>328,198</u>	<u>275,990</u>
Total net assets released from restriction	<u>\$ 6,376,245</u>	<u>\$ 6,228,749</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

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, 2014:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 4,844,886	\$ 4,844,886
Board-designated endowment funds	1,709,527	-	1,709,527
Totals funds	<u>\$ 1,709,527</u>	<u>\$ 4,844,886</u>	<u>\$ 6,554,413</u>

**Changes in Endowment Net Assets
for the Fiscal Year Ended December 31, 2014:**

Endowment net assets, beginning of year	\$ 1,652,389	\$ 4,720,666	\$ 6,373,055
Investment return:			
Investment income	26,789	76,415	103,204
Net appreciation (depreciation) (realized and unrealized)	85,762	244,971	330,733
Total investment return	<u>112,551</u>	<u>321,386</u>	<u>433,937</u>
Contributions	1,000	-	1,000
Transfers of donor-restricted income	-	(89,878)	(89,878)
Transfers of income to general operations	<u>(56,413)</u>	<u>(107,288)</u>	<u>(163,701)</u>
Endowment net assets, end of year	<u>\$ 1,709,527</u>	<u>\$ 4,844,886</u>	<u>\$ 6,554,413</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS - CONTINUED

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	275,879	791,208	1,067,087
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>

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 principles in the United States of America, deficiencies of this nature would be recorded in unrestricted net assets. As of December 31, 2014 and 2013, 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, 2014 and 2013

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, 2014 and 2013

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, 2014.

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, 2014 and 2013

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:

	2014			
	Level 1	Level 2	Level 3	Total
Equity securities - U.S.	\$ 4,736,508	\$ -	\$ -	\$ 4,736,508
Equity securities - International	1,107,615	-	-	1,107,615
Government - agency notes and bonds	1,148,543	-	-	1,148,543
U.S. Treasury Notes	996,784	-	-	996,784
Corporate bonds	1,057,007	-	-	1,057,007
Beneficial interests in perpetual trusts	-	-	833,076	833,076
Total	\$ 9,046,457	\$ -	\$ 833,076	\$ 9,879,533

	2013			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 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	\$ 8,676,931	\$ -	\$ 828,056	\$ 9,504,987

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:

	2014	2013
Balance, beginning of year	\$ 828,056	\$ 759,062
Realized and unrealized gains (losses)	5,020	68,994
Balance, end of year	\$ 833,076	\$ 828,056

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, 2014 and 2013

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>2014</u>	<u>2013</u>
Education	\$ 2,534,675	\$ 2,471,097
Health	1,801,473	1,882,542
Safety-Net	1,809,112	1,617,400
Income	<u>451,479</u>	<u>399,078</u>
Total Support	<u>\$ 6,596,739</u>	<u>\$ 6,370,117</u>

\$6,194,984 and \$6,079,371 of the total support was distributed to affiliates as part of the annual allocation process for the years 2014 and 2013, respectively. An additional \$401,755 and \$290,746, respectively, was distributed through other grant programs for the years 2014 and 2013.



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**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, 2014, 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 14, 2015.

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 14, 2015**