



***UNITED WAY OF BERKS COUNTY, INC.***

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2012 and 2011**

## TABLE OF CONTENTS

	Pages
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1 - 2</b>
<b>FINANCIAL STATEMENTS</b>	
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 - 26
<b>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> .....</b>	<b>27 - 28</b>



**HERBEIN+COMPANY, INC.**

CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North America, Pennsylvania Institute of CPAs,  
American Institute of Certified Public Accountants Private Companies Practice Section  
[www.herbein.com](http://www.herbein.com)

## **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, 2012 and 2011, 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, 2012 and 2011, and the changes in its net assets and its cash flows for the year 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 10, 2013, 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 10, 2013

**UNITED WAY OF BERKS COUNTY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,849,904	\$ 2,111,725
Certificates of deposit	1,245,000	1,525,000
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2012 - \$749,002; 2011 - \$789,437)	6,539,168	6,304,880
Government grants receivable	-	1,255
Other	47,726	84,504
Prepaid expenses	12,020	11,523
Long-term investments, at market	7,590,972	6,377,312
Beneficial interest in perpetual trusts, at market	759,062	697,438
Leasehold improvements, furniture, fixtures, and equipment, net	123,935	10,933
<b>TOTAL ASSETS</b>	<b>\$ 18,167,787</b>	<b>\$ 17,124,570</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 198,263	\$ 195,850
Unfunded pension liability	276,176	599,954
Due to other United Way agencies	465,234	425,089
Due to affiliated agencies	1,352,647	1,221,596
Deferred revenue	-	41,833
<b>TOTAL LIABILITIES</b>	<b>2,292,320</b>	<b>2,484,322</b>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated, available for general activities	2,789,241	2,585,834
Unfunded pension liability	(347,876)	(671,654)
Board-designated endowment, at market	1,429,793	1,328,784
Total Unrestricted	<u>3,871,158</u>	<u>3,242,964</u>
Total Temporarily Restricted	7,135,611	6,918,256
Permanently Restricted		
Endowment, at market	4,109,636	3,781,590
Beneficial interest in perpetual trust, at market	759,062	697,438
Total Permanently Restricted	<u>4,868,698</u>	<u>4,479,028</u>
<b>TOTAL NET ASSETS</b>	<b>15,875,467</b>	<b>14,640,248</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,167,787</b>	<b>\$ 17,124,570</b>

See accompanying notes.

## UNITED WAY OF BERKS COUNTY, INC.

## STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2012			Year Ended December 31, 2011			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Totals	2011 Totals
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>								
Campaign contributions applicable to current period:								
Contributions received - current period	\$ 1,317,696	\$ -	\$ -	\$ 1,103,426	\$ -	\$ -	\$ 1,317,696	\$ 1,103,426
Less: Donor designations	(244,477)	-	-	(158,001)	-	-	(244,477)	(158,001)
Less: Amounts not available for operations	(120,973)	-	-	(160,632)	-	-	(120,973)	(160,632)
Contributions received in prior periods and now released from restriction	7,682,674	(7,682,674)	-	7,644,375	(7,644,375)	-	-	-
Less: Donor designations	(1,480,717)	1,480,717	-	(1,484,273)	1,484,273	-	-	-
Less: Allowance for uncollectible pledges	(355,648)	355,648	-	(436,250)	436,250	-	-	-
Less: Amounts not available for operations	(38,707)	38,707	-	(6,689)	6,689	-	-	-
Total campaign contributions applicable to current period	6,759,848	(5,807,602)	-	6,501,956	(5,717,163)	-	952,246	784,793
Campaign contributions received for next allocation period:								
	-	7,738,189	-	-	7,572,674	-	7,738,189	7,572,674
Less: Donor designations	-	(1,628,424)	-	-	(1,480,717)	-	(1,628,424)	(1,480,717)
Less: Allowance for uncollectible pledges	-	(368,000)	-	-	(355,648)	-	(368,000)	(355,648)
Less: Amounts not available for operations	-	(24,006)	-	-	(38,707)	-	(24,006)	(38,707)
Total campaign contributions for next allocation period	-	5,717,759	-	-	5,697,602	-	5,717,759	5,697,602
Campaign contributions received for future years	-	160,000	-	-	165,000	-	160,000	165,000
Donor designations from other United Way agencies	151,976	-	-	165,129	-	-	151,976	165,129
Prior year campaign contributions	198,077	-	-	251,849	-	-	198,077	251,849
Total Campaign Related Revenue	7,109,901	70,157	-	6,918,934	145,439	-	7,180,058	7,064,373
Other contributions	31,582	170,368	39,321	65,443	140,364	36,722	241,271	242,529
Donated materials and services	130,178	-	-	117,038	-	-	130,178	117,038
Special event contributions received in prior periods and now released from restriction	43,540	(43,540)	-	72,185	(72,185)	-	-	-
Special events	-	9,696	-	-	43,540	-	9,696	43,540
Total Public Support	7,315,201	206,681	39,321	7,173,600	257,158	36,722	7,561,203	7,467,480
Grants, governmental agencies	25,668	-	-	157,619	-	-	25,668	157,619
Other revenue								
Investment income from trusts	23,187	-	-	23,312	-	-	23,187	23,312
Endowment investment income, net of fees (2012 - \$7,851; 2011 - \$7,560)	28,642	-	81,583	22,743	-	65,068	110,225	87,811
Transfers	(62,619)	168,524	(170,683)	(60,864)	158,606	(162,462)	(64,778)	(64,720)
Other investment income, net of fees (2012 - \$13,570; 2011 - \$12,692)	64,202	384	-	58,271	604	-	64,586	58,875
Other income	66,040	-	-	69,457	-	-	66,040	69,457
Gain (loss) on sale of investments	79,353	-	176,009	143,511	-	187,849	255,362	331,360
Net appreciation (depreciation) on investments	71,502	97,975	201,816	(70,273)	(86,874)	(202,777)	371,293	(359,924)
Net appreciation (depreciation) on beneficial interest	-	-	61,624	-	-	(40,550)	61,624	(40,550)
Other net assets released from restriction	256,209	(256,209)	-	284,164	(284,164)	-	-	-
Total Other Revenue	526,516	10,674	350,349	470,321	(211,828)	(152,872)	887,539	105,621
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>7,867,385</b>	<b>217,355</b>	<b>389,670</b>	<b>7,801,540</b>	<b>45,330</b>	<b>(116,150)</b>	<b>8,474,410</b>	<b>7,730,720</b>

See accompanying notes.

## UNITED WAY OF BERKS COUNTY, INC.

## STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2012			Year Ended December 31, 2011			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Totals	2011 Totals
<b>PROGRAM SERVICES</b>								
<b>Allocations and expenses</b>								
Gross funds distributed for services	6,372,812	-	-	6,237,826	-	-	6,372,812	6,237,826
Less: donor designations	(1,385,956)	-	-	(1,330,367)	-	-	(1,385,956)	(1,330,367)
Net funds distributed for services	4,986,856	-	-	4,907,459	-	-	4,986,856	4,907,459
Fund distribution and agency relations, including donated materials and services (2012 - \$1,316; 2011 - \$119)	135,013	-	-	152,173	-	-	135,013	152,173
Community impact, including donated materials and services (2012 - \$17,873; 2011 - \$14,540)	601,459	-	-	576,145	-	-	601,459	576,145
Total other program services	736,472	-	-	728,318	-	-	736,472	728,318
Total Program Services	5,723,328	-	-	5,635,777	-	-	5,723,328	5,635,777
<b>Support services</b>								
Fundraising and resource development, including donated materials and services (2012 - \$88,439; 2011 - \$93,304)	1,122,089	-	-	1,130,393	-	-	1,122,089	1,130,393
Administration, including donated materials and services, (2012 - \$22,050; 2011 - \$9,075)	630,584	-	-	658,878	-	-	630,584	658,878
Payments to affiliated organization - United Way Worldwide	86,968	-	-	84,473	-	-	86,968	84,473
Total Supporting Services	1,839,641	-	-	1,873,744	-	-	1,839,641	1,873,744
<b>TOTAL ALLOCATIONS AND EXPENSES</b>	<b>7,562,969</b>	<b>-</b>	<b>-</b>	<b>7,509,521</b>	<b>-</b>	<b>-</b>	<b>7,562,969</b>	<b>7,509,521</b>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE EFFECT OF THE UNFUNDED PENSION LIABILITY</b>	<b>304,416</b>	<b>217,355</b>	<b>389,670</b>	<b>292,019</b>	<b>45,330</b>	<b>(116,150)</b>	<b>911,441</b>	<b>221,199</b>
<b>ADJUSTMENT TO REFLECT UNFUNDED PENSION LIABILITY</b>	<b>323,778</b>	<b>-</b>	<b>-</b>	<b>(221,675)</b>	<b>-</b>	<b>-</b>	<b>323,778</b>	<b>(221,675)</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>628,194</b>	<b>217,355</b>	<b>389,670</b>	<b>70,344</b>	<b>45,330</b>	<b>(116,150)</b>	<b>1,235,219</b>	<b>(476)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>3,242,964</b>	<b>6,918,256</b>	<b>4,479,028</b>	<b>3,172,620</b>	<b>6,872,926</b>	<b>4,595,178</b>	<b>14,640,248</b>	<b>14,640,724</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 3,871,158</b>	<b>\$ 7,135,611</b>	<b>\$ 4,868,698</b>	<b>\$ 3,242,964</b>	<b>\$ 6,918,256</b>	<b>\$ 4,479,028</b>	<b>\$ 15,875,467</b>	<b>\$ 14,640,248</b>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Program Services			Support Services				Totals
	Fund Distribution and Agency Relations	Community Impact	Total Other Program Services	Fundraising and Resource Development	Administration	UWW Dues	Total Support Services	
Gross funds distributed for services	\$ 6,372,812	\$ -	\$ 6,372,812	\$ -	\$ -	\$ -	\$ -	\$ 6,372,812
Less: donor designations	(1,385,956)	-	(1,385,956)	-	-	-	-	(1,385,956)
Net allocations to services	4,986,856	-	4,986,856	-	-	-	-	4,986,856
Salaries	87,811	358,781	446,592	559,764	346,190	-	905,954	1,352,546
Employee benefits	18,824	78,484	97,308	130,752	98,048	-	228,800	326,108
Payroll taxes	6,922	27,523	34,445	43,313	24,835	-	68,148	102,593
<b>Total Salaries and Related Expenses</b>	<b>113,557</b>	<b>464,788</b>	<b>578,345</b>	<b>733,829</b>	<b>469,073</b>	<b>-</b>	<b>1,202,902</b>	<b>1,781,247</b>
Contract services	5,740	41,861	47,601	40,052	31,811	-	71,863	119,464
Supplies	213	5,222	5,435	2,750	1,135	-	3,885	9,320
Telephone	694	2,973	3,667	4,990	3,291	-	8,281	11,948
Postage	31	375	406	8,909	2,232	-	11,141	11,547
Occupancy	8,844	29,871	38,715	53,073	39,009	-	92,082	130,797
Rent, purchase, and maintenance of equipment	352	3,774	4,126	12,994	3,213	-	16,207	20,333
Printing and promotion	-	10,236	10,236	118,698	197	-	118,895	129,131
Travel and conferences	1,482	8,216	9,698	16,141	7,547	-	23,688	33,386
United Way of Pennsylvania dues	777	3,975	4,752	6,164	4,085	-	10,249	15,001
Donated materials and services	1,316	17,873	19,189	88,439	22,050	-	110,489	129,678
Depreciation of equipment	925	6,480	7,405	12,960	6,153	-	19,113	26,518
Miscellaneous expenses	1,082	5,815	6,897	23,090	40,788	-	63,878	70,775
<b>Total Before United Way Worldwide Dues</b>	<b>5,121,869</b>	<b>601,459</b>	<b>5,723,328</b>	<b>1,122,089</b>	<b>630,584</b>	<b>-</b>	<b>1,752,673</b>	<b>7,476,001</b>
United Way Worldwide dues	-	-	-	-	-	86,968	86,968	86,968
<b>Total Expenses</b>	<b>\$ 5,121,869</b>	<b>\$ 601,459</b>	<b>\$ 5,723,328</b>	<b>\$ 1,122,089</b>	<b>\$ 630,584</b>	<b>\$ 86,968</b>	<b>\$ 1,839,641</b>	<b>\$ 7,562,969</b>

See accompanying notes.



**UNITED WAY OF BERKS COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2011**

	Program Services			Support Services				Totals
	Fund Distribution and Agency Relations	Community Impact	Total Other Program Services	Fundraising and Resource Development	Administration	UWW Dues	Total Support Services	
Gross funds distributed for services	\$ 6,237,826	\$ -	\$ 6,237,826	\$ -	\$ -	\$ -	\$ -	\$ 6,237,826
Less: donor designations	(1,330,367)	-	(1,330,367)	-	-	-	-	(1,330,367)
Net allocations to services	4,907,459	-	4,907,459	-	-	-	-	4,907,459
Salaries	100,102	315,250	415,352	541,549	378,161	-	919,710	1,335,062
Employee benefits	21,986	81,870	103,856	134,948	103,754	-	238,702	342,558
Payroll taxes	8,215	24,514	32,729	43,476	29,747	-	73,223	105,952
<b>Total Salaries and Related Expenses</b>	<b>130,303</b>	<b>421,634</b>	<b>551,937</b>	<b>719,973</b>	<b>511,662</b>	<b>-</b>	<b>1,231,635</b>	<b>1,783,572</b>
Contract services	6,460	39,722	46,182	43,437	36,022	-	79,459	125,641
Supplies	409	2,321	2,730	3,530	1,824	-	5,354	8,084
Telephone	760	2,585	3,345	4,732	3,340	-	8,072	11,417
Postage	33	546	579	9,218	2,251	-	11,469	12,048
Occupancy	8,315	27,371	35,686	49,779	36,644	-	86,423	122,109
Rent, purchase, and maintenance of equipment	294	4,109	4,403	11,428	3,040	-	14,468	18,871
Printing and promotion	-	38,264	38,264	138,413	309	-	138,722	176,986
Travel and conferences	1,979	7,521	9,500	15,304	7,478	-	22,782	32,282
United Way of Pennsylvania dues	1,023	3,368	4,391	6,125	4,485	-	10,610	15,001
Donated materials and services	119	14,540	14,659	93,304	9,075	-	102,379	117,038
Depreciation of equipment	1,302	6,145	7,447	9,975	6,542	-	16,517	23,964
Miscellaneous expenses	1,176	8,019	9,195	25,175	36,206	-	61,381	70,576
<b>Total Before United Way Worldwide Dues</b>	<b>5,059,632</b>	<b>576,145</b>	<b>5,635,777</b>	<b>1,130,393</b>	<b>658,878</b>	<b>-</b>	<b>1,789,271</b>	<b>7,425,048</b>
United Way Worldwide dues	-	-	-	-	-	84,473	84,473	84,473
<b>Total Expenses</b>	<b>\$ 5,059,632</b>	<b>\$ 576,145</b>	<b>\$ 5,635,777</b>	<b>\$ 1,130,393</b>	<b>\$ 658,878</b>	<b>\$ 84,473</b>	<b>\$ 1,873,744</b>	<b>\$ 7,509,521</b>

See accompanying notes.

**UNITED WAY OF BERKS COUNTY, INC.**

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,235,219	\$ (476)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	26,518	23,964
(Gain) loss on sale of investments	(255,362)	(331,360)
Unrealized (gain) loss on investments	(371,293)	359,924
Unrealized (gain) loss on beneficial interest in perpetual trust	(61,624)	40,550
Unfunded pension liability	(323,778)	221,675
Contributions restricted for endowment funds	(41,041)	(76,165)
Changes in:		
Pledges receivable	(234,288)	(15,689)
Grants receivable	1,255	4,560
Other receivables	36,778	(40,838)
Prepaid expenses	(497)	2,746
Accounts payable and accrued expenses	2,413	(12,844)
Unfunded pension liability	-	(40,329)
Due to other United Way agencies	40,145	11,341
Due to affiliated agencies	131,051	(6,048)
Deferred revenue	(41,833)	11,999
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>143,663</b>	<b>153,010</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(139,520)	(9,905)
Proceeds from sale of investments	2,244,279	3,304,273
Purchase of investments	(2,831,284)	(3,505,506)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(726,525)</b>	<b>(211,138)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment funds	41,041	76,165
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(541,821)</b>	<b>18,037</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,636,725</b>	<b>3,618,688</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,094,904</u></b>	<b><u>\$ 3,636,725</u></b>
<b>RECONCILIATION OF CASH AT END OF YEAR</b>		
Cash and cash equivalents	\$ 1,849,904	\$ 2,111,725
Certificates of deposit	1,245,000	1,525,000
<b>CASH AND CERTIFICATES OF DEPOSIT</b>	<b><u>\$ 3,094,904</u></b>	<b><u>\$ 3,636,725</u></b>

See accompanying notes.

## **UNITED WAY OF BERKS COUNTY, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

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

---

##### **Nature of Activities**

United Way of Berks County, Inc. 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: fund distribution and agency relations, which involves distributing funds raised through the annual community-wide campaign to support health and human services. It also includes support and assistance provided to affiliated agencies. 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. 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, 2012 and 2011, 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 2009 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, 2012 and 2011

**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, 2012 and 2011, 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, 2012 and 2011

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 10, 2013, the date the financial statements were available to be issued.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**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>2012</u>	<u>2011</u>
Pledges receivable	<u>\$ 7,288,170</u>	<u>\$ 7,094,317</u>
Receivable in less than one year	<u>\$ 7,087,003</u>	<u>\$ 6,885,317</u>
Receivable in one to three years	<u>201,167</u>	<u>209,000</u>
Total unconditional promises to give	<u>7,288,170</u>	<u>7,094,317</u>
Less allowance for uncollectible pledges	<u>749,002</u>	<u>789,437</u>
Net Unconditional Promises to Give	<u>\$ 6,539,168</u>	<u>\$ 6,304,880</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.

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Equity securities	<u>\$ 3,913,097</u>	<u>\$ 4,899,865</u>	<u>\$ 3,682,400</u>	<u>\$ 4,319,733</u>
Fixed income securities	<u>2,638,123</u>	<u>2,691,107</u>	<u>2,044,399</u>	<u>2,057,579</u>
	<u>\$ 6,551,220</u>	<u>\$ 7,590,972</u>	<u>\$ 5,726,799</u>	<u>\$ 6,377,312</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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, 2012 and 2011 was \$759,062 and \$697,438, respectively. Annual distributions from the trusts have been recorded as investment income from trusts in unrestricted net assets and amounted to \$23,187 and \$23,312 in 2012 and 2011, respectively. The change in market value has been recorded in net appreciation (depreciation) on beneficial interests in permanently restricted net assets and amounted to \$61,624 and (\$40,550) in 2012 and 2011, respectively.

NOTE 5 - FURNITURE, FIXTURES, AND EQUIPMENT

---

A summary is as follows at December 31:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 36,379	\$ 25,222
Leasehold improvements	34,216	21,396
Computer and office equipment	<u>270,547</u>	<u>207,523</u>
	341,142	254,141
Less accumulated depreciation	<u>(217,207)</u>	<u>(243,208)</u>
	<u>\$ 123,935</u>	<u>\$ 10,933</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$26,518 and \$23,964, respectively.

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**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.

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

2013	\$ 129,201
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>\$ 1,264,308</u>

Total rental expense for the years ended December 31, 2012 and 2011 was \$129,201 and \$131,140, respectively. During 2011, the Organization renegotiated its lease resulting in credits for previously charged proportionate share of utilities and taxes in the amount of \$9,728.

**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, 2012 and 2011 amounted to \$101,968 and \$99,473, 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.



UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 8 - COMMITMENTS

The Organization has committed \$5,856,109 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 - PENSION PLANS

United Way of Berks County sponsors a defined benefit noncontributory pension plan covering all employees who have attained age 21 and completed one year of eligible service. Benefits are fully and immediately vested from the date of participation in the plan if hired prior to January 1, 1990. If hired between January 1, 1990 and January 1, 1996, benefits are fully vested when three years of service are completed. For employees hired after January 1, 1996, benefits are fully vested when five years of service are completed. The normal retirement benefit is based on three factors - final average earnings, benefit accrual service, and the social security average annual wage. Plan assets consist of fixed income securities and equity securities.

Effective January 1, 2010, the Organization approved a soft freeze on the Plan, which will continue the Plan for existing employees; but employees hired January 1, 2010 or later will not be permitted to participate in the Plan. A lump sum payment option was added to the Plan, effective January 1, 2011. Effective December 31, 2012, the Organization approved a hard freeze of the plan eliminating future service benefits. As a result, all employees will be moved to the 403(b) defined contribution plan. Also effective December 31, 2012, all participants in the plan become 100 percent vested. Subsequent to year-end, the Organization contributed an additional \$100,000 to the Plan and approximately \$500,000 was utilized to purchase an annuity for a retired employee.

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

	<u>2012</u>	<u>2011</u>
Service costs (benefits earned)	\$ 126,259	\$ 122,677
Interest cost on projected benefit obligation	111,194	140,600
Actual return on plan assets	(153,181)	(170,883)
Amount of recognized actuarial losses	<u>28,374</u>	<u>12,330</u>
Net periodic pension cost	<u>\$ 112,646</u>	<u>\$ 104,724</u>

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**NOTE 9 - PENSION PLANS - CONTINUED**

Funded status:

	<u>2012</u>	<u>2011</u>
Pension benefit obligation	\$ (2,680,075)	\$ (2,939,379)
Plan assets at fair value	<u>2,403,899</u>	<u>2,339,425</u>
Funded status	<u>\$ (276,176)</u>	<u>\$ (599,954)</u>
Additional loss in Unrestricted Net Assets not yet recognized in net periodic pension costs	\$ 347,876	\$ 671,654

The Organization recognized a decrease in the unfunded pension liability of \$323,778 for the year ended December 31, 2012 and an increase of \$221,585 for the year ended December 31, 2011. During the year ended December 31, 2011, the Organization paid \$40,329 per the requirements of the Pension Protection Act to reduce the unfunded liability.

Actuarial assumptions are as follows at December 31:

	<u>2012</u>	<u>2011</u>
Weighted-average assumptions:		
Discount rate	3.75 %	4.50 %
Rate of increase in compensation levels	-	3.00
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 6.14 percent - 8.28 percent. The rate of 8.0 percent was selected.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 9 - PENSION PLANS - CONTINUED

The Organization's pension plan weighted-average asset allocation by asset category is as follows at December 31:

	<u>2012</u>	<u>2011</u>
Equity	45.8 %	40.5 %
Fixed income	24.1	23.6
General account	30.1	35.9
Total	<u>100.0 %</u>	<u>100.0 %</u>

The Organization's 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, is expected to vary from the guideline ratio due to intentional adjustments to the Plan asset mix because of, or in anticipation of, changing market conditions and contributions to and withdrawals from amounts maintained under the Plan.

A portion of amounts under the 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 United Way of Berks County. Initially, the amount of the liquidity reserve is held in either the money market fund investment alternative available under separate account no. 1 or the general account, whichever has the greater yield. Thereafter, at the beginning of each quarter, as administratively feasible but not later than the tenth (10<sup>th</sup>) business day of the quarter, a comparison of the latest effective seven-day yield on the money market fund and the interest rate credited on the general account will be made and assets will be transferred to the higher yielding alternative to maintain the amount of the liquidity reserve if the yield on such alternative exceeds the other by an amount greater than or equal to 25 basis points (.25%).

At December 31, 2012 and 2011, \$724,000 and \$840,000, respectively, were being maintained in the liquidity reserve in anticipation of withdrawals from the Plan to meet benefit obligations.

Total equity and total fixed income exposure may range plus or minus ten percent from their 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, 2012 and 2011

NOTE 9 - PENSION PLANS - CONTINUED

Effective December 7, 2010, the investment objective for Plan assets was 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 U.S. Treasury Bills (weighted 33%).

For purposes of the 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.

The fair value of the Organization's pension plan assets at December 31, 2012, by asset class are as follows:

Cash	\$ 723,514
Fixed income	579,078
Equity securities	<u>1,101,307</u>
	<u>\$ 2,403,899</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:

2013	\$ 1,087,000
2014	24,000
2015	13,000
2016	29,000
2017	251,000
2018 - 2022	442,000

The Organization also 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 upon the attainment of age 55 or if earlier, the vesting schedule described previously. The employer has the sole right to determine the amount of any discretionary employer matching contributions annually. During 2012 and 2011, the Organization made contributions of \$2,549 and \$2,016, respectively, to this Plan. Effective January 1, 2013, the Organization may provide all employees at the end of the year with a discretionary contribution, and will provide 100 percent match of one percent of employee contributions and 50 percent match of the next four percent of employee contributions. In addition, for employees materially impacted by the hard freeze of the defined benefit plan, the Organization will provide an additional discretionary match of two percent of base salaries for 2013.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 10 - RESTRICTIONS ON NET ASSETS

---

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

	<u>2012</u>	<u>2011</u>
Human service allocation for the next fiscal year	\$ 5,952,759	\$ 5,807,602
Human service allocations for future years	230,000	305,000
United Way programs and activities	801,018	628,304
Childcare initiative	72,582	139,468
Court-appointed special advocate program	58,741	36,192
Other community impact activities	20,511	1,690
	<u>\$ 7,135,611</u>	<u>\$ 6,918,256</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>2012</u>	<u>2011</u>
Expiring time restrictions - campaign	\$ 5,807,602	\$ 5,717,163
United Way programs and activities	158,573	182,569
Childcare initiative	67,270	40,417
Court-appointed special advocate program	-	25,000
Other community impact activities	30,366	36,178
	<u>\$ 6,063,811</u>	<u>\$ 6,001,327</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS - CONTINUED

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

	<u>2012</u>	<u>2011</u>
Contributions received in prior year and now released from restriction	\$ 7,682,674	\$ 7,644,375
Less: Donor designations	(1,480,717)	(1,484,273)
Less: Allowance for uncollectible pledges	(355,648)	(436,250)
Less: Amounts not available for operations	(38,707)	(6,689)
Total campaign contributions released from restriction	<u>5,807,602</u>	<u>5,717,163</u>
Other net assets released from restriction	<u>256,209</u>	<u>284,164</u>
Total net assets released from restriction	<u>\$ 6,063,811</u>	<u>\$ 6,001,327</u>

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**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, 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	1,429,793	-	1,429,793
	<u>\$ 1,429,793</u>	<u>\$ 4,109,636</u>	<u>\$ 5,539,429</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)	133,266	377,825	511,091
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>\$ 1,429,793</u>	<u>\$ 4,109,636</u>	<u>\$ 5,539,429</u>

**UNITED WAY OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS - CONTINUED**

**Endowment Net Asset Composition by Type of Funds as of December 31, 2011:**

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 3,781,590	\$ 3,781,590
Board-designated endowment funds	1,328,784	-	1,328,784
Totals funds	<u>\$ 1,328,784</u>	<u>\$ 3,781,590</u>	<u>\$ 5,110,374</u>

**Changes in Endowment Net Assets  
for the Fiscal Year Ended December 31, 2011:**

Endowment net assets, beginning of year	\$ 1,332,285	\$ 3,857,190	\$ 5,189,475
Investment return:			
Investment income	22,743	65,069	87,812
Net appreciation (depreciation) (realized and unrealized)	<u>(4,823)</u>	<u>(14,929)</u>	<u>(19,752)</u>
Total investment return	17,920	50,140	68,060
Contributions	39,443	36,722	76,165
Transfers of donor-restricted income	-	(87,724)	(87,724)
Transfers of income to general operations	<u>(60,864)</u>	<u>(74,738)</u>	<u>(135,602)</u>
Endowment net assets, end of year	<u>\$ 1,328,784</u>	<u>\$ 3,781,590</u>	<u>\$ 5,110,374</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, 2012 and 2011, 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, 2012 and 2011

#### 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, 2012 and 2011

**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, 2012.

**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, 2012 and 2011**

**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:

	<b>2012</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Equity securities - U.S.	\$ 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
<b>Total</b>	<b>\$ 7,590,972</b>	<b>\$ -</b>	<b>\$ 759,062</b>	<b>\$ 8,350,034</b>

  

	<b>2011</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Equity securities	\$ 3,919,021	\$ -	\$ -	\$ 3,919,021
Equity securities - International	400,712	-	-	400,712
Government - agency notes and bonds	355,758	-	-	355,758
U.S. Treasury Notes	567,088	-	-	567,088
Corporate bonds	1,134,733	-	-	1,134,733
Beneficial interests in perpetual trusts	-	-	697,438	697,438
<b>Total</b>	<b>\$ 6,377,312</b>	<b>\$ -</b>	<b>\$ 697,438</b>	<b>\$ 7,074,750</b>

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:

	<b>2012</b>	<b>2011</b>
Balance, beginning of year	\$ 697,438	\$ 737,988
Realized and unrealized gains (losses)	61,624	(40,550)
<b>Balance, end of year</b>	<b>\$ 759,062</b>	<b>\$ 697,438</b>

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, 2012 and 2011

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>2012</u>	<u>2011</u>
Education	\$ 2,351,837	\$ 2,332,821
Health	2,092,055	1,876,847
Safety-Net	1,575,217	1,668,309
Income	<u>353,703</u>	<u>359,849</u>
Total Support	<u>\$ 6,372,812</u>	<u>\$ 6,237,826</u>

\$5,935,272 and \$5,700,034 of the total support was distributed to affiliates as part of the annual allocation process for the years 2012 and 2011, respectively. Plus, an additional \$437,540 and \$537,792, respectively, was distributed through other grant programs.



**HERBEIN+COMPANY, INC.**

CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North America, Pennsylvania Institute of CPAs,  
American Institute of Certified Public Accountants Private Companies Practice Section  
[www.herbein.com](http://www.herbein.com)

**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, 2012, 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 10, 2013.

***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 10, 2013