



UNITED WAY OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities.....	4 - 5
Statements of Functional Expenses.....	6 - 7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 - 26
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>	27 - 28



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
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, 2015 and 2014, 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, 2015 and 2014, 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 16, 2016, 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 16, 2016

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 2,642,663	\$ 2,022,971
Certificates of deposit	820,499	1,045,000
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2015 - \$762,505; 2014 - \$756,511)	7,203,717	7,263,944
Other	29,215	98,869
Prepaid expenses	27,552	13,304
Long-term investments, at market	8,852,440	9,046,457
Beneficial interest in perpetual trusts, at market	786,157	833,076
Leasehold improvements, furniture, fixtures, and equipment, net	<u>68,578</u>	<u>77,260</u>
	TOTAL ASSETS	TOTAL ASSETS
	<u>\$ 20,430,821</u>	<u>\$ 20,400,881</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 291,728	\$ 265,170
Unfunded pension liability	412,291	256,201
Due to other United Way agencies	381,942	472,820
Due to affiliated agencies	<u>1,404,613</u>	<u>1,593,452</u>
	TOTAL LIABILITIES	TOTAL LIABILITIES
	2,490,574	2,587,643
NET ASSETS		
Unrestricted:		
Undesignated, available for general activities	3,209,169	3,234,200
Unfunded pension liability	(591,245)	(649,732)
Board-designated endowment, at market	<u>1,641,746</u>	<u>1,709,527</u>
Total unrestricted	4,259,670	4,293,995
Total temporarily restricted	8,056,992	7,841,281
Permanently restricted:		
Endowment, at market	4,837,428	4,844,886
Beneficial interest in perpetual trust, at market	<u>786,157</u>	<u>833,076</u>
Total permanently restricted	5,623,585	5,677,962
	TOTAL NET ASSETS	TOTAL NET ASSETS
	<u>17,940,247</u>	<u>17,813,238</u>
	TOTAL LIABILITIES AND NET ASSETS	TOTAL LIABILITIES AND NET ASSETS
	<u>\$ 20,430,821</u>	<u>\$ 20,400,881</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2015			Year Ended December 31, 2014			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Totals	2014 Totals
REVENUES, GAINS, AND OTHER SUPPORT								
Campaign contributions applicable to current period:								
Contributions received - current period	\$ 744,226	\$ -	\$ -	\$ 1,220,821	\$ -	\$ -	\$ 744,226	\$ 1,220,821
Less: Donor designations	55,822	-	-	(178,923)	-	-	55,822	(178,923)
Less: Amounts not available for operations	(161,603)	-	-	(152,709)	-	-	(161,603)	(152,709)
Contributions received in prior periods and now released from restriction	8,923,620	(8,923,620)	-	8,123,485	(8,123,485)	-	-	-
Less: Donor designations	(1,925,128)	1,925,128	-	(1,655,368)	1,655,368	-	-	-
Less: Allowance for uncollectible pledges	(383,535)	383,535	-	(372,165)	372,165	-	-	-
Less: Amounts not available for operations	(58,069)	58,069	-	(47,905)	47,905	-	-	-
Total campaign contributions applicable to current period	7,195,333	(6,556,888)	-	6,937,236	(6,048,047)	-	638,445	889,189
Campaign contributions received for next allocation period:								
Contributions received - current period	-	8,855,759	-	-	8,833,619	-	8,855,759	8,833,619
Less: Donor designations	-	(1,636,543)	-	-	(1,925,128)	-	(1,636,543)	(1,925,128)
Less: Allowance for uncollectible pledges	-	(392,432)	-	-	(383,535)	-	(392,432)	(383,535)
Less: Amounts not available for operations	-	(62,272)	-	-	(58,068)	-	(62,272)	(58,068)
Total campaign contributions for next allocation period	-	6,764,512	-	-	6,466,888	-	6,764,512	6,466,888
Campaign contributions received for future years	-	222,018	-	-	160,528	-	222,018	160,528
Donor designations from other United Way agencies	139,305	-	-	205,929	-	-	139,305	205,929
Prior year campaign contributions	107,634	-	-	71,000	-	-	107,634	71,000
Total campaign related revenue	7,442,272	429,642	-	7,214,165	579,369	-	7,871,914	7,793,534
Other contributions	21,461	164,802	250,200	13,312	221,704	-	436,463	235,016
Donated materials and services	157,085	-	-	122,917	-	-	157,085	122,917
Special event contributions received in prior periods and now released from restriction	-	-	-	-	-	-	-	-
Total public support	7,620,818	594,444	250,200	7,350,394	801,073	-	8,465,462	8,151,467
Other revenue:								
Investment income from trusts	26,147	-	-	30,674	-	-	26,147	30,674
Endowment investment income, net of fees (2015 - \$9,140; 2014 - \$8,994)	28,266	-	81,885	26,789	-	76,415	110,151	103,204
Transfers	115,324	24,183	(210,024)	42,275	88,007	(197,166)	(70,517)	(66,884)
Other investment income, net of fees (2015 - \$18,731; 2014 - \$17,264)	45,615	-	-	50,046	53	-	45,615	50,099
Other income	59,990	-	-	52,139	-	-	59,990	52,139
Gain (loss) on sale of investments	99,048	-	163,099	176,481	-	277,264	262,147	453,745
Net appreciation (depreciation) on investments	(99,238)	(87,629)	(292,618)	(11,390)	14,995	(32,293)	(479,485)	(28,688)
Net appreciation (depreciation) on beneficial interest	-	-	(46,919)	-	-	5,020	(46,919)	5,020
Other net assets released from restriction	315,287	(315,287)	-	328,198	(328,198)	-	-	-
Total other revenue	590,439	(378,733)	(304,577)	695,212	(225,143)	129,240	(92,871)	599,309
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	8,211,257	215,711	(54,377)	8,045,606	575,930	129,240	8,372,591	8,750,776

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2015			Year Ended December 31, 2014			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Totals	2014 Totals
PROGRAM SERVICES								
Allocations and expenses:								
Gross funds distributed for services	6,708,688	-	-	6,596,738	-	-	6,708,688	6,596,738
Less: donor designations	(1,518,126)	-	-	(1,473,118)	-	-	(1,518,126)	(1,473,118)
Net funds distributed for services	5,190,562	-	-	5,123,620	-	-	5,190,562	5,123,620
Community impact, including donated materials and services (2015 - \$53,988; 2014 - \$38,108)	1,040,290	-	-	895,668	-	-	1,040,290	895,668
Total program services	6,230,852	-	-	6,019,288	-	-	6,230,852	6,019,288
Support services:								
Fundraising and resource development, including donated materials and services (2015 - \$93,536, 2014 - \$83,312)	1,298,161	-	-	1,190,640	-	-	1,298,161	1,190,640
Administration, including donated materials and services (2015 - \$9,561; 2014 - \$1,497)	682,520	-	-	623,757	-	-	682,520	623,757
Payments to affiliated organization - United Way Worldwide	92,536	-	-	91,391	-	-	92,536	91,391
Total supporting services	2,073,217	-	-	1,905,788	-	-	2,073,217	1,905,788
TOTAL ALLOCATIONS AND EXPENSES	8,304,069	-	-	7,925,076	-	-	8,304,069	7,925,076
INCREASE (DECREASE) IN NET ASSETS BEFORE EFFECT OF THE UNFUNDED PENSION LIABILITY	(92,812)	215,711	(54,377)	120,530	575,930	129,240	68,522	825,700
ADJUSTMENT TO REFLECT UNFUNDED PENSION LIABILITY	58,487	-	-	(215,831)	-	-	58,487	(215,831)
INCREASE (DECREASE) IN NET ASSETS	(34,325)	215,711	(54,377)	(95,301)	575,930	129,240	127,009	609,869
NET ASSETS AT BEGINNING 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
NET ASSETS AT END OF YEAR	\$ 4,259,670	\$ 8,056,992	\$ 5,623,585	\$ 4,293,995	\$ 7,841,281	\$ 5,677,962	\$ 17,940,247	\$ 17,813,238

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Program	Support Services			Totals
	Services	Fundraising and Resource Development	Administration	Total Support Services	
	Community Impact				
Gross funds distributed for services	\$ 6,708,688	\$ -	\$ -	\$ -	\$ 6,708,688
Less: donor designations	(1,518,126)	-	-	-	(1,518,126)
Net allocations to services	5,190,562	-	-	-	5,190,562
Salaries	534,411	587,492	361,114	948,606	1,483,017
Employee benefits	90,617	127,893	74,169	202,062	292,679
Payroll taxes	41,388	44,063	26,915	70,978	112,366
Subtotal salaries and related expenses	666,416	759,448	462,198	1,221,646	1,888,062
Net periodic pension cost/settlement loss (Note 9)	74,390	86,745	58,694	145,439	219,829
Total salaries and related expenses	740,806	846,193	520,892	1,367,085	2,107,891
Contract services	88,151	46,510	35,510	82,020	170,171
Supplies	41,689	4,128	1,495	5,623	47,312
Telephone	3,686	4,298	2,908	7,206	10,892
Postage	434	10,973	2,653	13,626	14,060
Occupancy	46,643	54,424	36,861	91,285	137,928
Rent, purchase, and maintenance of equipment	5,402	15,625	4,509	20,134	25,536
Printing and promotion	14,408	121,130	474	121,604	136,012
Travel and conferences	17,815	26,486	16,605	43,091	60,906
United Way of Pennsylvania dues	6,768	7,892	5,340	13,232	20,000
Donated materials and services	53,988	93,536	9,561	103,097	157,085
Depreciation of equipment	9,227	11,013	7,262	18,275	27,502
Miscellaneous expenses	11,273	55,953	38,450	94,403	105,676
Total Before United Way Worldwide Dues	6,230,852	1,298,161	682,520	1,980,681	8,211,533
United Way Worldwide dues	31,311	36,516	24,709	61,225	92,536
Total Expenses	\$ 6,262,163	\$ 1,334,677	\$ 707,229	\$ 2,041,906	\$ 8,304,069

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

	Program Services	Support Services			Totals
	Community Impact	Fundraising and Resource Development	Administration	Total Support Services	
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	87,347	121,295	76,545	197,840	285,187
Payroll taxes	37,634	45,533	26,409	71,942	109,576
Subtotal salaries and related expenses	614,003	756,976	461,394	1,218,370	1,832,373
Net periodic pension cost/settlement cost (Note 9)	7,855	9,271	6,369	15,640	23,495
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	30,550	36,065	24,776	60,841	91,391
Total Expenses	\$ 6,049,838	\$ 1,226,705	\$ 648,533	\$ 1,875,238	\$ 7,925,076

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 127,009	\$ 609,869
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	27,502	37,448
(Gain) loss on sale of investments	(262,147)	(453,745)
Unrealized (gain) loss on investments	479,485	28,688
Unrealized (gain) loss on beneficial interest in perpetual trust	46,919	(5,020)
Contributions restricted for endowment funds	(250,200)	-
Changes in:		
Pledges receivable	60,227	(489,761)
Other receivables	69,654	(31,672)
Prepaid expenses	(14,248)	(1,742)
Accounts payable and accrued expenses	26,558	(15,454)
Unfunded pension liability	156,090	83,398
Due to other United Way agencies	(90,878)	(14,322)
Due to affiliated agencies	<u>(188,839)</u>	<u>231,006</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	187,132	(21,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(18,820)	(12,124)
Proceeds from sale of investments	1,810,703	2,463,123
Purchase of investments	<u>(1,834,024)</u>	<u>(2,407,592)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(42,141)	43,407
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment funds	<u>250,200</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	395,191	22,100
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,067,971</u>	<u>3,045,871</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,463,162</u></u>	<u><u>\$ 3,067,971</u></u>
RECONCILIATION OF CASH AT END OF YEAR		
Cash and cash equivalents	\$ 2,642,663	\$ 2,022,971
Certificates of deposit	<u>820,499</u>	<u>1,045,000</u>
CASH AND CERTIFICATES OF DEPOSIT	<u><u>\$ 3,463,162</u></u>	<u><u>\$ 3,067,971</u></u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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 services provided by the Organization and by other area partners and not-for-profit health and human service organizations possible. 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, 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, 2015 and 2014, 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

The Organization records the estimated fair value of donated materials, equipment, and services related to its operations, which was \$157,085 and \$122,917 for the years ended December 31, 2015 and 2014, respectively.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Materials, Equipment, and Services - continued

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 41,730 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.

No amounts have been included in the accompanying financial statements for the Organization's share of the advertising managed by United Way Worldwide which promotes the United Way network's shared mission on nationally broadcast television including, the National Football League (NFL), the Ad Council, etc. The estimated value of media time as calculated by United Way Worldwide's suggested methodology was \$206,355 and \$147,139 for the years ended December 31, 2015 and 2014, respectively.

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, 2015 and 2014, 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 16, 2016, 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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>2015</u>	<u>2014</u>
Pledges receivable	\$ 7,966,222	\$ 8,020,455
Receivable in less than one year	\$ 7,815,932	\$ 7,827,892
Receivable in one to three years	150,290	192,563
Total unconditional promises to give	7,966,222	8,020,455
Less allowance for uncollectible pledges	762,505	756,511
Net unconditional promises to give	<u>\$ 7,203,717</u>	<u>\$ 7,263,944</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, 2015</u>		<u>December 31, 2014</u>	
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Equity securities	\$ 4,325,117	\$ 5,706,163	\$ 3,993,958	\$ 5,844,123
Fixed income securities	3,156,643	3,146,277	3,202,335	3,202,334
	<u>\$ 7,481,760</u>	<u>\$ 8,852,440</u>	<u>\$ 7,196,293</u>	<u>\$ 9,046,457</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014 was \$786,157 and \$833,076, respectively. Annual distributions from the trusts have been recorded as investment income from trusts in unrestricted net assets and amounted to \$26,147 and \$30,674 in 2015 and 2014, respectively. The change in market value has been recorded in net depreciation on beneficial interests in permanently restricted net assets and amounted to \$46,919 in 2015 and net appreciation of \$5,020 in 2014.

NOTE 5 - FURNITURE, FIXTURES, AND EQUIPMENT

A summary is as follows at December 31:

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 36,379	\$ 36,379
Leasehold improvements	36,114	34,216
Computer and office equipment	<u>243,618</u>	<u>255,869</u>
	316,111	326,464
Less accumulated depreciation	<u>(247,533)</u>	<u>(249,204)</u>
	<u>\$ 68,578</u>	<u>\$ 77,260</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$27,502 and \$37,448, 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 were \$11,436.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 6 - LEASE AGREEMENT - CONTINUED

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

2016	\$	137,228
2017		137,228
2018		146,290
2019		146,290
2020		146,290
2021		<u>155,352</u>
Total	\$	<u><u>868,678</u></u>

Total rental expense for the years ended December 31, 2015 and 2014 was \$137,228 and \$129,201, respectively.

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, 2015 and 2014 amounted to \$112,536 and \$111,391, 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 \$6,084,851 of contributions for the next allocation period to various affiliated agencies. The resources used to fulfill this commitment are largely reflected in the temporarily restricted net asset balance.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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 2015 and 2014, a settlement of the pension obligation took place when the sum of the annuity purchase for the year exceeded the sum of service cost and interest cost. When a settlement takes place the employer recognizes a portion of the remaining unrecognized net asset and net actuarial gain (loss) existing at the date of settlement.

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

	<u>2015</u>	<u>2014</u>
Service costs (benefits earned)	\$ 6,115	\$ 5,700
Interest cost on projected benefit obligation	80,568	88,444
Expected return on plan assets	(132,248)	(125,283)
Amount of recognized actuarial losses	<u>30,262</u>	<u>13,622</u>
Net periodic pension cost before settlement	(15,303)	(17,517)
Amount of (gain) or loss from settlement	<u>235,132</u>	<u>41,012</u>
Net periodic pension cost	<u>\$ 219,829</u>	<u>\$ 23,495</u>

Funded status:

	<u>2015</u>	<u>2014</u>
Pension benefit obligation	\$ (1,929,158)	\$ (2,496,727)
Plan assets at fair value	<u>1,516,867</u>	<u>2,240,526</u>
Funded status	<u>\$ (412,291)</u>	<u>\$ (256,201)</u>
Additional loss in Unrestricted Net Assets not yet recognized in net periodic pension costs	\$ 591,245	\$ 649,732

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

The Organization recognized increases in the unfunded pension liability of \$156,090 and \$83,398 for the years ended December 31, 2015 and 2014, respectively.

Actuarial assumptions are as follows at December 31:

	<u>2015</u>	<u>2014</u>
Weighted-average assumptions:		
Discount rate	3.75%	3.75%
Rate of increase in compensation levels	0.00%	0.00% per year
Expected long-term rate of return on plan assets	7.00%	7.00%

The Organization's expected long-term rate of return on plan assets assumption of 7.0 percent was selected in accordance with 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 investment expense) and for inflation based on long term 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 6.24 percent - 8.25 percent. The rate of 7.0 percent was selected.

In June, 2015 the United Way Board of Directors authorized and directed management to take such action as may be necessary and advisable to effectuate the termination of the United Way of Berks County Defined Benefit Pension Plan as soon as administratively possible. At that time, the organization revoked the Investment Policy Statement and directed Mutual of America to take current assets and move them to the Interest Accumulation Account (General Account), thereby protecting assets from market volatility.

The fair value of the Organization's pension plan assets and weighted-average allocation by asset category is as follows at December 31:

	<u>2015</u>		<u>2014</u>	
Equity	\$ -	0.0%	\$ 944,149	42.1%
Fixed income	-	0.0%	505,929	22.6%
General account (cash)	<u>1,516,867</u>	<u>100.0%</u>	<u>790,448</u>	<u>35.3%</u>
	<u>\$ 1,516,867</u>	<u>100.0%</u>	<u>\$ 2,240,526</u>	<u>100.0%</u>

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

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

The following benefit payments are expected to be paid:

2016	\$	65,000
2017		257,000
2018		2,000
2019		88,000
2020		3,000
2021-2025		633,000

The Organization is continuing to pursue the termination of the plan in 2016.

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, 2015 and 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 2015 and 2014, the Organization made contributions of \$63,714 and \$66,622, respectively to the plan.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Human service allocation for the next fiscal year	\$ 6,945,041	\$ 6,556,888
Human service allocations for future years	252,018	210,528
United Way programs and activities	797,690	928,860
Childcare initiative	-	3,069
Court-appointed special advocate program	53,182	54,000
Other community impact activities	9,061	87,936
	<u>\$ 8,056,992</u>	<u>\$ 7,841,281</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>2015</u>	<u>2014</u>
Expiring time restrictions - campaign	\$ 6,556,888	\$ 6,048,047
United Way programs and activities	192,953	178,725
Childcare initiative	28,069	55,071
Other community impact activities	94,265	94,402
	<u>\$ 6,872,175</u>	<u>\$ 6,376,245</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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>2015</u>	<u>2014</u>
Contributions received in prior year and now released from restriction	\$ 8,923,620	\$ 8,123,485
Less: Donor designations	(1,925,128)	(1,655,368)
Less: Allowance for uncollectible pledges	(383,535)	(372,165)
Less: Amounts not available for operations	<u>(58,069)</u>	<u>(47,905)</u>
Total campaign contributions released from restriction	6,556,888	6,048,047
Other net assets released from restriction	<u>315,287</u>	<u>328,198</u>
 Total net assets released from restriction	 <u><u>\$ 6,872,175</u></u>	 <u><u>\$ 6,376,245</u></u>

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS

The Organization's endowment consists of ten 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, 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,837,428	\$ 4,837,428
Board-designated endowment funds	<u>1,641,746</u>	<u>-</u>	<u>1,641,746</u>
 Totals funds	 <u><u>\$ 1,641,746</u></u>	 <u><u>\$ 4,837,428</u></u>	 <u><u>\$ 6,479,174</u></u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS - CONTINUED

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,709,527	\$ 4,844,886	\$ 6,554,413
Investment return:			
Investment income	28,266	81,885	110,151
Net appreciation (depreciation) (realized and unrealized)	(43,262)	(129,519)	(172,781)
Total investment return	<u>(14,996)</u>	<u>(47,634)</u>	<u>(62,630)</u>
Contributions	-	250,000	250,000
Adjustment between funds	(200)	200	-
Transfers of donor-restricted income	-	(94,700)	(94,700)
Transfers of income to general operations	<u>(52,585)</u>	<u>(115,324)</u>	<u>(167,909)</u>
Endowment net assets, end of year	<u>\$ 1,641,746</u>	<u>\$ 4,837,428</u>	<u>\$ 6,479,174</u>

Endowment Net Asset Composition by Type of Funds as of December 31, 2014:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,844,886	\$ 4,844,886
Board-designated endowment funds	<u>1,709,527</u>	<u>-</u>	<u>1,709,527</u>
Totals funds	<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, 2015 and 2014

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS - CONTINUED

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>

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, 2015 and 2014, there were no such donor requirements and, therefore, there were no deficiencies to be recorded.

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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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.

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, 2015.

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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 13 - FAIR VALUE MEASUREMENTS - CONTINUED

Beneficial Interests in Perpetual Trusts

United Way of Berks County, Inc. is the beneficiary of four trusts, three of which 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.

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:

	2015			Total
	Level 1	Level 2	Level 3	
Equity securities - U.S.	\$ 4,554,249	\$ -	\$ -	\$ 4,554,249
Equity securities - International	1,151,914	-	-	1,151,914
Government - agency notes and bonds	1,234,639	-	-	1,234,639
U.S. Treasury Notes	850,552	-	-	850,552
Corporate bonds	1,061,086	-	-	1,061,086
Beneficial interests in perpetual trusts	-	-	786,157	786,157
Total	<u>\$ 8,852,440</u>	<u>\$ -</u>	<u>\$ 786,157</u>	<u>\$ 9,638,597</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 13 - FAIR VALUE MEASUREMENTS - CONTINUED

	2014			Total
	Level 1	Level 2	Level 3	
Equity securities	\$ 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

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:

	2015	2014
Balance, beginning of year	\$ 833,076	\$ 828,056
Realized and unrealized gains (losses)	(46,919)	5,020
Balance, end of year	<u>\$ 786,157</u>	<u>\$ 833,076</u>

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

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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>2015</u>	<u>2014</u>
Education	\$ 2,629,518	\$ 2,534,675
Health	1,991,881	1,801,473
Safety-Net	1,679,463	1,809,112
Income	<u>407,826</u>	<u>451,479</u>
Total support	<u>\$ 6,708,688</u>	<u>\$ 6,596,739</u>

\$6,114,891 and \$6,194,984 of the total support was distributed to affiliates as part of the annual allocation process for the years 2015 and 2014, respectively. An additional \$593,797 and \$401,755 was distributed through other grant programs for the years 2015 and 2014, respectively.



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
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, 2015, 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 16, 2016.

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 16, 2016**