



UNITED WAY OF SOUTHERN CHESTER COUNTY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

AUGUST 31, 2017

UNITED WAY OF SOUTHERN CHESTER COUNTY

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INDEPENDENT AUDITOR'S REPORT

March 14, 2018

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

We have audited the accompanying financial statements of the United Way of Southern Chester County, a not-for-profit organization, which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
United Way of Southern Chester County

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Southern Chester County as of August 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Southern Chester County's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of allocations to agencies on page 15 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

UNITED WAY OF SOUTHERN CHESTER COUNTY
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Cash and cash equivalents	\$ 619,594	\$ 503,260
Pledges receivable, net	256,406	275,778
Investments	373,694	328,494
Prepaid expenses	7,395	7,017
Security deposits	800	800
Furniture and equipment, net	5,305	3,776
TOTAL ASSETS	\$ 1,263,194	\$ 1,119,125
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 6,450	\$ 1,201
Accrued payroll	11,755	14,453
Allocations payable to agencies	800,000	780,000
Donor designated payable	7,481	7,419
Total Liabilities	825,686	803,073
 NET ASSETS:		
Unrestricted:		
Equity in furniture and equipment	5,305	3,776
Board-designated	196,661	159,192
Undesignated deficit	(25,991)	(16,218)
Total Unrestricted	175,975	146,750
Temporarily restricted	84,500	-
Permanently restricted	177,033	169,302
Total Net Assets	437,508	316,052
TOTAL LIABILITIES AND NET ASSETS	\$ 1,263,194	\$ 1,119,125

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SOUTHERN CHESTER COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017
(With Summarized Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
				2017
PUBLIC SUPPORT AND REVENUE				
Campaign contributions	\$ 1,153,326	\$ 100,000	\$ -	\$ 1,253,326
Less: collection losses	(71,961)	-	-	(71,961)
Total Contributions	<u>1,081,365</u>	<u>100,000</u>	<u>-</u>	<u>1,181,365</u>
Investment income	32,952	-	7,731	40,683
Released from restriction	15,500	(15,500)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u><u>1,129,817</u></u>	<u><u>84,500</u></u>	<u><u>7,731</u></u>	<u><u>1,222,048</u></u>
EXPENSES				
Distributions to agencies	814,348	-	-	814,348
Program services	165,127	-	-	165,127
Supporting services:				
Management and general	116,432	-	-	116,432
Fund raising	4,685	-	-	4,685
TOTAL EXPENSES	<u><u>1,100,592</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,100,592</u></u>
CHANGE IN NET ASSETS	29,225	84,500	7,731	121,456
NET ASSETS, BEGINNING OF YEAR	146,750	-	169,302	316,052
NET ASSETS, END OF YEAR	<u><u>\$ 175,975</u></u>	<u><u>\$ 84,500</u></u>	<u><u>\$ 177,033</u></u>	<u><u>\$ 437,508</u></u>
				<u><u>2016</u></u>
				\$ 1,131,731
				(48,204)
				<u>1,083,527</u>
				27,648
				<u>1,111,175</u>
				798,581
				107,931
				156,349
				3,386
				<u>1,066,247</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF SOUTHERN CHESTER COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017
(With Summarized Totals for 2016)**

	Program Services	Management and General	Fund Raising	Totals	
	2017	2016	2017	2016	
EXPENSES					
Salaries	\$ 78,227	\$ 68,646	\$ 24	\$ 146,897	\$ 143,440
Employee health and retirement benefits	14,484	12,710	4	27,198	26,490
Payroll taxes and workers' compensation premiums	7,216	6,332	2	13,550	15,345
Total Salaries and Related Expenses	<u>99,927</u>	<u>87,688</u>	<u>30</u>	<u>187,645</u>	<u>185,275</u>
Advertising	6,519	-	-	6,519	978
Bank and payment processing	1,811	50	-	1,861	2,363
Dues and memberships	4,274	3,750	1	8,025	8,902
Events	484	476	4,651	5,611	5,857
Insurance	1,739	1,526	1	3,266	3,216
Office supplies	1,270	1,114	-	2,384	1,952
Other	-	360	-	360	360
Postage	6,055	205	-	6,260	9,941
Professional fees	18,737	6,500	-	25,237	12,855
Rent	4,920	4,317	2	9,239	9,160
Repairs and maintenance	-	5,459	-	5,459	4,007
Stationary and printing	16,792	805	-	17,597	15,798
Telephone	1,500	1,316	-	2,816	3,224
Travel and meetings	1,099	1,794	-	2,893	2,793
Total Expenses Before Depreciation	<u>165,127</u>	<u>115,360</u>	<u>4,685</u>	<u>285,172</u>	<u>266,681</u>
Depreciation	-	1,072	-	1,072	985
TOTAL EXPENSES	<u>\$ 165,127</u>	<u>\$ 116,432</u>	<u>\$ 4,685</u>	<u>\$ 286,244</u>	<u>\$ 267,666</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SOUTHERN CHESTER COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 121,456	\$ 44,928
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,072	985
Collection losses	71,961	48,204
Net unrealized and realized gains on investments	(32,175)	(11,106)
(Increase) Decrease in pledges receivable	(52,589)	2,260
(Increase) Decrease in prepaid expenses	(378)	1,648
Increase (Decrease) in accounts payable	5,249	(962)
(Decrease) Increase in accrued payroll	(2,698)	6,199
Increase (Decrease) in allocations payable to agencies	20,000	(120,000)
Increase (Decrease) in donor designated payable	62	(2,275)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	131,960	(30,119)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(2,601)	-
Purchase of investments	(13,025)	(22,348)
NET CASH USED BY INVESTING ACTIVITIES	(15,626)	(22,348)
NET CHANGE IN CASH AND CASH EQUIVALENTS	116,334	(52,467)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	503,260	555,727
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 619,594	\$ 503,260
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF THE ORGANIZATION

The United Way of Southern Chester County ("the Organization") is dedicated to improving the quality of life in the area of southern Chester County by mobilizing society's capacity to care. A not-for-profit organization, the Organization is a unique partnership that involves donors ranging from staff, volunteers, social service agencies, businesses, government, other nonprofits, and concerned individuals to achieve results that matter and to make a lasting impact on the quality of life in its community.

The Organization engages in a fall fund raising campaign to raise funds for member agencies, as well as other 501(c)(3) agencies. The Organization focuses community attention on the most critical human needs in southern Chester County, as well as addressing both the symptoms and the root causes of southern Chester County's most plaguing issues.

The Organization is dependent upon contributions from corporate and individual donors to support its program services. The level of such contributions can be affected by economic and other conditions. In addition, the choice on the part of donors to designate their gifts to specific agencies can result in reduced funding available to fund programs. A decrease in undesignated contributions could adversely affect the Organization's ability to provide services and to allocate funds to its member agencies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification as applicable to non-profit organizations ("generally accepted accounting principles"). 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. In addition, the Organization is required to present a statement of cash flows.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

Cash and Cash Equivalents

The Organization considers all short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Donated securities also are reported at fair value as of the date of receipt. All realized and unrealized gains and losses arising from fluctuations in fair values, sales, or other disposition of assets are accounted for in the class of net assets that owns the assets. In accordance with generally accepted accounting principles, a fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 is based on observable market factors not included in Level 1, and Level 3 is based on unobservable inputs such as those that are internally developed. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Pledges Receivable

Allowances for uncollectible pledges are reviewed and estimated by management annually using a two-year average. As of August 31 of each fiscal year, a final accounting is made of the prior year's campaign. Pledges receivable related to the prior campaign that have not been realized are determined to be uncollectible and are written off.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Furniture and Equipment

Furniture and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets. The Organization uses a capitalization threshold of \$1,000. Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed. The following is a schedule of the estimated useful lives:

Equipment	3 - 7 years
Furniture and fixtures	7 years

Contributions

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

Temporarily Restricted Net Assets

This type of net assets includes funds restricted by funding sources. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed restrictions that will not terminate.

Allocation of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fund raising.

Advertising Costs

The Organization expenses the production costs of advertising when incurred.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

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.

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with United Way of Southern Chester County's financial statements for the year ended August 31, 2016, from which the summarized information was derived.

NOTE 3 PLEDGES RECEIVABLE

As of August 31, 2017, pledges receivable consisted of the following:

Pledges receivable related to current campaign	\$ 302,506
Allowance for uncollectible pledges	<u>(46,100)</u>
Total Pledges Receivable, Net	<u>\$ 256,406</u>

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

As of August 31, 2017, investments consisted of the following:

Chester County Community Foundation Investment Pool	\$ 177,033
Vanguard LifeStrategy Growth Fund	<u>196,661</u>
	<u>\$ 373,694</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (cont'd)

Fair values of assets measured on a recurring basis at August 31, 2017 are as follows:

Investment Type	Fair Value	Level 1	Level 2
Vanguard LifeStrategy Growth Fund	\$ 196,661	\$ 196,661	\$ -
Chester County Community Foundation Investment Pool	177,033	-	177,033
Total	\$ 373,694	\$ 196,661	\$ 177,033

The Organization's investments with the Chester County Community Foundation are valued using Level 2 inputs. The Organization's portion of the investment pool is valued by the Chester County Community Foundation on a monthly basis. The investments in the pool are actively traded and valued using quoted market prices. However, since the investments are pooled funds, they are designated as Level 2 investments.

For the year ended August 31, 2017, investment income consists of the following:

Dividends and interest, net of fees	\$ 8,508
Net unrealized and realized gains	32,175
	\$ 40,683

NOTE 5 FURNITURE AND EQUIPMENT

As of August 31, 2017, furniture and equipment consisted of the following:

Equipment	\$ 21,777
Furniture and fixtures	14,814
	36,591
Less: Accumulated depreciation	(31,286)
	\$ 5,305

NOTE 6 DEFINED CONTRIBUTION PENSION PLAN

The Organization has implemented a defined contribution pension plan covering eligible employees. An eligible employee is defined as an employee over the age of 21 who is through their 60-day probationary period. Upon completion of their probationary period,

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 DEFINED CONTRIBUTION PENSION PLAN (cont'd)

the benefit will be back dated to their date of hire. The Organization contributed six percent of eligible employees' regular annual salary. Pension expense for the year ended August 31, 2017 was \$8,659.

NOTE 7 DONATED SERVICES

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization. Contributed services are not recognized as revenue unless the services received create or enhance the value of a nonfinancial asset, or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased and not donated. None of the services received during the year ended August 31, 2017 met the requirements for recognition in the financial statements.

NOTE 8 ENDOWMENT FUNDS

The Organization's endowment consists of two individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2004, the Organization established a permanently restricted endowment fund with the Chester County Community Foundation ("CCCCF") that was funded with contributions designated for an endowment fund. The CCCC endowment fund is governed by its investment policy, investment committee fiduciary structure, and target asset allocation. Once the endowment reaches \$5,000,000, the Organization is permitted to spend five percent of the endowment fund each year to provide grants for community nonprofits or for its own operating and capital needs. The Organization's long-term goal is to keep the endowment fund intact until it reaches an amount such that its earnings will cover operating costs.

In 2014, the Organization created a Board-designated endowment fund held by Vanguard and overseen by the Organization's Finance Committee. Per the Organization's investment policy, the assets of the endowment fund shall be invested in a manner intended to maximize the total return of the fund over the long term. The assets shall be broadly diversified, with the assets divided among asset classes within specified ranges; while assets are less than \$5,000,000, and another set of asset classes within specified ranges when assets are greater than \$5,000,000. As an operating guideline, the Organization has targeted growth of the endowment fund to a level of \$5,000,000 in assets before distributions will be taken.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 ENDOWMENT FUNDS (cont'd)

Endowment net asset composition by type of fund at August 31, 2017 was as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 196,661</u>	<u>\$ 177,033</u>	<u>\$ 373,694</u>
Total	<u>\$ 196,661</u>	<u>\$ 177,033</u>	<u>\$ 373,694</u>

Changes in endowment net assets for the year ended August 31, 2017 were as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, September 1, 2016	\$ 159,192	\$ 169,302	\$ 328,494
Investment income	32,678	7,731	40,409
Contributions	<u>4,791</u>	<u>-</u>	<u>4,791</u>
Endowment, August 31, 2017	<u>\$ 196,661</u>	<u>\$ 177,033</u>	<u>\$ 373,694</u>

NOTE 9 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash at commercial banks which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank. There were no uninsured balances as of August 31, 2017.

NOTE 10 NET ASSETS

Temporarily restricted net assets consisted of \$84,500 for the Leadership Matching Grant at August 31, 2017.

NOTE 11 OPERATING LEASE

The Organization rents office space under an operating lease that was entered into on January 1, 2016. The lease is for a one-year term and renews annually unless terminated with 60 days written notice. Rent expense for the year ended August 31, 2017 was \$9,239. The total commitment under this lease is \$3,080 for the year ended August 31, 2018.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through March 14, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**UNITED WAY OF SOUTHERN CHESTER COUNTY
SCHEDULES OF ALLOCATIONS TO AGENCIES
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Allocations to Agencies:		
Adult Care of Chester County, Inc.	\$ -	\$ 14,575
Adult Literacy Program	43,240	34,008
ARC of Chester County	6,480	16,518
Camp Dreamcatcher	9,580	9,600
Crime Victims' Center of Chester County, Inc.	27,540	11,660
Domestic Violence Center of Chester County	40,940	38,866
Family Promise of Southern Chester County	26,040	30,000
Family Service of Chester County	16,940	14,575
Garage Community & Youth Center	106,480	97,165
Joseph & Sarah Carter Community Development	13,960	-
Kennett After School Association	23,240	21,862
Kennett Area Community Service	117,180	111,740
Kennett Area Senior Center	27,240	30,606
La Comunidad Hispana	112,960	126,315
Legal Aid Southeastern Pennsylvania	6,160	6,802
Oxford Area Senior Center	6,620	8,745
Oxford Neighborhood Services Center	98,440	98,137
Tick Tock Early Learning Center	87,360	82,591
Wings for Success	7,000	6,802
Young Moms	22,600	19,433
Donor-directed gifts	14,348	18,581
	<u>814,348</u>	<u>798,581</u>
Total Allocations to Agencies	<u>\$ 814,348</u>	<u>\$ 798,581</u>