



UNITED WAY OF SOUTHERN CHESTER COUNTY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

AUGUST 31, 2018

UNITED WAY OF SOUTHERN CHESTER COUNTY

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INDEPENDENT AUDITOR'S REPORT

February 28, 2019

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, 2018, 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, 2018, 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 August 31, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017 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 14 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, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 673,299	\$ 619,594
Pledges receivable, net	241,320	256,406
Investments	405,099	373,694
Prepaid expenses	4,244	7,395
Security deposits	800	800
Furniture and equipment, net	3,800	5,305
TOTAL ASSETS	\$ 1,328,562	\$ 1,263,194
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 779	\$ 6,450
Accrued payroll	20,607	11,755
Allocations payable to agencies	840,000	800,000
Donor designated payable	3,542	7,481
Total Liabilities	864,928	825,686
 NET ASSETS:		
Unrestricted:		
Equity in furniture and equipment	3,800	5,305
Board-designated	229,332	196,661
Undesignated (deficit)	54,735	(25,991)
Total Unrestricted	287,867	175,975
Temporarily restricted	-	84,500
Permanently restricted	175,767	177,033
Total Net Assets	463,634	437,508
TOTAL LIABILITIES AND NET ASSETS	\$ 1,328,562	\$ 1,263,194

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, 2018
(With Summarized Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
PUBLIC SUPPORT AND REVENUE					
Campaign contributions	\$ 1,182,853	\$ -	\$ -	\$ 1,182,853	\$ 1,253,326
Less: collection losses	<u>(38,122)</u>	-	-	<u>(38,122)</u>	<u>(71,961)</u>
Total Contributions	1,144,731	-	-	1,144,731	1,181,365
Investment income (loss)	32,905	-	(1,266)	31,639	40,683
Released from restriction	84,500	<u>(84,500)</u>	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,262,136</u>	<u>(84,500)</u>	<u>(1,266)</u>	<u>1,176,370</u>	<u>1,222,048</u>
EXPENSES					
Distributions to agencies	855,020	-	-	855,020	814,348
Program services	174,397	-	-	174,397	165,127
Supporting services:					
Management and general	116,514	-	-	116,514	116,432
Fund raising	<u>4,313</u>	-	-	<u>4,313</u>	<u>4,685</u>
TOTAL EXPENSES	<u>1,150,244</u>	<u>-</u>	<u>-</u>	<u>1,150,244</u>	<u>1,100,592</u>
CHANGE IN NET ASSETS	111,892	(84,500)	(1,266)	26,126	121,456
NET ASSETS, BEGINNING OF YEAR	<u>175,975</u>	<u>84,500</u>	<u>177,033</u>	<u>437,508</u>	<u>316,052</u>
NET ASSETS, END OF YEAR	<u>\$ 287,867</u>	<u>\$ -</u>	<u>\$ 175,767</u>	<u>\$ 463,634</u>	<u>\$ 437,508</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, 2018
(With Summarized Totals for 2017)

EXPENSES	Program Services	Management and General	Fund Raising	Totals	
				2018	2017
Salaries	\$ 78,387	\$ 69,278	\$ 23	\$ 147,688	\$ 146,897
Employee health and retirement benefits	14,733	13,020	4	27,757	27,198
Payroll taxes and workers' compensation premiums	7,730	6,832	2	14,564	13,550
Total Salaries and Related Expenses	<u>100,850</u>	<u>89,130</u>	<u>29</u>	<u>190,009</u>	<u>187,645</u>
Advertising	877	-	-	877	6,519
Bank and payment processing	1,554	320	-	1,874	1,861
Dues and memberships	3,919	3,463	1	7,383	8,025
Events	389	612	4,281	5,282	5,611
Insurance	1,592	1,407	-	2,999	3,266
Office supplies	1,360	1,202	-	2,562	2,384
Other	-	360	-	360	360
Postage	9,036	450	-	9,486	6,260
Professional fees	27,102	6,825	-	33,927	25,237
Rent	4,904	4,334	2	9,240	9,239
Repairs and maintenance	-	4,091	-	4,091	5,459
Stationary and printing	19,823	93	-	19,916	17,597
Telephone	1,453	1,284	-	2,737	2,816
Travel and meetings	1,538	1,438	-	2,976	2,893
Total Expenses Before Depreciation	<u>174,397</u>	<u>115,009</u>	<u>4,313</u>	<u>293,719</u>	<u>285,172</u>
Depreciation	<u>-</u>	<u>1,505</u>	<u>-</u>	<u>1,505</u>	<u>1,072</u>
TOTAL EXPENSES	<u>\$ 174,397</u>	<u>\$ 116,514</u>	<u>\$ 4,313</u>	<u>\$ 295,224</u>	<u>\$ 286,244</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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 26,126	\$ 121,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,505	1,072
Collection losses	38,122	71,961
Net unrealized and realized gains on investments	(16,841)	(32,175)
Increase in pledges receivable	(23,036)	(52,589)
Decrease (Increase) in prepaid expenses	3,151	(378)
(Decrease) Increase in accounts payable	(5,671)	5,249
Increase (Decrease) in accrued payroll	8,852	(2,698)
Increase in allocations payable to agencies	40,000	20,000
(Decrease) Increase in donor designated payable	(3,939)	62
NET CASH PROVIDED BY OPERATING ACTIVITIES	68,269	131,960
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(2,601)
Purchase of investments	(23,250)	(21,265)
Sale of investments	8,686	8,240
NET CASH USED BY INVESTING ACTIVITIES	(14,564)	(15,626)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	53,705	116,334
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	619,594	503,260
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 673,299	\$ 619,594
 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 Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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 are initially 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.

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

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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.

Adverting Costs

The Organization expenses the production costs of advertising when incurred.

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.

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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 Organization's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

NOTE 3 PLEDGES RECEIVABLE

As of August 31, 2018, pledges receivable consisted of the following:

Pledges receivable related to current campaign	\$ 285,720
Allowance for uncollectible pledges	<u>(44,400)</u>
Total Pledges Receivable, Net	<u>\$ 241,320</u>

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

As of August 31, 2018, investments consisted of the following:

Chester County Community Foundation Investment Pool	\$ 175,767
Vanguard LifeStrategy Growth Fund	<u>229,332</u>
	<u>\$ 405,099</u>

Fair values of assets measured on a recurring basis at August 31, 2018 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Vanguard LifeStrategy Growth Fund	\$ 229,332	\$ 229,332	\$ -
Chester County Community Foundation Investment Pool	<u>175,767</u>	<u>-</u>	<u>175,767</u>
Total	<u>\$ 405,099</u>	<u>\$ 229,332</u>	<u>\$ 175,767</u>

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

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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, 2018, investment income consists of the following:

Dividends and interest, net of fees	\$ 14,798
Net unrealized and realized gains	<u>16,841</u>
	<u>\$ 31,639</u>

NOTE 5 FURNITURE AND EQUIPMENT

As of August 31, 2018, furniture and equipment consisted of the following:

Equipment	\$ 21,777
Furniture and fixtures	<u>14,814</u>
	36,591
Less: Accumulated depreciation	<u>(32,791)</u>
	<u>\$ 3,800</u>

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, 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, 2018 was \$8,777.

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

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 DONATED SERVICES (cont'd)

purchased and not donated. None of the services received during the year ended August 31, 2018 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 ("CCCF") that was funded with contributions designated for an endowment fund. The CCCF 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.

Endowment net asset composition by type of fund at August 31, 2018 was as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds	<u>\$ 229,332</u>	<u>\$ 175,767</u>	<u>\$ 405,099</u>
Total	<u>\$ 229,332</u>	<u>\$ 175,767</u>	<u>\$ 405,099</u>

UNITED WAY OF SOUTHERN CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 ENDOWMENT FUNDS (cont'd)

Changes in endowment net assets for the year ended August 31, 2018 were as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, September 1, 2017	\$ 196,661	\$ 177,033	\$ 373,694
Investment income (loss)	32,671	(1,266)	31,405
Endowment, August 31, 2018	\$ 229,332	\$ 175,767	\$ 405,099

NOTE 9 CONCENTRATION OF CREDIT RISK

The Organization maintains its bank accounts at various financial institutions which, at times, may exceed federally insured limits. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of August 31, 2018, the Organization's bank balances totaled \$583,445, of which \$575,936 was covered by federal depository insurance and \$7,509 was uninsured. In addition, the Organization maintains cash in the amount of \$89,921 in a Vanguard brokerage account which is subject to credit risk.

NOTE 10 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, 2018 was \$9,240. The total commitment under this lease is \$3,080 for the year ended August 31, 2019.

NOTE 11 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through February 28, 2019, 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, 2018 AND 2017**

	2018	2017
Allocations to Agencies:		
Adult Literacy Program	\$ 41,380	\$ 43,240
ARC of Chester County	-	6,480
Camp Dreamcatcher	11,580	9,580
Crime Victims' Center of Chester County, Inc.	26,440	27,540
Domestic Violence Center of Chester County	40,760	40,940
Family Promise of Southern Chester County	33,440	26,040
Family Service of Chester County	21,760	16,940
Garage Community & Youth Center	109,060	106,480
Joseph & Sarah Carter Community Development	11,380	13,960
Kennett After School Association	24,720	23,240
Kennett Area Community Service	127,960	117,180
Kennett Area Senior Center	29,220	27,240
La Comunidad Hispana	98,760	112,960
Legal Aid Southeastern Pennsylvania	-	6,160
Maternal & Child Health Consortium	28,760	-
Oxford Area Senior Center	8,380	6,620
Oxford Neighborhood Services Center	97,500	98,440
Tick Tock Early Learning Center	93,140	87,360
Wings for Success	6,380	7,000
Young Moms	29,380	22,600
Donor-directed gifts	15,020	14,348
	<u>\$ 855,020</u>	<u>\$ 814,348</u>
Total Allocations to Agencies	<u>\$ 855,020</u>	<u>\$ 814,348</u>