



UNITED WAY OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
United Way of Berks County, Inc.
Reading, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Berks County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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 3, 2017, 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, 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 3, 2017

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 2,750,802	\$ 2,642,663
Certificates of deposit	922,505	820,499
Receivables:		
Pledges receivable, less allowance for uncollectible pledges (2016 - \$783,481; 2015 - \$762,505)	7,556,335	7,203,717
Other	33,216	29,215
Prepaid expenses	31,709	27,552
Long-term investments, at market	9,040,301	8,852,440
Beneficial interest in perpetual trusts, at market	817,936	786,157
Leasehold improvements, furniture, fixtures, and equipment, net	<u>62,931</u>	<u>68,578</u>
TOTAL ASSETS	<u><u>\$ 21,215,735</u></u>	<u><u>\$ 20,430,821</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 400,300	\$ 291,728
Unfunded pension liability	-	412,291
Due to other United Way agencies	362,034	381,942
Due to affiliated agencies	<u>1,358,901</u>	<u>1,404,613</u>
TOTAL LIABILITIES	2,121,235	2,490,574
NET ASSETS		
Unrestricted:		
Undesignated, available for general activities	2,748,630	3,209,169
Unfunded pension liability	-	(591,245)
Board-designated endowment, at market	<u>1,673,868</u>	<u>1,641,746</u>
Total unrestricted	4,422,498	4,259,670
Total temporarily restricted	8,949,844	8,056,992
Permanently restricted:		
Endowment, at market	4,904,222	4,837,428
Beneficial interest in perpetual trust, at market	<u>817,936</u>	<u>786,157</u>
Total permanently restricted	5,722,158	5,623,585
TOTAL NET ASSETS	<u>19,094,500</u>	<u>17,940,247</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 21,215,735</u></u>	<u><u>\$ 20,430,821</u></u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals	2015 Totals
REVENUES, GAINS, AND OTHER SUPPORT								
Campaign contributions applicable to current period:								
Contributions received - current period	\$ 970,560	\$ -	\$ -	\$ 744,226	\$ -	\$ -	\$ 970,560	\$ 744,226
Less: Donor designations	(127,369)	-	-	55,822	-	-	(127,369)	55,822
Less: Amounts not available for operations	(150,119)	-	-	(161,603)	-	-	(150,119)	(161,603)
Contributions received in prior periods and now released from restriction	9,036,287	(9,036,287)	-	8,923,620	(8,923,620)	-	-	-
Less: Donor designations	(1,636,543)	1,636,543	-	(1,925,128)	1,925,128	-	-	-
Less: Allowance for uncollectible pledges	(392,432)	392,432	-	(383,535)	383,535	-	-	-
Less: Amounts not available for operations	(62,272)	62,272	-	(58,069)	58,069	-	-	-
Total campaign contributions applicable to current period	7,638,112	(6,945,040)	-	7,195,333	(6,556,888)	-	693,072	638,445
Campaign contributions received for next allocation period:								
Contributions received - current period	-	9,500,275	-	-	8,855,759	-	9,500,275	8,855,759
Less: Donor designations	-	(1,592,199)	-	-	(1,636,543)	-	(1,592,199)	(1,636,543)
Less: Allowance for uncollectible pledges	-	(408,090)	-	-	(392,432)	-	(408,090)	(392,432)
Less: Amounts not available for operations	-	(85,766)	-	-	(62,272)	-	(85,766)	(62,272)
Total campaign contributions for next allocation period	-	7,414,220	-	-	6,764,512	-	7,414,220	6,764,512
Campaign contributions received for future years								
Donor designations from other United Way agencies	137,901	-	-	139,305	-	-	137,901	139,305
Prior year campaign contributions	62,673	-	-	107,634	-	-	62,673	107,634
Total campaign related revenue	7,838,686	630,180	-	7,442,272	429,642	-	8,468,866	7,871,914
Other contributions								
Donated materials and services	16,285	358,182	11,147	21,461	164,802	250,200	385,614	436,463
Total public support	7,966,355	988,362	11,147	7,620,818	594,444	250,200	8,965,864	8,465,462
Other revenue:								
Investment income from trusts	26,462	-	-	26,147	-	-	26,462	26,147
Endowment investment income, net of fees (2016 - \$35,172; 2015 - \$35,642)	34,911	-	101,798	28,266	-	81,885	136,709	110,151
Transfers	(77,898)	223,741	(218,574)	115,324	24,183	(210,024)	(72,731)	(70,517)
Other investment income, net of fees (2016 - \$18,390; 2015 - \$18,731)	55,960	-	-	45,615	-	-	55,960	45,615
Other income	142,193	-	-	59,990	-	-	142,193	59,990
Gain (loss) on sale of investments	106,501	-	115,819	99,048	-	163,099	222,320	262,147
Net appreciation (depreciation) on investments	19,074	(6,897)	56,604	(99,238)	(87,629)	(292,618)	68,781	(479,485)
Net appreciation (depreciation) on beneficial interest	-	-	31,779	-	-	(46,919)	31,779	(46,919)
Other net assets released from restriction	312,354	(312,354)	-	315,287	(315,287)	-	-	-
Total other revenue	619,557	(95,510)	87,426	590,439	(378,733)	(304,577)	611,473	(92,871)
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	8,585,912	892,852	98,573	8,211,257	215,711	(54,377)	9,577,337	8,372,591

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES - CONTINUED

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals	2015 Totals
PROGRAM SERVICES								
Allocations and expenses:								
Gross funds distributed for services	6,942,748	-	-	6,708,688	-	-	6,942,748	6,708,688
Less: donor designations	(1,497,567)	-	-	(1,518,126)	-	-	(1,497,567)	(1,518,126)
Net funds distributed for services	5,445,181	-	-	5,190,562	-	-	5,445,181	5,190,562
Community impact, including donated materials and services (2016 - \$35,789; 2015 - \$53,988)	1,037,131	-	-	1,071,601	-	-	1,037,131	1,071,601
Total program services	6,482,312	-	-	6,262,163	-	-	6,482,312	6,262,163
Support services:								
Fundraising and resource development, including donated materials and services (2016 - \$67,901, 2015 - \$93,536)	1,259,101	-	-	1,334,677	-	-	1,259,101	1,334,677
Administration, including donated materials and services (2016 - \$7,694; 2015 - \$9,561)	681,671	-	-	707,229	-	-	681,671	707,229
Total supporting services	1,940,772	-	-	2,041,906	-	-	1,940,772	2,041,906
TOTAL ALLOCATIONS AND EXPENSES	8,423,084	-	-	8,304,069	-	-	8,423,084	8,304,069
INCREASE (DECREASE) IN NET ASSETS BEFORE EFFECT OF THE UNFUNDED PENSION LIABILITY	162,828	892,852	98,573	(92,812)	215,711	(54,377)	1,154,253	68,522
ADJUSTMENT TO REFLECT UNFUNDED PENSION LIABILITY	-	-	-	58,487	-	-	-	58,487
INCREASE (DECREASE) IN NET ASSETS	162,828	892,852	98,573	(34,325)	215,711	(54,377)	1,154,253	127,009
NET ASSETS AT BEGINNING 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
NET ASSETS AT END OF YEAR	<u>\$ 4,422,498</u>	<u>\$ 8,949,844</u>	<u>\$ 5,722,158</u>	<u>\$ 4,259,670</u>	<u>\$ 8,056,992</u>	<u>\$ 5,623,585</u>	<u>\$ 19,094,500</u>	<u>\$ 17,940,247</u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Program	Support Services			Totals
	Services	Fundraising and Resource Development	Administration	Total Support Services	
	Community Impact				
Gross funds distributed for services	\$ 6,942,748	\$ -	\$ -	\$ -	\$ 6,942,748
Less: donor designations	(1,497,567)	-	-	-	(1,497,567)
Net allocations to services	5,445,181	-	-	-	5,445,181
Salaries	537,972	600,975	378,533	979,508	1,517,480
Employee benefits	89,434	125,424	76,618	202,042	291,476
Payroll taxes	41,752	45,090	27,570	72,660	114,412
Subtotal salaries and related expenses	669,158	771,489	482,721	1,254,210	1,923,368
Net periodic pension cost/settlement loss (Note 9)	18,775	21,539	14,843	36,382	55,157
Total salaries and related expenses	687,933	793,028	497,564	1,290,592	1,978,525
Contract services	84,364	51,546	46,651	98,197	182,561
Supplies	52,301	8,010	1,794	9,804	62,105
Telephone	3,945	4,452	3,067	7,519	11,464
Postage	698	9,023	2,653	11,676	12,374
Occupancy	47,097	54,160	37,313	91,473	138,570
Rent, purchase, and maintenance of equipment	5,631	19,145	4,833	23,978	29,609
Printing and promotion	12,452	120,410	133	120,543	132,995
Travel and conferences	17,703	27,377	12,370	39,747	57,450
United Way Worldwide and United Way of Pennsylvania dues	43,044	47,128	32,461	79,589	122,633
Donated materials and services	35,789	67,901	7,694	75,595	111,384
Depreciation of equipment	10,090	12,813	7,754	20,567	30,657
Miscellaneous expenses	36,084	44,108	27,384	71,492	107,576
Total Expenses	\$ 6,482,312	\$ 1,259,101	\$ 681,671	\$ 1,940,772	\$ 8,423,084

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Program Services	Support Services			Totals
	Community Impact	Fundraising and Resource Development	Administration	Total Support Services	
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 Worldwide and United Way of Pennsylvania dues	38,079	44,408	30,049	74,457	112,536
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 Expenses	\$ 6,262,163	\$ 1,334,677	\$ 707,229	\$ 2,041,906	\$ 8,304,069

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,154,253	\$ 127,009
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	30,657	27,502
(Gain) loss on sale of investments	(222,320)	(262,147)
Unrealized (gain) loss on investments	(68,781)	479,485
Unrealized (gain) loss on beneficial interest in perpetual trust	(31,779)	46,919
Contributions restricted for endowment funds	(11,147)	(250,200)
Changes in:		
Pledges receivable	(352,618)	60,227
Other receivables	(4,001)	69,654
Prepaid expenses	(4,157)	(14,248)
Accounts payable and accrued expenses	108,572	26,558
Unfunded pension liability	(412,291)	156,090
Due to other United Way agencies	(19,908)	(90,878)
Due to affiliated agencies	(45,712)	(188,839)
	<u>120,768</u>	<u>187,132</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	120,768	187,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(25,010)	(18,820)
Proceeds from sale of investments	1,694,952	1,810,703
Purchase of investments	(1,591,712)	(1,834,024)
	<u>78,230</u>	<u>(42,141)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	78,230	(42,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment funds	11,147	250,200
	<u>11,147</u>	<u>250,200</u>
NET INCREASE IN CASH	210,145	395,191
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,463,162</u>	<u>3,067,971</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,673,307</u></u>	<u><u>\$ 3,463,162</u></u>
RECONCILIATION OF CASH AT END OF YEAR		
Cash and cash equivalents	\$ 2,750,802	\$ 2,642,663
Certificates of deposit	922,505	820,499
	<u>3,673,307</u>	<u>3,463,162</u>
CASH AND CERTIFICATES OF DEPOSIT	<u><u>\$ 3,673,307</u></u>	<u><u>\$ 3,463,162</u></u>

See accompanying notes.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

United Way of Berks County, Inc. (the "Organization") is a Pennsylvania non-profit organization 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, Inc. 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, businesses, educational communities, 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, Inc. 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, Inc.'s annual fundraising campaign generates revenues to support programs and services in the local community in the subsequent calendar year. United Way of Berks County, Inc.'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 (U.S. 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 has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Organization files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 \$111,384 and \$157,085 for the years ended December 31, 2016 and 2015, respectively.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 43,947 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), and the Ad Council, etc. The estimated value of media time as calculated by United Way Worldwide's suggested methodology was \$94,422 and \$206,335 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, 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 each 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, 2016 and 2015

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.

Reclassification

Certain amounts have been reclassified in the prior year financial statements to conform to their presentation at December 31, 2016. These adjustments had no effect on the change in net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 3, 2017, 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, 2016 and 2015

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

United Way of Berks County, Inc. 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>2016</u>	<u>2015</u>
Pledges receivable	<u>\$ 8,339,816</u>	<u>\$ 7,966,222</u>
Receivable in less than one year	\$ 8,088,316	\$ 7,815,932
Receivable in one to three years	<u>251,500</u>	<u>150,290</u>
Total unconditional promises to give	8,339,816	7,966,222
Less allowance for uncollectible pledges	<u>783,481</u>	<u>762,505</u>
Net unconditional promises to give	<u>\$ 7,556,335</u>	<u>\$ 7,203,717</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, 2016</u>		<u>December 31, 2015</u>	
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Equity securities	\$ 4,454,471	\$ 5,939,148	\$ 4,325,117	\$ 5,706,163
Fixed income securities	<u>3,146,168</u>	<u>3,101,153</u>	<u>3,156,643</u>	<u>3,146,277</u>
	<u>\$ 7,600,639</u>	<u>\$ 9,040,301</u>	<u>\$ 7,481,760</u>	<u>\$ 8,852,440</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 4 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

United Way of Berks County, Inc. 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, 2016 and 2015 was \$817,936 and \$786,157, respectively. Annual distributions from the trusts have been recorded as investment income from trusts in unrestricted net assets and amounted to \$26,462 and \$26,147 in 2016 and 2015, respectively. The change in market value has been recorded in net appreciation on beneficial interests in permanently restricted net assets and amounted to \$31,779 in 2016 and net depreciation of \$46,919 in 2015.

NOTE 5 - FURNITURE, FIXTURES, AND EQUIPMENT

A summary is as follows at December 31:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 36,114	\$ 36,114
Furniture and fixtures	36,379	36,379
Computer and office equipment	<u>256,224</u>	<u>243,618</u>
	328,717	316,111
Less accumulated depreciation	<u>(265,786)</u>	<u>(247,533)</u>
	<u>\$ 62,931</u>	<u>\$ 68,578</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$30,657 and \$27,502, 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 2016, minimum monthly rentals were \$11,436.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 6 - LEASE AGREEMENT - CONTINUED

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

2017	\$ 137,228
2018	146,290
2019	146,290
2020	146,290
2021	<u>155,352</u>
Total	<u>\$ 731,450</u>

Total rental expense for both years ended December 31, 2016 and 2015 was \$137,228.

NOTE 7 - PAYMENTS TO AFFILIATED AGENCIES AND 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, 2016 and 2015 amounted to \$122,633 and \$112,536, 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 \$6,275,792 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, 2016 and 2015

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 June 27, 2016, the Plan was terminated through a standard termination process and accrued benefits were paid to all eligible participants. During 2016, the Organization contributed \$500,073 to the Plan.

Composition of the net benefit cost for the Plan's valuation date for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Service costs (benefits earned)	\$ 5,480	\$ 6,115
Interest cost on projected benefit obligation	35,889	80,568
Expected return on plan assets	(52,206)	(132,248)
Amount of recognized actuarial losses	<u>32,570</u>	<u>30,262</u>
Net periodic pension cost before settlement	21,733	(15,303)
Refund and fees, net	(32,625)	-
Amount of (gain) or loss from settlement	<u>66,049</u>	<u>235,132</u>
Net periodic pension cost recognized	<u>\$ 55,157</u>	<u>\$ 219,829</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

Funded status is as follows at December 31:

	<u>2016</u>	<u>2015</u>
Pension benefit obligation	\$ -	\$ (1,929,158)
Plan assets at fair value	<u>-</u>	<u>1,516,867</u>
Funded status	<u>\$ -</u>	<u>\$ (412,291)</u>
Additional loss in unrestricted net assets not yet recognized in net periodic pension costs	\$ -	\$ 591,245
Reconciliation of Funded Status	<u>2016</u>	<u>2015</u>
Asset (liability) for pension benefits as of beginning of year	\$ (412,291)	\$ 256,201
Net periodic pension cost	21,733	(15,303)
Contributions paid during the year	500,073	5,252
Settlement loss	66,049	235,132
Net gain in unrestricted net assets	-	(58,487)
Liability for pension benefits at end of year	-	(412,291)

Actuarial assumptions are as follows at December 31:

	<u>2016</u>	<u>2015</u>
Weighted-average assumptions:		
Discount rate	3.75%	3.75%
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 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, Inc. 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.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 9 - DEFINED PENSION AND DEFINED CONTRIBUTION PLANS - CONTINUED

At December 31, 2015, the Plan's assets were held in the Interest Accumulation Account (General Account) in contemplation of terminating the plan in 2016.

	<u>2016</u>		<u>2015</u>	
General account (cash)	\$ -	-	\$ 1,516,867	100.0%
	<u>\$ -</u>	<u>-</u>	<u>\$ 1,516,867</u>	<u>100.0%</u>

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, 2016 and 2015. 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 2016 and 2015, the Organization made contributions of \$68,115 and \$63,714, respectively, to the Plan.

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Human service allocation for the next fiscal year	\$ 7,556,238	\$ 6,945,041
Human service allocations for future years	271,000	252,018
United Way programs and activities	936,868	797,690
At-Risk children	53,161	53,182
Other community impact activities	<u>132,577</u>	<u>9,061</u>
	<u>\$ 8,949,844</u>	<u>\$ 8,056,992</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 years ended December 31 were as follows:

	<u>2016</u>	<u>2015</u>
Expiring time restrictions - campaign	\$ 6,945,040	\$ 6,556,888
United Way programs and activities	200,319	192,953
At-Risk children	25,000	28,069
Other community impact activities	<u>87,035</u>	<u>94,265</u>
	<u>\$ 7,257,394</u>	<u>\$ 6,872,175</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS - CONTINUED

The net assets released on the statement of activities include the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Contributions received in prior year and now released from restriction	\$ 9,036,287	\$ 8,923,620
Less: donor designations	(1,636,543)	(1,925,128)
Less: allowance for uncollectible pledges	(392,432)	(383,535)
Less: amounts not available for operations	<u>(62,272)</u>	<u>(58,069)</u>
Total campaign contributions released from restriction	6,945,040	6,556,888
Other net assets released from restriction	<u>312,354</u>	<u>315,287</u>
Total net assets released from restriction	<u><u>\$ 7,257,394</u></u>	<u><u>\$ 6,872,175</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, 2016 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,904,222	\$ 4,904,222
Board-designated endowment funds	<u>1,673,868</u>	<u>-</u>	<u>1,673,868</u>
Totals funds	<u><u>\$ 1,673,868</u></u>	<u><u>\$ 4,904,222</u></u>	<u><u>\$ 6,578,090</u></u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS - CONTINUED

Changes in endowment net assets for the year ended December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,641,746	\$ 4,837,428	\$ 6,479,174
Investment return:			
Investment income	34,911	101,798	136,709
Net appreciation (depreciation) (realized and unrealized)	<u>58,823</u>	<u>172,423</u>	<u>231,246</u>
Total investment return	93,734	274,221	367,955
Contributions	1,050	-	1,050
Adjustment between funds	(1,600)	1,800	200
Transfers of donor-restricted income	-	(97,910)	(97,910)
Transfer of income to general operations	<u>(61,062)</u>	<u>(111,317)</u>	<u>(172,379)</u>
Endowment net assets, end of year	<u>\$ 1,673,868</u>	<u>\$ 4,904,222</u>	<u>\$ 6,578,090</u>

Endowment net asset composition by type of funds as of December 31, 2015 is as follows:

	<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>1,641,746</u>
Totals funds	<u>\$ 1,641,746</u>	<u>\$ 4,837,428</u>	<u>\$ 6,479,174</u>

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 12 - NET ASSETS IN ENDOWMENT FUNDS - CONTINUED

Changes in endowment net assets for the year ended December 31, 2015 is as follows:

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)	<u>(43,262)</u>	<u>(129,519)</u>	<u>(172,781)</u>
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)
Transfer 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>

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, 2016 and 2015, 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, 2016 and 2015

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, 2016.

Long-Term Investments

BB&T 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, 2016 and 2015

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 which is managed 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, 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:

	2016			Total
	Level 1	Level 2	Level 3	
Equity securities	\$ 5,358,616	\$ -	\$ -	\$ 5,358,616
Government - agency notes and bonds	1,354,808	-	-	1,354,808
Mortgage-backed securities	621,485	-	-	621,485
Corporate bonds	1,124,860	-	-	1,124,860
Total other	580,532	-	-	580,532
Beneficial interests in perpetual trusts	-	-	817,936	817,936
Total	\$ 9,040,301	\$ -	\$ 817,936	\$ 9,858,237

	2015			Total
	Level 1	Level 2	Level 3	
Equity securities	\$ 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	\$ 8,852,440	\$ -	\$ 786,157	\$ 9,638,597

UNITED WAY OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 13 - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 786,157	\$ 833,076
Realized and unrealized gains (losses)	<u>31,779</u>	<u>(46,919)</u>
Balance, end of year	<u>\$ 817,936</u>	<u>\$ 786,157</u>

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

NOTE 14 - DISTRIBUTION FOR SERVICES

United Way of Berks County, Inc. 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>2016</u>	<u>2015</u>
Education	\$ 2,700,424	\$ 2,629,518
Income	434,423	407,826
Health	2,113,130	1,991,881
Safety Net	<u>1,694,771</u>	<u>1,679,463</u>
Total support	<u>\$ 6,942,748</u>	<u>\$ 6,708,688</u>

As part of the annual allocation process, \$6,293,368 and \$6,114,891 of the total support was distributed to affiliates for the years ended December 31, 2016 and 2015, respectively. An additional \$649,380 and \$593,797 was distributed through other grant programs for the years ended December 31, 2016 and 2015, respectively.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors
United Way of Berks County, Inc.
Reading, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Berks County, Inc., which comprise the statements of financial position as of December 31, 2016, 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 3, 2017.

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, grant agreements, and 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 3, 2017