



**United Way  
of Greater Union County**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2012**

**UNITED WAY OF GREATER UNION COUNTY  
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AUGUST 31, 2012**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees,  
United Way of Greater Union County:

We have audited the accompanying statement of financial position of United Way of Greater Union County (a nonprofit organization) as of August 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of United Way of Greater Union County's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the United Way of Greater Union County's August 31, 2011 audited financial statements, and in our report dated December 13, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Greater Union County as of August 31, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of United Way of Greater Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the basic financial statements of United Way of Greater Union County taken as a whole. The accompanying schedule of federal and state financial assistance, and schedule of findings and questioned costs are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of New Jersey, Department of the Treasury, OMB Circular 04-04-OMB, and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of federal and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Withum Smith & Brown, PC*

November 26, 2012

**UNITED WAY OF GREATER UNION COUNTY**  
**Statements of Financial Position**  
**August 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents (note 2)	\$ 144,399	\$ 236,485
Restricted cash - fiduciary funds (note 12)	5,882	5,882
Contributions receivable, net of allowance for uncollectible amounts of \$28,754 in 2012 and \$44,370 in 2011 (note 3)	1,360,557	1,882,203
Government grants receivable	42,626	39,200
Bequest receivable	500,000	--
Other receivables	6,792	51,546
Other assets	26,392	41,074
Beneficial interest in perpetual trust (note 7)	1,504,246	1,506,195
Investments (notes 4 and 6)	595,756	555,023
Land, building and equipment, net (note 5)	<u>327,785</u>	<u>387,487</u>
 Total assets	 <u>\$ 4,514,435</u>	 <u>\$ 4,705,095</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 109,443	\$ 428,846
Line of credit (note 10)	216,795	150,000
Distributions payable (note 14)	917,903	1,033,837
Deferred revenue - government grants	5,243	123,989
Pension liabilities (note 9)	91,109	145,811
Designations payable (note 11)	168,385	133,922
Fiduciary funds payable (note 12)	5,882	5,882
Government grants payable to subrecipients	<u>3,143</u>	<u>16,700</u>
Total liabilities	<u>1,517,903</u>	<u>2,038,987</u>
Net assets:		
Unrestricted	813,772	175,356
Temporarily restricted (note 7)	523,339	829,382
Permanently restricted (notes 6 and 7)	<u>1,659,421</u>	<u>1,661,370</u>
Total net assets	<u>2,996,532</u>	<u>2,666,108</u>
 Total liabilities and net assets	 <u>\$ 4,514,435</u>	 <u>\$ 4,705,095</u>

The Notes to Financial Statements are an integral part of these statements.

**UNITED WAY OF GREATER UNION COUNTY**  
**Statement of Activities**  
**For The Year Ended August 31, 2012**  
**(With Summarized Comparative Information for August 31, 2011)**

	2012			2011	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
<b>Revenue:</b>					
Regular campaign contributions/grants	\$ 2,575,572	\$ 445,697	\$ --	\$ 3,021,269	\$ 3,826,136
Prior year	295,046	(18,672)	--	276,374	31,259
Total campaign contributions	2,870,618	427,025	--	3,297,643	3,857,395
Donor designated contributions	(1,485,787)	--	--	(1,485,787)	(1,458,204)
Estimated uncollectible contributions	(147,842)	--	--	(147,842)	(49,433)
Campaign contributions revenue, net	1,236,989	427,025	--	1,664,014	2,349,758
Special events revenue	130,605	--	--	130,605	157,211
Less special events expense	(100,348)	--	--	(100,348)	(83,816)
Net special events revenue	30,257	--	--	30,257	73,395
<b>Other revenue</b>					
Interest and dividend income (note 4)	12,393	--	--	12,393	11,125
Income distribution from perpetual trusts	41,384	--	--	41,384	37,966
Government grants	1,762,030	2,200	--	1,764,230	1,730,546
Other grants	75	69,471	--	69,546	286,809
Other revenue	--	--	--	--	32,104
Donated materials and supplies	45,192	--	--	45,192	41,800
Contract cost recovery	72,501	--	--	72,501	113,144
Service fee revenue	78,453	--	--	78,453	34,150
Bequest contribution	500,000	--	--	500,000	--
Incoming designation revenue	515,211	--	--	515,211	542,078
Net assets released from restrictions:					
Other grants	804,739	(804,739)	--	--	--
Total other revenue	3,831,978	(733,068)	--	3,098,910	2,829,722
Total revenue	5,099,224	(306,043)	--	4,793,181	5,252,875
<b>Operating:</b>					
Program services:					
Distributions to agencies in Greater Union County	2,076,628	--	--	2,076,628	2,483,721
Less donor designated contributions	(1,485,787)	--	--	(1,485,787)	(1,458,204)
Net distributions to agencies in Greater Union County	590,841	--	--	590,841	1,025,517
Direct program services	3,294,978	--	--	3,294,978	3,206,315
Total program services	3,885,819	--	--	3,885,819	4,231,832
Supporting services:					
General and administration	457,903	--	--	457,903	434,791
Fund-raising	238,859	--	--	238,859	402,762
Total supporting services	696,762	--	--	696,762	837,553
Total operating expenses	4,582,581	--	--	4,582,581	5,069,385
Change in net assets before non-operating activities	516,643	(306,043)	--	210,600	183,490
<b>Non-operating:</b>					
Pension related (gains): (note 9)					
Direct program services	(38,290)	--	--	(38,290)	(129,311)
Supporting services:					
General and administration	(22,085)	--	--	(22,085)	(79,745)
Fund-raising	(10,077)	--	--	(10,077)	(64,089)
Total pension related changes	(70,452)	--	--	(70,452)	(273,145)
Net realized and unrealized (gain) loss on investments and beneficial interest in perpetual trusts (notes 4 and 7)	(51,321)	--	1,949	(49,372)	(223,860)
Total non-operating	(121,773)	--	1,949	(119,824)	(497,005)
Change in net assets	638,416	(306,043)	(1,949)	330,424	680,495
Net assets as of beginning of year	175,356	829,382	1,661,370	2,666,108	1,985,613
Net assets as of end of year	\$ 813,772	\$ 523,339	\$ 1,659,421	\$ 2,996,532	\$ 2,666,108

The Notes to Financial Statements are an integral part of this statement.

**UNITED WAY OF GREATER UNION COUNTY**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2012**  
**(With Summarized Comparative Information for August 31, 2011)**

	2012												2011		
	Volunteer Engagement	Family Strength- ening	Government grant Distribution	Community Investment	Other Com Impact Initiatives	Communi- cations for Community Impact	Total direct program services	Supporting services					Total supporting services	Total	Total
								General and administration	Fund-raising			Total			
									General	Communications					
Distributions													\$ 590,841	\$ 1,025,517	
Salaries	\$ 56,418	\$ 384,318	\$ 24,491	\$ 69,761	\$ 32,587	\$ 61,328	\$ 628,903	\$ 191,910	\$ 53,879	\$ 38,480	\$ 92,359	\$ 284,269	913,172	1,105,832	
Tax and fringe benefits	17,167	107,388	--	21,227	9,916	18,661	174,359	58,396	16,395	11,709	28,104	86,500	260,859	329,564	
Total salaries and related expenses	73,585	491,706	24,491	90,988	42,503	79,989	803,262	250,306	70,274	50,189	120,463	370,769	1,174,031	1,435,396	
Contract services	502	142,062	--	621	29,781	546	173,512	89,343	43,338	343	43,681	133,024	306,536	316,956	
Transportation/meetings	3,128	15,323	--	3,867	10,853	3,419	36,590	10,724	3,893	2,133	6,026	16,750	53,340	53,195	
Campaign/communications	--	9,006	--	--	--	13,328	22,334	--	7,413	7,413	14,826	14,826	37,160	53,957	
Agency vehicles	1,133	4,406	--	1,259	252	881	7,931	1,637	2,392	629	3,021	4,658	12,589	15,222	
Professional development & conferences	1,710	3,267	--	2,114	988	1,859	9,938	5,816	1,633	1,166	2,799	8,615	18,553	10,297	
Office supplies	668	5,059	--	894	386	726	7,733	2,272	638	456	1,094	3,366	11,099	15,991	
Telephone	1,586	5,281	--	1,961	916	1,724	11,468	5,395	1,515	1,082	2,597	7,992	19,460	14,716	
Postage	326	1,422	--	403	188	354	2,693	1,108	311	222	533	1,641	4,334	9,826	
Buildings and grounds	3,964	62,309	--	4,901	2,289	4,309	77,772	13,483	3,785	2,704	6,489	19,972	97,744	108,153	
Administration printing	30	1,039	--	37	17	32	1,155	101	28	20	48	149	1,304	1,113	
Recognition awards	68	130	--	84	39	74	395	231	65	46	111	342	737	2,267	
Subscriptions	636	1,214	--	786	367	691	3,694	2,162	607	433	1,040	3,202	6,896	1,192	
Insurance	1,160	13,745	--	1,435	670	1,261	18,271	3,947	1,108	792	1,900	5,847	24,118	17,874	
Equipment expenses	4,125	13,269	--	5,101	2,383	4,484	29,362	14,032	3,940	2,814	6,754	20,786	50,148	49,742	
Computer expenses	1,435	13,641	--	1,775	829	1,560	19,240	4,882	1,371	979	2,350	7,232	26,472	23,466	
Building project expense	953	1,821	--	1,178	550	1,036	5,538	3,241	910	650	1,560	4,801	10,339	10,000	
United Way of America dues	3,690	7,050	--	4,562	2,131	4,011	21,444	12,550	3,524	2,516	6,040	18,590	40,034	42,813	
Pension expense	4,321	8,873	--	5,343	2,495	4,819	25,851	14,695	4,003	2,947	6,950	21,645	47,496	23,378	
Summit area office	--	--	--	--	--	--	--	--	--	--	--	--	--	13,376	
Payments to subrecipients and other agencies	7,510	1,685,126	171,880	--	138,980	--	2,003,496	--	--	--	--	--	2,003,496	1,790,002	
Other expenses	1,516	3,137	--	1,875	876	1,648	9,052	5,158	1,448	1,034	2,482	7,640	16,692	12,898	
Total expenses before depreciation, shared expenses, pension related changes and distributions and grants	112,046	2,488,886	196,371	129,184	237,493	126,751	3,290,731	441,083	152,196	78,568	230,764	671,847	3,962,578	4,021,830	
Retirement of furniture and equipment	(133)	(254)	--	(164)	(77)	(144)	(772)	(451)	(127)	(90)	(217)	(668)	(1,440)	--	
Depreciation of furniture and equipment	7,378	14,100	--	9,124	4,262	8,021	42,885	25,100	7,047	5,033	12,080	37,180	80,065	68,639	
Total expenses before shared expenses, pension related changes and distributions and grants	119,291	2,502,732	196,371	138,144	241,678	134,628	3,332,844	465,732	159,116	83,511	242,627	708,359	4,041,203	4,090,469	
Expenses shared with affiliates and others:															
United Ways	(2,302)	(4,398)	--	(2,845)	(1,329)	(2,501)	(13,375)	(7,829)	(2,198)	(1,570)	(3,768)	(11,597)	(24,972)	(24,101)	
Consulting contract	--	--	(24,491)	--	--	--	(24,491)	--	--	--	--	--	(24,491)	(22,500)	
Total direct program expenses before distributions and grants	116,989	2,498,334	171,880	135,299	240,349	132,127	3,294,978	457,903	156,918	81,941	238,859	696,762	3,991,740	4,043,868	
Decrease in pension related changes reported as nonoperating	(6,495)	(12,406)	--	(8,031)	(3,750)	(7,608)	(38,290)	(22,085)	(5,649)	(4,428)	(10,077)	(32,162)	(70,452)	(273,145)	
Total direct program expenses before distributions and grants	\$ 110,494	\$ 2,485,928	\$ 171,880	\$ 127,268	\$ 236,599	\$ 124,519	\$ 3,256,688	\$ 435,818	\$ 151,269	\$ 77,513	\$ 228,782	\$ 664,600	\$ 3,921,288	\$ 3,770,723	
													\$ 4,512,129	\$ 4,796,240	

The Notes to Financial Statements are an integral part of this statement.

**UNITED WAY OF GREATER UNION COUNTY**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 330,424	\$ 680,495
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	80,065	68,639
Provision for uncollectible pledges	147,842	49,433
Net realized and unrealized (gain) loss on:		
Investments	(51,321)	(48,205)
Beneficial interest in perpetual trusts	1,949	(175,655)
Gain on disposal of assets	(1,440)	--
Change in:		
Contributions receivable	373,804	(591,695)
Government grants receivable	(3,426)	21,570
Bequest receivable	(500,000)	--
Other receivables	44,754	(47,729)
Other assets	14,682	98
Accounts payable	(319,403)	269,799
Distributions payable	(115,935)	(36,207)
Designations payable	34,463	13,833
Deferred revenue - government grants	(118,746)	(291,696)
Pension liabilities	(54,702)	(255,995)
Government grants payable to sub-recipients	(13,557)	(21,570)
Net cash used by operating activities	<u>(150,547)</u>	<u>(364,885)</u>
Cash flows from investing activities:		
Proceeds on sale of fixed asset	1,440	--
Maturities of short term investments	17,285	698,241
Purchases of short term investments	(6,696)	(450,000)
Purchases of furniture and equipment	(20,363)	(42,025)
Net cash (used) provided by investing activities	<u>(8,334)</u>	<u>206,216</u>
Cash flows from financing activities:		
Change in line of credit	<u>66,795</u>	<u>150,000</u>
Net change in cash and cash equivalents	(92,086)	(8,669)
Cash and cash equivalents, at beginning of year	<u>236,485</u>	<u>245,154</u>
Cash and cash equivalents, at end of year	<u>\$ 144,399</u>	<u>\$ 236,485</u>

The Notes to Financial Statements are an integral part of these statements.



**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 1 - Summary of Significant Accounting Policies:**

**Nature of the Organization**

United Way of Greater Union County (UWGUC) is a New Jersey voluntary, not-for-profit organization whose principal activities are resource development, community impact and the support of voluntary health and welfare agencies which provide services in the community. UWGUC is an organization described under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from Federal income taxes under Section 501(a) of the Code. United Way is governed by a volunteer Board of Trustees.

**Accounting Method**

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The accompanying financial statements have been prepared to focus on UWGUC as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by UWGUC. Generally, the donors of these assets permit the use of all or part of the income and gains on the related investments for general or specific purposes (Note 7).
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of UWGUC or by the passage of time (Note 7).
- Unrestricted net assets - net assets not subject to any donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

UWGUC accounts for contract and grant revenues, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept the legal and contractual requirements of each individual program are used as guidance. Dollars not expended in accordance with the grant or contracts are recorded as a liability to the grantor as UWGUC does not maintain any equity in the grant or contract. Funds received under exchange contracts in advance of their usage are classified as deferred revenue in the statements of financial position.

**Non-operating Activity**

It is the policy of UWGUC to record the actuarially determined pension-related net gain or loss, and the settlement gain or loss, if any, for the UWGUC pension plan as non-operating activity in the statement of activities. Additionally, the activity relating to the increase or decrease in the market value of securities is included in non-operating activity and the net change is not spread among functional areas. The net periodic benefit cost is reflected as an operating expense.

**Contributions**

Unconditional promises to give are recognized as revenue in the period received.

Grants received from foundations and other nongovernmental agencies that are temporarily restricted for time or purpose and are recognized in the fiscal period received, and are restricted to align with the direction of the donor.

Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution. Contributions receivable are expected to be received within one year.

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 1 - Summary of Significant Accounting Policies:**

Donors can choose to designate that their contributions be distributed to a specific organization or another United Way. Such contributions are referred to as donor choice. The collection of these contributions and distributions to specified agencies or United Ways are transactions in which UWGUC is acting as an agent. These transactions are not reported in the statement of activities as revenue and expenses, but are included in campaign contributions on the statement of activities and then deducted as donor designated contributions before arriving at campaign contributions revenue.

**Prior Year Summarized Comparative Financial Information**

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, such prior year information is presented in total but not by net asset class. With respect to the statement of functional expenses, comparative prior year expenses are presented by object in total rather than by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UWGUC's financial statements for the year ended August 31, 2011, from which the summarized information was derived.

**Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in three months or less at date of acquisition.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the statement of activities as non-operating activities.

**Grants**

Grants from governmental agencies are recorded as revenue when granted to the sub-recipient, i.e. expended. UWGUC retains a portion of grant revenue to recover program direct and indirect operating costs.

**Beneficial Interests in Perpetual Trusts**

Amounts recorded as beneficial interest in perpetual trusts are measured based on the fair value of assets contributed to the trusts as of August 31, 2012. Annual distributions from the trusts are reported as investment income that increase unrestricted net assets, and changes in the fair value of the assets are recognized as net realized and unrealized gain (loss) on beneficial interest in perpetual trusts that increase or decrease permanently restricted net assets in the statement of activities.

**Land, Building and Equipment**

Building and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from five to twenty-five years.

Expenditures for maintenance and repairs are charged to activities as incurred. Expenditures for betterments and major renewals are capitalized and, therefore, are included in property and equipment.

UWGUC reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the period presented in these financial statements.

**Community Investment Funds**

Total dollars available for Community Investment Funds are approved by the Finance Committee and the Board of Trustees. The Community Investment Committee has a responsibility for oversight for all awards from the Community Investment Fund.

Community Investment funds are recorded as expenses when they are approved by the Board of Trustees and are generally payable within one year.

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 1 - Summary of Significant Accounting Policies:**

**Deferred Revenue**

Deferred revenue represents program service revenue received in advance of services being rendered and is recognized in the period in which the services are rendered.

**Shared Expenses**

United Way of Greater Union County has a shared expense arrangement where employees perform operational services for other United Ways and UWGUC is reimbursed for those services. The expenditures related to these services are recorded as an offset to expenses in the statement of functional expenses.

**Functional Allocation of Expenses**

The costs of providing the program and supporting services of UWGUC have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the functional categories benefited.

**Concentration of Credit Risk**

UWGUC maintains various bank and brokerage accounts. At times amounts in those accounts may be in excess of the Federal Deposit Insurance Corporation insured limit. Management monitors the soundness of the institutions and has not experienced any loss to date.

Thirty-five percent and thirty-three percent of revenue was derived from cost reimbursement type state grants for the years ended August 31, 2012 and 2011, respectively.

**Donated Services**

A substantial number of volunteers have donated their time to UWGUC's program services and its fund-raising and administrative functions. No amounts have been included in the accompanying financial statements for donated services since such services do not meet recognition criteria for inclusion in the financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Income Taxes**

UWGUC is a not-for-profit corporation that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue code and New Jersey taxation codes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. UWGUC had no unrecognized tax benefits for the years ended August 31, 2012 and 2011. Furthermore, UWGUC had no unrecognized tax benefits at August 31, 2012 and 2011, and has no open years subject to examination prior to August 31, 2009 and 2008. UWGUC has no income tax related penalties or interest for the periods reported in the financial statements.

**Note 2 - Cash and Cash Equivalents:**

A summary of cash and cash equivalents is as follows as of August 31:

	<u>2012</u>	<u>2011</u>
Cash	\$ 94,820	\$ 116,023
Money market accounts	<u>49,579</u>	<u>120,462</u>
Total	<u>\$ 144,399</u>	<u>\$ 236,485</u>

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 3 - Contributions Receivable:**

Contributions receivables, expected to be received in the next fiscal year, consist of the following at August 31:

	<u>2012</u>	<u>2011</u>
2009 - 2010 Campaign	\$ --	\$ 79,709
2010 - 2011 Campaign	92,415	1,846,864
2011 - 2012 Campaign	1,296,245	--
2012 - 2013 Campaign	651	--
	1,389,311	1,926,573
Less, allowance for uncollectible amounts	(28,754)	(44,370)
Contribution receivable, net	\$ 1,360,557	\$ 1,882,203

Contributions receivable are unconditional promises to give by individuals, corporations and foundations, and amounts collected by third parties (Note 8) on behalf of UWGUC and its member agencies that have not yet been received. In addition, UWGUC has received conditional pledges from foundations that have been recorded as temporarily restricted net assets.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance is based on prior years' experience and management's analysis of specific promises made. In addition, amounts collected by third parties on behalf of UWGUC and its member agencies are reduced by amounts deemed to be uncollectible by the third party collector. Payments on pledges are applied to the specific pledges identified on the remittance or, if unspecified, are applied based on management's discretion.

**Note 4 - Investments:**

Investments at August 31, 2012 and 2011, amounting to \$595,756 and \$555,023, respectively are stated at fair market value.

**Recurring Fair Value Measurements**

Pursuant to the accounting standards related to fair value measurements, UWGUC has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of August 31, 2012, along with the basis for the determination of fair value:

	<u>Total</u>	Basis for Valuation		
		Quoted Prices in Active Markets	Observable Measurement Criteria	Unobservable Measurement Criteria
Money market funds	\$ 221,086	\$ 221,086	\$ --	\$ --
Equity securities	374,670	374,670	--	--
	\$ 595,756	\$ 595,756	\$ --	\$ --

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 4 – Investments(Continued):**

The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of August 31, 2011, along with the basis for the determination of fair value:

	Total	Basis for Valuation		
		Quoted Prices in Active Markets	Observable Measurement Criteria	Unobservable Measurement Criteria
Money market funds	\$ 215,385	\$ 215,385	\$ --	\$ --
Equity securities	333,363	333,363	--	--
Certificate of Deposit	6,275	--	6,275	--
	<u>\$ 555,023</u>	<u>\$ 548,748</u>	<u>\$ 6,275</u>	<u>\$ --</u>

Investment income, exclusive of amounts received related to the perpetual interests in beneficial trusts, consists of the following for the years ending August 31:

	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 12,393	\$ 11,125
Unrealized gain	<u>51,321</u>	<u>48,205</u>
	<u>\$ 63,714</u>	<u>\$ 59,330</u>

**Note 5 - Building and Equipment:**

Building and equipment include the following as of August 31:

	<u>2012</u>	<u>2011</u>
Building, and equipment	\$ 785,082	\$ 764,719
Less: Accumulated depreciation	<u>(457,297)</u>	<u>(377,232)</u>
Building, and equipment, net	<u>\$ 327,785</u>	<u>\$ 387,487</u>

**Note 6 – Endowment Funds:**

UWGUC's endowment consists of funds established to support children's initiatives and the Community Investment Fund. Its endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. UWGUC's endowment funds consisted of unrestricted and permanently restricted net assets.

**Interpretation of Relevant Law**

In accordance with New Jersey Uniform Prudent Management of Institutional Funds Act ("NJUPMIFA"), UWGUC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of UWGUC and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of UWGUC
7. The investment policies of UWGUC

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 6 – Endowment Funds (Continued):**

Management has interpreted NJUPMIFA to require the preservation of the purchasing power of donor endowment funds in those cases where the donor intent is not clear.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

All revenue derived from endowment funds are included in the pool of discretionary funds used to provide distributions to qualified programs on an annual basis. UWGUC has an investment policy that determines return objectives and risk parameters, strategies employed for achieving objectives, and a spending policy.

**Funds with Deficiencies**

While the fair market value of assets associated with individual donor-restricted endowment funds have fallen due to economic conditions, there were no funds with a deficiency as of August 31, 2012.

Changes in endowment net assets for the year ended August 31, 2012 are as follows:

	<b>2012</b>		
	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 406,544	\$ 155,175	\$ 561,719
Investment return			
Unrealized gain	51,321	--	51,321
Investment income	8,902	3,398	12,300
Appropriation of endowment assets for expenditure	<u>(8,902)</u>	<u>(3,398)</u>	<u>(12,300)</u>
Endowment net assets, end of year	<u>\$ 457,865</u>	<u>\$ 155,175</u>	<u>\$ 613,040</u>

Changes in endowment net assets for the year ended August 31, 2011 are as follows:

	<b>2011</b>		
	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 358,339	\$ 155,175	\$ 513,514
Investment return			
Unrealized gain	48,205	--	48,205
Investment income	7,639	3,300	10,939
Appropriation of endowment assets for expenditure	<u>(7,639)</u>	<u>(3,300)</u>	<u>(10,939)</u>
Endowment net assets, end of year	<u>\$ 406,544</u>	<u>\$ 155,175</u>	<u>\$ 561,719</u>

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 7 - Restrictions on Net Assets:**

Temporarily restricted net assets are available for the following purposes as of August 31:

	<u>2012</u>	<u>2011</u>
To benefit the children of Greater Union County	\$ 2,792	\$ 5,383
Volunteer/Job Fair grant	--	403
Prisoner Re-entry grant	--	1,371
Emergency aid	12,223	12,223
Haiti Relief	44,456	73,235
Family success initiative/time restrictions	458,845	578,803
Nurse Family Partnership	--	83,831
Robert Wood Johnson Flex Fund Grant	--	60,000
Mentoring Program	4,326	11,837
Time restrictions	697	2,296
Total	<u>\$ 523,339</u>	<u>\$ 829,382</u>

Temporarily restricted net assets from grants were released for the following purposes as of August 31:

	<u>2012</u>	<u>2011</u>
To benefit the children of Greater Union County	\$ 4,603	\$ 24,672
Volunteer/Job Fair grant	7,913	46,615
Obama Green Charter School	--	24,500
Haiti Relief	33,500	75,627
Family success initiative/time restrictions	560,782	265,315
Nurse Family Partnership	83,831	75,200
Flex Fund Grant	62,330	65,000
Family strengthening initiatives	38,446	172,419
Utility Assistance Program	11,684	25,000
Total	<u>\$ 803,089</u>	<u>\$ 774,348</u>

Permanently restricted net assets as of August 31, and the designation of the related income are as follows:

	<u>2012</u>	<u>2011</u>
Children's Initiative in Union County:		
Dell Raudelunas Children's Fund	\$ 98,775	\$ 98,775
Alexis de Tocqueville Society Program of United Way of Tri-State, Inc.	56,400	56,400
Unrestricted Purposes:		
Beneficial interest in perpetual trusts	<u>1,504,246</u>	<u>1,506,195</u>
Total	<u>\$ 1,659,421</u>	<u>\$ 1,661,370</u>

Beneficial interest in perpetual trusts comprises six trusts held in perpetuity by PNC Bank. In addition, one trust is held in perpetuity by Bank of America for which the former merged entity of United Way of Summit, New Providence, and Berkeley Heights was a beneficiary. The amounts held in trust are resources that are neither in the possession of nor under the management of UWGUC, but are held and administered by an external fiscal agent. UWGUC receives revenues from the trusts to be used for unrestricted purposes based on annual earnings of assets. The change in fair value of trust assets was a loss of \$1,949 and a gain of \$175,655 for the years ended August 31, 2012 and 2011, respectively and is included in net realized and unrealized loss on investments and beneficial interest in perpetual trusts for the years then ended.

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 7 - Restrictions on Net Assets (Continued):**

The following is a summary of the fair value, based on quoted market prices, of the UWGUC beneficial interest in the corpus of these trusts as of August 31:

	<u>2012</u>	<u>2011</u>
Jessie Munger	\$ 753,961	\$ 765,329
John J. Burling	88,850	83,505
Walter L. Glenney	95,638	96,017
Grace N. and Harry H. Pond	97,184	96,845
Dorothy F. Waring	91,287	93,289
Dorothy Leal	25,655	25,717
Joseph L. Snyder	351,671	345,493
Total	<u>\$ 1,504,246</u>	<u>\$ 1,506,195</u>

**Note 8 - Affiliations:**

UWGUC is a participant of United Ways of the New York, Connecticut and New Jersey Region which was formed to consolidate and coordinate fundraising for the charitable activities of autonomous local United Ways in New Jersey, New York, and Connecticut.

United Ways of the New York, Connecticut and New Jersey Region's formula provides for sharing unrestricted campaign contributions from coordinated system-wide accounts. Campaign contributions raised from local non-coordinated accounts are retained by the local United Way raising them and are not available for sharing through the United Ways of the New York, Connecticut and New Jersey Region distribution formula. Coordinated system-wide accounts contributions are segregated into restricted and unrestricted funds based on the donor's directions. Restricted contributions, less a processing fee, are distributed directly to the appropriate organization and do not affect the distribution of unrestricted contributions.

Unrestricted contributions from coordinated system-wide accounts are distributed to the participants based on a "where raised factor", a "community need factor", and grant funding for community impact work. Currently, United Way of America and Trust are managing the formula distribution and restricted giving, respectively, for subsequent campaign years.

Total campaign contributions for the years ended August 31, 2012 and 2011 have been reduced by \$652,898 and \$901,653, respectively, which represents the revenue raised by UWGUC in excess of the amount United Ways of the New York, Connecticut and New Jersey Region distributed to UWGUC.

**Note 9 - Pension Plan:**

UWGUC has a noncontributory defined benefit pension plan covering all employees who have attained age 21 and have at least one year of service. UWGUC's funding policy provides that payments to the pension plan shall be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 plus additional amounts which may be approved by UWGUC from time to time.

Accounting standards require that the measurement date be as of the statement of financial position date. UWGUC utilized a measurement date of August 31, for 2012 and 2011 for measuring plan assets and obligations.



**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 9 - Pension Plan (Continued):**

A summary of the plan's benefit obligation at August 31, is as follows:

	<u>2012</u>	<u>2011</u>
<i>Benefit obligation:</i>		
Projected benefit obligation	\$ 1,113,109	\$ 1,105,442
Fair value of plan assets	<u>1,022,000</u>	<u>959,631</u>
Funded status recognized in the statements of financial position as a pension liability	<u>\$ (91,109)</u>	<u>\$ (145,811)</u>
Accumulated benefit obligation	<u>\$ 1,113,109</u>	<u>\$ 1,105,442</u>

The amounts of benefit payments, and benefit cost reflected in the statement of activities were as follows for the years ended August 31:

	<u>2012</u>	<u>2011</u>
Net periodic pension cost	\$ --	\$ 23,378
Benefits paid	\$ --	\$ 1,906
Expense charges	\$ --	\$ 17,360

Assumptions are as follows as of August 31:

	<u>2012</u>	<u>2011</u>
Measurement date	8/31/2012	8/31/2011
Discount rate	5.50%	5.50%
Rate of increase in compensation level	0.00%	0.00%
Expected long-term rate of return on plan assets	8.00%	8.00%

Non-operating pension-related changes:

Net change in net assets of plan	\$ 54,706	\$ --
Curtailment (gain)	--	(273,145)
Other	<u>15,746</u>	<u>--</u>
Total non-operating	<u>\$ 70,452</u>	<u>\$ (273,145)</u>

Amounts not yet reflected as a component of net periodic benefit cost as of August 31:

	<u>2012</u>	<u>2011</u>
1. Transition obligation or asset	\$ --	\$ --
2. Net prior service cost or credit	\$ 1,851	\$ 2,076
3. Net loss	\$ 14,553	\$ 53,284

No plan assets are expected to be returned to the employer during the September 1, 2011 to August 31, 2012 fiscal year.

During the year ended August 31, 2010 UWGUC settled pension obligations that resulted in losses of \$52,614.

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 9 - Pension Plan (Continued):**

The following table discloses the amount of benefits expected to be paid in future years:

<u>Year</u>	<u>Amount</u>
2013	\$ 192,000
2014	\$ 23,000
2015	\$ 22,000
2016	\$ 68,000
2017	\$ 50,000
2018 - 2022	\$ 139,000

Plan assets comprise the following as of August 31:

	<u>2012</u>		<u>2011</u>	
Equity--funds	\$ 591,000	58%	\$ 564,059	59%
General account	431,000	42%	395,572	41%
Total	<u>\$ 1,022,000</u>	<u>100%</u>	<u>\$ 959,631</u>	<u>100%</u>

Mutual of America has been contracted to provide investment management services for the pension plan assets. The contract provides for a General Account and investment alternatives under Mutual of America's Separate Account No. 1. The amounts maintained under the contract shall be managed as a balanced fund and shall be diversified among and with principal classes of investment. The plan assets are managed with a long-term asset mix guideline of 60% equity alternatives and 40% in the general account. Also, plan assets are managed on a total return basis.

The UWGUC Defined Benefit Pension Plan was amended effective December 31, 2010 to freeze future participation and benefit credit. As part of that amendment, there were new minimum benefits established for some employees. Accordingly, additional benefits accruing to the 'plan' discontinued effective January 1, 2011.

A Defined Contribution Plan 401(k) plan superseded the Defined Benefit Plan effective January 1, 2011. Amounts equal to 3% of gross salaries for employees for up to 5 years of service and 6% of gross salaries for employees with 5 or more years of service will be contributed by the employer. Eligible employees may elect to make voluntary salary deferrals to their respective 401(k) account. UWGUC contributed \$14,858 and \$16,342 during the year ended August 31, 2012 and August 31, 2011, respectively.

**Note 10 – Line of Credit:**

On January 27, 2010, UWGUC entered into a \$250,000 revolving line of credit with Bank of America for seasonal operating needs. The line provides for interest at prime (prime as of August 31, 2011 and 2010 was 3.25%) plus 1.75 percent. The outstanding balance as of August 31, 2012 and 2011 was \$216,795 and \$150,000, respectively. The line of credit is due on demand, is collateralized by all assets of UWGUC and has no set expiration date.

**Note 11 - Designations Payable:**

At August 31, 2012 and 2011, UWGUC, acting as an intermediary organization, had \$168,385 and \$133,922, respectively, in unspent contributions received on behalf of other United Ways and agencies. These amounts will be sent to agencies and United Ways when restrictions imposed by the donor have been satisfied and when funds have been remitted to UWGUC.

**Note 12 - Fiduciary Funds Payable:**

UWGUC is acting as an intermediary for the donor and has no discretion concerning the use of the assets transferred.

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Financial Statements**  
**August 31, 2012**

**Note 13 - Administrative Cost Ratio (Unaudited):**

UWGUC calculates the ratio of support services to total revenue using the data on the IRS Form 990. This form is readily accessible and universally used to calculate the ratio for a nonprofit organization. The calculation method utilized is as follows:

	<b><u>2012</u></b>	<b><u>2011</u></b>
Supporting services:		
Form 990 line 25, management and general expenses	\$ 457,903	\$ 434,791
Form 990 line 25, fundraising expenses	<u>238,859</u>	<u>402,762</u>
Total supporting service	<u>\$ 696,762</u>	<u>\$ 837,553</u>
Total revenue and support from Form 990 line 12	<u>\$ 6,278,968</u>	<u>\$ 6,711,077</u>
Administrative cost ratio	11.1%	12.5%

**Note 14 – Distributions Payable:**

This Board approved total program allocations of \$598,000 and \$1,346,500 for the years ended August 31, 2012 and 2011, respectively.

**Note 15 – Subsequent Events:**

UWGUC has evaluated subsequent events occurring after the statement of financial position date through the date of November 26, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, UWGUC has determined that there are no subsequent events that have occurred, that require disclosure to the financial statements.

**SUPPLEMENTARY INFORMATION**

**UNITED WAY OF GREATER UNION COUNTY**  
**Schedule of Federal and State Financial Assistance**  
**Year Ended August 31, 2012**

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA#/Contract Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
US Department of Health and Human Services State of NJ Dept of Human Services Nurse Family Partnership	93.505/12EHXP	9/1/2011 - 8/31/2012	\$ 356,349
US Department of Justice NJ Dept of Law and Public Safety Celebration of Womenhood Conference	16.540/J-J:13-3-10	7/1/2011 - 3/30/2012	45,446
Department of Housing and Urban Development CDBG Year 36	14.218/D-12-56-810-321-919	9/1/2010 - 8/31/2011	13,211
CDBG Year 37	14.218/D-12-56-811-321-919	9/1/2011- 8/31/2012	<u>157,018</u>
			170,229
Department of Homeland Security Emergency Food and Shelter Program	97.024/6034-00 002	9/1/2011- 8/31/2012	<u>4,971</u>
Total Federal Awards			<u>576,995</u>
State of NJ Dept of Children and Families Differential Response Program	12BBXP	9/1/2011- 8/31/2012	975,031
State of NJ Dept of Children and Families Family Success Center	12EEXP	9/1/2011- 8/31/2012	<u>200,003</u>
Total State Awards			<u>1,175,034</u>
Total Federal and State Awards			<u>\$ 1,752,029</u>

See Independent Auditors' Report.  
See accompanying Notes to Schedule of Federal and State Financial Assistance.

**UNITED WAY OF GREATER UNION COUNTY**  
**Notes to Schedule of Federal and State Financial Assistance**  
**August 31, 2012**

**1. General Information**

The accompanying schedule of federal and state financial Assistance presents the activities in all the federal and state awards programs of United Way of Greater Union County. All federal and state awards received directly from federal and state agencies as well as federal and state awards passed through other governmental agencies or nonprofit organizations are included on the schedule.

**2. Basis of Presentation**

The accompanying schedule of federal and state financial assistance includes the federal and state grant activity of United Way of Greater Union County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Government Auditing Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. Relationship to Basic Financial Statements**

Federal and state program expenditures are reported in the statement of functional expenses as program expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of federal and state financial assistance due to capitalization of assets, agency matching or in-kind contributions.



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**Independent Auditors' 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 Trustees,  
United Way of Greater Union County:

We have audited the financial statements of United Way of Greater Union County as of and for the year ended August 31, 2012, and have issued our report thereon dated November 26, 2012. We conducted our audit 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.

**Internal Control Over Financial Reporting**

Management of United Way of Greater Union County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered United Way of Greater Union County's internal control over financial reporting as a basis for designing our auditing procedures 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 Greater Union County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the United Way of Greater Union County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as finding 12-01. A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness in internal control over financial reporting, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether United Way of Greater Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of United Way of Greater Union County in a separate letter dated November 26, 2012.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "William Smith + Brown, PC". The signature is written in a cursive, flowing style.

November 26, 2012





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**Independent Auditors' Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State of New Jersey, Department of Treasury, OMB Circular 04-04-OMB**

To the Board of Trustees,  
United Way of Greater Union County:

**Compliance**

We have audited United Way of Greater Union County's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and New Jersey Department of Treasury Circular Letter 04-04 OMB that that could have a direct and material effect on its major federal and state programs for the year ended August 31, 2012. United Way of Greater Union County's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs are the responsibility of the United Way of Greater Union County's management. Our responsibility is to express an opinion on United Way of Greater Union County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133; and the New Jersey Department of the Treasury Circular Letter 04-04-OMB. Those standards, and OMB Circular A-133 and OMB Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about United Way of Greater Union County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of United Way of Greater Union County's compliance with those requirements.

As described in finding 12-02 in the accompanying schedule of findings and questioned costs. United Way of Greater Union County did not comply with certain requirements regarding reporting that are applicable to major programs. Compliance with such requirements is necessary, in our opinion, for United Way of Greater Union County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, United Way of Greater Union County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal and state programs for the year ended August 31, 2012.

### **Internal Control Over Compliance**

The management of United Way of Greater Union County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered United Way of Greater Union County's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and OMB Circular 04-04 OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way of Greater Union County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified one deficiency in internal control over compliance that we considered to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as finding 12-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 26, 2012

**UNITED WAY OF GREATER UNION COUNTY**  
**Schedule of Findings and Questioned Costs**  
**August 31, 2012**

**Section 1 – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**Federal and State Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 and OMB Circular 04-04 OMB?	No

Identification of major Federal and state programs:

**Federal Awards**

**Expenditures**

US Department of Health and Human Services  
State of NJ Dept of Human Services  
Nurse Family Partnership

93.505	\$356,349
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**State Awards**

State of NJ Dept of Children and Families  
Differential Response Program

12BBXP	\$975,031
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Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**UNITED WAY OF GREATER UNION COUNTY**  
**Schedule of Findings and Questioned Costs**  
**August 31, 2012**

**Section 2 – Financial Statements Findings**

**Significant Deficiency**

**Finding 12-01 – Significant Journal Entries**

**Condition:**

During our audit we had to record a significant audit journal entry.

**Criteria:**

Contracts with government agencies should be reviewed to ensure that the revenue and expenses are recognized in accordance with appropriate accounting principles.

**Cause:**

Revenue and expense was recorded for a federal award that did not meet the criteria for revenue recognition.

**Effect:**

Revenue and payments to subrecipients and other agencies were overstated.

**Recommendation:**

UWGUC should strengthen their understanding of government contracts to ensure that they are only recognizing revenue when the appropriate criteria have been met.

**Management's Response:**

A conscious effort will be made to ensure proper recognition of grant revenue. AICPA, FASB, and government grant accounting standards will be utilized to resolve questions on the proper recognition of grant revenue.

**Section 3 – Federal and State Awards Findings and Questioned Costs**

**Significant Deficiency**

**Finding 12-02 – Subrecipient Monitoring**

**Differential Response Program and Nurse Family Partnership**

**Condition:**

During our audit we noted that UWGUC did not obtain the audited financial statements of their subrecipients for both programs. When we received copies requested during the audit we noted the Differential Response Program's subrecipient's audited financial statements did not have the funds passed through from UWGUC listed as state funds, but as federal funds, which is incorrect. On the Nurse Family Partnership's subrecipient's audited financial statements the UWGUC pass through funds were not listed on the schedule of federal awards.

**Criteria:**

As part of their subrecipient monitoring UWGUC is required to provide the subrecipient with award information (i.e. CFDA number, award name and number) and requirements imposed by laws, regulations and the provisions of the contract or grant agreement. UWGUC is required to obtain the financial statements of the subrecipients to ensure the pass-through funds are properly included in the schedule of federal and state awards.

**Cause:**

UWGUC does not have a well defined sub-recipient monitoring policies.

**Effect:**

As a result of not having a well defined policy the required information was not provided to the subrecipients. In addition, as a result of not providing that information or following-up with the subrecipients the appropriate

**UNITED WAY OF GREATER UNION COUNTY**  
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audits were not obtained, and upon audit request the information was excluded or incorrect in the audits received.

Recommendation:

UWGUC created a formal subrecipient monitoring policy, which should be approved by the finance committee.

Management's Response:

A formal subrecipient monitoring policy will be drafted and submitted for approval to the Finance Committee. Audit requirements will be communicated in writing in advance of the contract period start date. Subrecipients will also be required to submit supporting documentation for all reported expenditure amounts.

**Section 4 – Follow-up of Prior Year's Findings and Questioned Costs**

There were no findings or questioned costs for the year ended August 31, 2011.