

United Way of Washtenaw County
(a not-for-profit corporation)

Financial Report
with Additional Information
June 30, 2010

United Way of Washtenaw County

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Independent Auditor's Report

To the Board of Directors
United Way of Washtenaw County

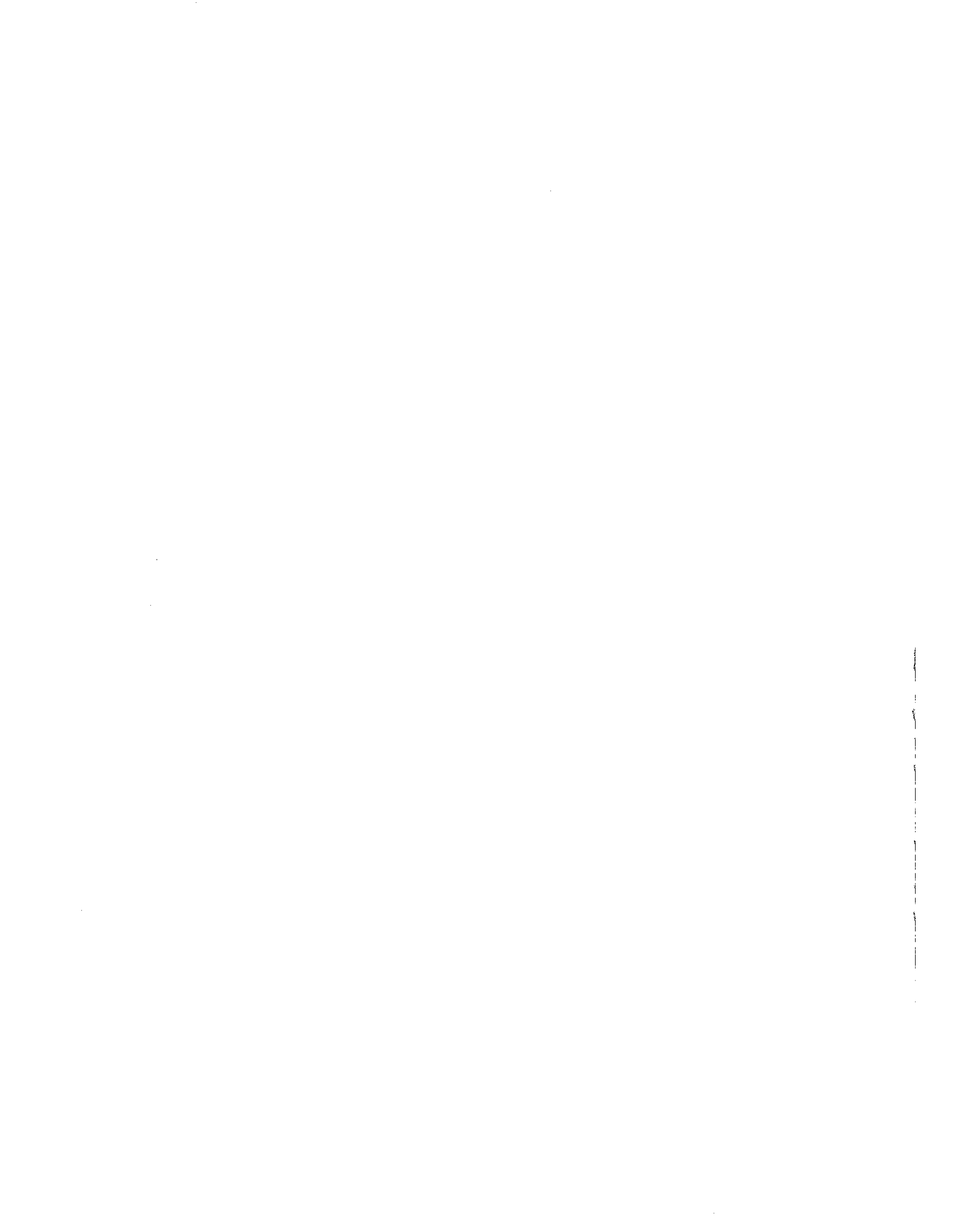
We have audited the accompanying statement of financial position of United Way of Washtenaw County (a not-for-profit organization) (the "Organization") as of June 30, 2010 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Organization's 2009 financial statements and, in our report dated November 17, 2009, 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. 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 Washtenaw County at June 30, 2010 and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 7, 2011



United Way of Washtenaw County

Statement of Financial Position June 30, 2010 (with summarized information for June 30, 2009)

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 480,637	\$ 1,548,518
Accounts receivable	92,945	131,394
Pledges receivable - Net of allowance for estimated uncollectible pledges of \$362,626 in 2010 and \$358,866 in 2009	1,769,326	2,159,897
Investments (Note 2)	1,277,692	2,823,658
Promises to give	-	131,133
Prepaid expenses and other current assets	55,515	83,057
Total current assets	<u>3,676,115</u>	<u>6,877,657</u>
Investments (Note 2)	3,983,544	1,835,892
Property and Equipment - Net (Note 6)	<u>1,772,904</u>	<u>1,844,316</u>
Total assets	<u>\$ 9,432,563</u>	<u>\$ 10,557,865</u>
Liabilities and Net Assets		
Current Liabilities		
Designations payable	\$ 958,846	\$ 1,235,855
Current portion of capital lease obligation (Note 7)	10,261	9,866
Grant payable	6,926	131,133
Allocations payable	2,493,755	2,890,727
Accrued liabilities and other	79,812	148,650
Total current liabilities	<u>3,549,600</u>	<u>4,416,231</u>
Capital Lease Obligation - Net of current portion (Note 7)	7,653	18,115
Other Long-term Liabilities - Pension and postretirement obligations (Note 9)	<u>200,592</u>	<u>499,761</u>
Total liabilities	3,757,845	4,934,107
Net Assets		
Unrestricted	3,373,615	2,767,095
Aggregate deficiency (Note 3)	(87,714)	(134,313)
Temporarily restricted (Note 11)	471,059	1,020,771
Permanently restricted (Note 11)	1,917,758	1,970,205
Total net assets	<u>5,674,718</u>	<u>5,623,758</u>
Total liabilities and net assets	<u>\$ 9,432,563</u>	<u>\$ 10,557,865</u>



United Way of Washtenaw County

Statement of Activities and Changes in Net Assets Year Ended June 30, 2010 (with summarized information for the year ended June 30, 2009)

	Year Ended June 30				2009 Total
	2010			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, Gains, and Other Support					
Campaign results:					
Contributions	\$ 178,525	\$ 5,662,538	\$ -	\$ 5,841,063	\$ 6,814,892
Uncollectible pledges	-	(659,581)	-	(659,581)	(358,866)
Donor designations	-	(2,198,415)	-	(2,198,415)	(1,913,814)
Net campaign results	178,525	2,804,542	-	2,983,067	4,542,212
Grants	157,246	-	-	157,246	222,005
In-kind donations	24,134	-	-	24,134	57,160
Special event revenue	35,469	-	-	35,469	28,434
Other contributions and bequests	122,800	-	2,023	124,823	320,192
Investment income	59,846	51,773	-	111,619	170,184
Service fees	128,519	-	-	128,519	105,028
Miscellaneous income	32,626	-	-	32,626	27,740
Total revenues, gains, and other support	739,165	2,856,315	2,023	3,597,503	5,472,955
Net Assets Released from Restrictions	3,584,155	(3,584,155)	-	-	-
Total revenue, gains, other support, and net assets released from restrictions	4,323,320	(727,840)	2,023	3,597,503	5,472,955
Expenses and Losses					
Program services:					
Funds awarded:					
Gross funds awarded	4,585,681	-	-	4,585,681	4,779,722
Less donor designations	(2,198,415)	-	-	(2,198,415)	(1,913,814)
Net funds awarded	2,387,266	-	-	2,387,266	2,865,908
Community Impact	197,748	-	-	197,748	177,658
Community Service	109,907	-	-	109,907	184,136
Regional Call Center 2-1-1	40,753	-	-	40,753	94,756
Success by Six	199,255	-	-	199,255	453,131
Total program services	2,934,929	-	-	2,934,929	3,775,589
Support services:					
Management and general	307,613	-	-	307,613	336,812
Fund-raising	731,297	-	-	731,297	677,649
United Way of America dues	51,804	-	-	51,804	51,375
Total expenses	4,025,643	-	-	4,025,643	4,841,425
Increase (Decrease) in Net Assets	297,677	(727,840)	2,023	(428,140)	631,530
Net Realized and Unrealized Gains (Losses) on Investments	627	170,257	-	170,884	(571,003)
Endowment Net Asset Reclassification	(33,723)	33,723	-	-	-
Reclassified from Temporarily Restricted Net Assets to Unrestricted Net Assets Based on Donor Direction	80,322	(80,322)	-	-	-
Increase (Decrease) in Net Assets	344,903	(604,182)	2,023	(257,256)	60,527
Pension and Other Postretirement-related Charges Other Than Net Periodic Pension Costs	308,216	-	-	308,216	(391,980)
Increase (Decrease) in Net Assets	653,119	(604,182)	2,023	50,960	(331,453)
Net Assets - Beginning of year	2,632,782	1,020,771	1,970,205	5,623,758	5,955,211
Prior Period Adjustment (Note 5)	-	54,470	(54,470)	-	-
Net Assets - End of year	<u>\$ 3,285,901</u>	<u>\$ 471,059</u>	<u>\$ 1,917,758</u>	<u>\$ 5,674,718</u>	<u>\$ 5,623,758</u>

United Way of Washtenaw County

	Program Services			
	Community Impact	Community Service	Regional Call Center 2-1-1	Success by Six
Expenses				
Allocation to agencies	\$ 4,585,681	\$ -	\$ -	\$ -
Less donor designations	(2,198,415)	-	-	-
Subtotal	2,387,266	-	-	-
Salaries	62,614	62,614	-	-
Employee benefits	4,455	4,455	-	-
Defined benefit plan benefits	11,507	11,507	-	-
Post retirement health plan benefits	-	-	-	-
Subtotal	78,576	78,576	-	-
Payroll taxes	5,758	5,758	-	-
Professional fees	2,651	2,040	-	498
Contract services	72,500	-	40,000	181,119
Data processing	-	-	-	-
Supplies	873	560	-	437
Telephone	2,082	1,041	-	1,041
Postage	109	4	6	-
Occupancy	8,054	4,067	17	4,030
Rental and maintenance of equipment	2,282	1,117	-	1,041
Printing and publications	1,767	402	-	80
Advertising	-	-	708	-
Awards and recognition	-	-	-	-
Conferences and training	2,294	2,552	15	2,411
Campaign supplies	-	71	-	-
Meetings	1,339	6,511	7	1,522
Special events	5,309	112	-	-
Organization dues	-	20	-	-
Depreciation	11,625	5,812	-	5,812
State membership fees	-	-	-	-
Insurance	1,923	961	-	961
Miscellaneous	-	-	-	-
Interest expense	606	303	-	303
Subtotal	119,172	31,331	40,753	199,255
United Way of America dues	-	-	-	-
Total functional expenses	\$ 2,585,014	\$ 109,907	\$ 40,753	\$ 199,255

Statement of Functional Expenses
Year Ended June 30, 2010
(with comparative total for year ended June 30, 2009)

Total Program Services	Support Services				Total Expenses	
	Management and General	Fund-raising	UWA Dues	Total Support Services	2010	2009
\$ 4,585,681	\$ -	\$ -	\$ -	\$ -	\$ 4,585,681	\$ 4,779,722
(2,198,415)	-	-	-	-	(2,198,415)	(1,913,814)
2,387,266	-	-	-	-	2,387,266	2,865,908
125,228	119,536	325,184	-	444,720	569,948	598,120
8,910	8,339	25,384	-	33,723	42,633	51,993
23,014	21,976	59,629	-	81,605	104,619	21,522
-	41,020	-	-	41,020	41,020	19,905
157,152	190,871	410,197	-	601,068	758,220	691,540
11,516	10,993	29,839	-	40,832	52,348	54,186
5,189	26,370	29,647	-	56,017	61,206	84,348
293,619	-	-	-	-	293,619	595,269
-	1,995	-	-	1,995	1,995	2,009
1,870	1,267	3,624	-	4,891	6,761	6,027
4,164	2,082	6,766	-	8,848	13,012	12,831
119	2,619	6,251	-	8,870	8,989	10,472
16,168	8,991	26,225	-	35,216	51,384	51,153
4,440	2,712	7,554	-	10,266	14,706	23,190
2,249	2,592	46,302	-	48,894	51,143	77,477
708	-	75,080	-	75,080	75,788	116,373
-	2,395	2,606	-	5,001	5,001	2,452
7,272	1,255	4,431	-	5,686	12,958	16,509
71	-	3,110	-	3,110	3,181	9,802
9,379	5,200	6,545	-	11,745	21,124	9,706
5,421	982	26,857	-	27,839	33,260	40,394
20	1,419	265	-	1,684	1,704	1,599
23,249	11,625	37,780	-	49,405	72,654	76,804
-	10,000	-	-	10,000	10,000	10,000
3,845	1,923	6,249	-	8,172	12,017	8,485
-	21,732	-	-	21,732	21,732	17,160
1,212	590	1,969	-	2,559	3,771	6,356
390,511	116,742	321,100	-	437,842	828,353	1,232,602
-	-	-	51,804	51,804	51,804	51,375
\$ 2,934,929	\$ 307,613	\$ 731,297	\$ 51,804	\$ 1,090,714	\$ 4,025,643	\$ 4,841,425



United Way of Washtenaw County

Statement of Cash Flows Year Ended June 30, 2010

(with summarized information for the year ended June 30, 2009)

	Year Ended	
	June 30, 2010	June 30, 2009
Cash Flows from Operating Activities		
Collections from contributors	\$ 5,924,038	\$ 6,595,396
Grants received	157,246	222,005
Interest income received	156,481	116,403
Other income received	32,626	27,740
Payments of agency allocations	(2,784,238)	(2,909,114)
Payments of donor designations	(2,346,905)	(2,461,692)
Payments to employees and suppliers	(1,767,041)	(1,805,094)
Net cash used in operating activities	(627,793)	(214,356)
Cash Flows from Investing Activities		
Purchase of fixed assets	(1,242)	(26,287)
Proceeds from sales of investments	6,204,572	3,554,657
Purchase of investments	(6,635,374)	(5,109,011)
Proceeds from contributions restricted for investment in endowment	2,023	3,492
Net cash used in investing activities	(430,021)	(1,577,149)
Cash Flows from Financing Activities - Payments on capital lease	(10,067)	(9,185)
Net Decrease in Cash and Cash Equivalents	(1,067,881)	(1,800,690)
Cash and Cash Equivalents - Beginning of year	1,548,518	3,349,208
Cash and Cash Equivalents - End of year	\$ 480,637	\$ 1,548,518
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	\$ 3,771	\$ 6,356



United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Organization - United Way of Washtenaw County (the "Organization") is a not-for-profit corporation that was formed January 13, 1972. Skilled volunteers recruited by the Organization distribute undesignated funds to local nonprofits based on community needs. In addition, it distributes funds to nonprofits that are designated by the donor. The Organization's revenue is derived from voluntary contributions from the public. The Organization is governed by a volunteer board of directors.

Mission Statement - The mission of United Way of Washtenaw County is to mobilize human and financial resources to help individuals and families build better lives and stronger communities by providing leadership to identify human service needs, set priorities and action plans to meet community needs, collaborate and partner with others, and demonstrate results that matter.

The Organization provides the following program services:

Community Impact - Local nonprofit agencies submit program information and allocation requests in five focus areas. Community investment volunteers help set priorities, budget funds, evaluate outcomes and review financial and program information. Community investment volunteers recommend funding level to United Way of Washtenaw County board of directors. By investing in programs, agencies, funding strategic initiatives and collaborations, United Way of Washtenaw County has a goal to work together with partners to create solutions and positive results in the community. During this fiscal period, agency allocations were \$2,387,266. Donor-designated funding to these agencies was \$2,198,415.

Community Service - The Organization promotes United Way contributions from union members, recruits volunteers for United Way and other nonprofits serving the community, and links families through the community labor council and the AFL-CIO community services programs.

Regional Call Center 2-1-1 - The Organization provides callers with information about and referrals to human services for everyday needs and in times of crisis. United Way Regional Call Center 2-1-1 offers basic human needs resources, physical/mental health resources, employment support, support for older Americans and persons with disabilities, support for children, youth, and families, and volunteer opportunities.

Success by Six - Washtenaw Success by Six, a great start project, is a program by the United Way of Washtenaw County and the Washtenaw Intermediate School District to ensure all children in Washtenaw County start school ready to learn and succeed in life. The initiative develops strategies with key community leaders from business, labor, government, education, human services, health care, and other groups.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Significant accounting policies are as follows:

Method of Accounting - The financial statements have been prepared on the accrual basis of accounting, which includes recognition of revenue as earned and expenses as incurred.

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

Pledges Receivable - The Organization's pledges receivable, all of which are due primarily within one year, are comprised of pledges received during the period that remain outstanding at June 30, 2010. These pledges consist of amounts designated to other organizations and amounts to be used for operations.

Contribution Revenue and Promises to Give - Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are reported as revenue when received and are measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. Unconditional promises to give (pledges) with payments due in future periods are assumed to have an implicit time restriction. Those restrictions are released as contributions are collected or when allocations are made to recipient organizations based on those future collections.

Provisions for Uncollectible Pledges - The provision for uncollectible pledges is computed based upon a five-year historical average, adjusted by management's estimates of current economic factors and applied to net campaign, excluding donor designations.

Allocations to Agencies - Allocations to agencies are reported as expense when unconditionally committed to the recipient by the Organization. Allocations represent ongoing service delivery to recipients.

Designations to Agencies - The Organization receives pledges from donors designating the resources to specified agencies. The Organization collects these resources and disburses the funds to the designated agencies. Designated pledges are excluded from contribution revenue and the related disbursements to specified agencies are excluded from allocations in the statement of activities and changes in net assets.

Governmental Campaign - State and federal governmental campaign amounts are included in the gross campaign revenue for amounts generated locally and returned to United Way of Washtenaw County for payment as designations to locally funded agencies or for inclusion in the Community Investment Fund.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Donated Services - The Organization receives volunteer services that are not recordable under accounting principles generally accepted in the United States of America. A substantial number of volunteers have donated a significant amount of time in the Organization's fund-raising campaigns and determination of the allocation of the funds raised. The value of volunteer services is not disclosed as no objective basis is available to measure the value of such services. Donated materials are recorded at the fair market value at the time of receipt. The Organization received advertising and special event materials which totaled \$24,134 for 2010.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

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 and disclosures in the financial statements. Actual results could differ from those estimates.

Summarized Financial Information - The financial statements include certain prior year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's June 30, 2009 financial statements, from which the summarized information was derived.

Advertising - Advertising costs are expensed as incurred.

Concentration of Credit Risk Arising for Deposit Accounts - The Organization maintains cash balances at several institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or the United States Treasury temporary guarantee program in accordance within applicable program limits. At times balances may exceed federally insured limits.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 17, 2010, which is the date the financial statements were issued.

Note 2 - Investments

The fair value of investments is as follows:

Fixed income mutual funds	\$ 663,837
Balanced mutual funds	28,036
Equity mutual funds	561,663
Foreign mutual funds	<u>570,767</u>
Subtotal	1,824,303
Community Foundation Endowment Fund	73,380
Certificates of deposit	<u>3,363,553</u>
Total	<u>\$ 5,261,236</u>

The fair values of investments are based on quoted market prices. Gains and losses from sales of securities are determined on a specific identification basis.

The Organization maintains an investment fund, comprised of investments and cash equivalents, which are separately invested. The Ann Arbor Area Community Foundation (the "Community Foundation") also maintains an investment fund for the benefit of the United Way of Washtenaw, which is included in the Organization's investments.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 2 - Investments (Continued)

The activity in the investment funds of the Organization and the Community Foundation for the fiscal year ended June 30, 2010 is as follows:

	<u>Investments</u>	<u>Ann Arbor Area Community Foundation</u>
Balance - July 1, 2009	\$ 1,763,228	\$ 72,664
Donor contribution - Permanently restricted	2,023	-
Investment returns - Dividends and interest	50,612	1,161
Realized and unrealized gains	162,258	7,999
Investment deductions:		
Investment and administrative fees	(5,108)	(1,152)
Distributions and grants	(142,201)	(7,292)
Less amount held in cash equivalents	<u>(6,509)</u>	<u>-</u>
Balance - June 30, 2010	<u>\$ 1,824,303</u>	<u>\$ 73,380</u>

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 3 - Donor and Board Restricted Endowments

The Organization's endowment funds are donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 3 - Donor and Board Restricted Endowments (Continued)

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization 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 the Organization 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 the Organization
- (7) The investment policies of the Organization

UPMIFA was signed into law in Michigan on September 15, 2009 and therefore, a reclassification between net assets is reflected as a change in accounting to properly account for earnings on the endowment funds.

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (87,714)	\$ 74,148	\$ 1,917,758	\$ 1,904,192

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 3 - Donor and Board Restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ (134,313)	\$ -	\$ 1,970,205	\$ 1,835,892
Investment return:				
Investment income	-	51,773	-	51,773
Net appreciation (realized and unrealized)	-	170,257	-	170,257
Total investment return	-	222,030	-	222,030
Contributions	-	-	2,023	2,023
Appropriation of endowment assets for expenditure	-	(155,753)	-	(155,753)
Prior period adjustment	-	54,470	(54,470)	-
Release from temporarily restricted by donors	80,322	(80,322)	-	-
Endowment net asset reclassification	(33,723)	33,723	-	-
Endowment net assets - End of year	\$ (87,714)	\$ 74,148	\$ 1,917,758	\$ 1,904,192

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2010, the fair value of endowment assets was \$1,830,044 compared to an endowment corpus of \$1,917,758, leaving a deficiency of \$87,714. In accordance with GAAP, a deficiency of this nature is reported in unrestricted net assets. This deficiency resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 3 - Donor and Board Restricted Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior five quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Note 4 - Fair Value

The following tables present information about the Organization's assets measured at fair value on a recurring basis at June 30, 2010, and the valuation techniques used by the Organization to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 4 - Fair Value (Continued)

Disclosures concerning assets measured at fair value on a recurring basis are as follows:

Fair Value Measurements at June 30, 2010

	Balance at June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets - Investments				
Fixed Income Mutual Funds	\$ 663,837	\$ 663,837	\$ -	\$ -
Balanced Mutual Funds	28,036	28,036	-	-
Equity Mutual Funds	561,663	561,663	-	-
Foreign Mutual Funds	570,767	570,767	-	-
Community Foundation	73,380	-	-	73,380

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis

	Investments
Balance at June 30, 2009	\$ 72,664
Total unrealized gains included in change in net assets	7,999
Net additions, purchases, sales, and maturities	<u>(7,283)</u>
Balance at June 30, 2010	<u>\$ 73,380</u>

Investments categorized as Level 3 assets consist of investments held by the Community Foundation. The fair value is determined by the Community Foundation.

Of the Level 3 investments held by the Organization at June 30, 2010, the unrealized gain for the year ended June 30, 2010 was \$7,999, which is recognized in the increase in temporarily restricted net assets in the statement of activities and changes in net assets.

Note 5 - Prior Period Adjustment

Certain donor restricted funds were improperly classified as permanently restricted net assets in prior years. Due to the contribution agreement, these funds should have been classified as temporarily restricted net assets when originally received and released as funds were expended for restricted purpose. A prior period adjustment has been made to reclassify the appropriate amount as temporarily restricted net assets.

Certain endowment funds were improperly classified as temporarily restricted net assets in prior years. Due to the endowment agreement, these funds should have been classified as permanently restricted net assets when originally received. A prior period adjustment has been made to reclassify the appropriate amount as permanently restricted net assets.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 6 - Property and Equipment

The cost of property and equipment is summarized as follows:

Land	\$ 81,195
Land improvements	33,327
Buildings	1,873,457
Machinery and equipment	<u>301,669</u>
Total cost	2,289,648
Accumulated depreciation	<u>(516,744)</u>
Net carrying amount	<u>\$ 1,772,904</u>

Land improvements have a depreciable life of 5 to 10 years. Buildings are depreciated over 40 years. Equipment and furniture are depreciated over 5 to 10 years. Depreciation expense was \$72,654 for the year ended June 30, 2010.

Note 7 - Capital Leases

The Organization has entered into capital leases involving certain office equipment. The future minimum lease payments under capital leases are as follows:

2011	\$ 11,791
2012	5,578
2013	<u>2,509</u>
Total minimum lease payments	19,878
Less amount representing interest	<u>1,964</u>
Present value of net minimum lease payments	<u>\$ 17,914</u>

Equipment purchased under the capital leases has been capitalized and is included in property, plant, and equipment. Depreciation of assets under capital leases is included in depreciation expense. At year end, \$44,416 has been capitalized as equipment and related accumulated depreciation was \$25,113.

Interest rates on capital leases vary from 7.8 percent to 28.199 percent.

Note 8 - Line of Credit

The Organization has available one unsecured line of credit, which allows the Organization to borrow up to \$500,000. Interest is payable at the bank's prime rate (3.25 percent at June 30, 2010). This line of credit is due on demand and there were no outstanding borrowings on it at June 30, 2010.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 9 - Pension and Other Postretirement Benefits Plan

The Organization sponsored a defined benefit pension plan covering employees who met certain minimum service requirements. Costs are computed in accordance with the projected unit credit method. Service cost is the annual cost of projected benefits for eligible employees. As of April 30, 2007, the board of directors froze the plan.

The Organization also has a plan that provides an annuity for a former employee and postretirement health benefits for certain individuals (the "Plan"). Employees are eligible to participate in the Plan if they were hired prior to January 1, 1995 and had attained their 40th birthday prior to December 31, 1995. Eligible participants and their spouses may receive benefits under the Plan after attaining age 55 as an active employee and completing 20 or more years of service with the United Way of Washtenaw County or any other United Way organization. Benefits provided include comprehensive health insurance and dental insurance. The Plan specifies employee copayments and imposes limits on certain types of services provided. The Organization funds the Plan in the year in which the benefits are paid.

Obligations and Funded Status at June 30

	Pension Benefits	Other Postretirement Benefits
Benefit obligation	\$ (1,039,125)	\$ (157,375)
Fair value of plan assets at end of year	995,908	-
Underfunded status at end of year	<u>\$ (43,217)</u>	<u>\$ (157,375)</u>

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 9 - Pension and Other Postretirement Benefits Plan (Continued)

Amounts recognized in the balance sheet consist of the following:

	Pension Benefits	Other Postretirement Benefits
Beginning - Unfunded status	\$ (75,175)	\$ (424,586)
Current year:		
Net periodic benefit cost	(36,104)	(29,690)
Actuarial gain	-	38,049
Amortization of transition obligation	-	(12,357)
Settlement cost	(54,775)	-
Net gain on plan assets	22,837	-
Amendments - Unrecognized prior year service costs	-	247,330
Employer contributions	100,000	23,879
Ending - Unfunded status	<u>\$ (43,217)</u>	<u>\$ (157,375)</u>

Amounts not yet recognized in nonoperating income consist of the following:

	Pension Benefits	Other Postretirement Benefits
Net loss	<u>\$ 494,068</u>	<u>\$ -</u>

In accordance with generally accepted accounting principles, the benefit obligation presented in the table above represents the projected benefit obligation for the pension plan and the accumulated benefit obligation for the postretirement benefits. The accumulated benefit obligation for the defined benefit pension plan was \$1,039,125 at June 30, 2010.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 9 - Pension and Other Postretirement Benefits Plan (Continued)

	Pension Benefits	Other Postretirement Benefits
Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid		
Net periodic benefit cost	\$ 36,104	\$ 42,047
Settlement cost	54,775	-
Employer contributions	100,000	23,879
Benefits paid	-	23,879
Other Changes in Plan Assets and Benefit Obligations Recognized in the Statement of Activities		
Net gain	<u>\$ (22,837)</u>	<u>\$ (285,379)</u>
Total recognized in pension-related changes other than net periodic benefit pension cost	<u>\$ (22,837)</u>	<u>\$ (285,379)</u>
Total recognized in net periodic benefit cost and income	<u>\$ 68,042</u>	<u>\$ (243,332)</u>

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 9 - Pension and Other Postretirement Benefits Plan (Continued)

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30:

	Pension Benefits	Other Postretirement Benefits
Discount rate	6.25 %	6.00 %
Rate of compensation increase	0.00	N/A

Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:

	Pension Benefits	Other Postretirement Benefits
Discount rate	6.25 %	6.50 %
Expected long-term return on plan assets	7.00	N/A
Rate of compensation increase	0.00	N/A

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of returns of the respective asset classes adjusted for anticipated market movements.

Assumed healthcare cost trend rates at June 30:

Healthcare cost trend rate assumed for next year	10 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4 %
Year that the rate reaches the ultimate trend rate	2016

Plan Assets

The Organization's pension plan weighted average asset allocations at June 30, 2010, by asset category, are as follows:

Asset Category

Equity securities	63 %
Debt securities	29
Cash equivalents	8
	<hr/>
Total	100 %

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 9 - Pension and Other Postretirement Benefits Plan (Continued)

The Plan assets categorized above as other (cash and cash equivalents) were the result of Plan assets being moved from one asset manager to another near year end.

The goal of the investment fund is to provide current and future promised retirement benefits to the beneficiaries of the Plan. The target allocation percentages for each major category of plan assets are as follows:

Equity securities	40-80 %
Debt securities	10-55
Cash equivalents	0-30

The fair values of the Organization's pension plan assets at June 30, 2010 by major asset categories are as follows:

Fair Value Measurements at June 30, 2010

Asset Category	Total	Quoted	Significant	Significant
		Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash:	\$ 79,495	\$ 79,495	\$ -	\$ -
Fixed Income Mutual Funds	291,363	291,363	-	-
Balanced Mutual Funds	17,064	17,064	-	-
Equity Mutual Funds	288,975	288,975	-	-
Foreign Mutual Funds	319,011	319,011	-	-
Total	<u>\$ 995,908</u>	<u>\$ 995,908</u>	<u>\$ -</u>	<u>\$ -</u>

The above table presents information about the pension benefit plan assets measured at fair value at June 30, 2010, and the valuation techniques used by the Organization to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Plan has the ability to access.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 9 - Pension and Other Postretirement Benefits Plan (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

Contributions

The Organization expects to contribute approximately \$40,000 to its pension plan in 2011.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension	Other
	Benefits	Postretirement
		Benefits
2011	\$ 20,424	\$ 13,172
2012	22,105	13,687
2013	47,830	14,133
2014	52,682	14,500
2015	52,185	15,030
2016-2020	459,386	61,265

Note 10 - Defined Contribution Benefit Plan

The Organization has an employee 401(k) salary deferral plan. All employees who have reached the age of 21, with at least 1,000 hours and one year of service, are eligible to participate in the plan. The Organization makes a 3 percent contribution for all eligible employees and also matches 100 percent of a participant's elective deferral up to a maximum of 2 percent of gross pay as limited by the Internal Revenue Service. The Organization may make a discretionary contribution. The Organization made its 3 percent contribution of \$15,860 to the plan for the year ended June 30, 2010.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2010

Note 11 - Restricted Net Assets

Temporarily restricted net assets consist of pledges made for general operating purposes that were not yet received at June 30, 2010, net of the allocations and designations to be paid from the contributions raised by the current campaign and restricted contributions. Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable for operations or other purposes as decided by the board.

Temporarily restricted net assets at June 30, 2010 are restricted for the following:

Pledges	\$ 396,911
Services to children and youth with development and physical disabilities	<u>74,148</u>
Total temporarily restricted net assets	<u>\$ 471,059</u>

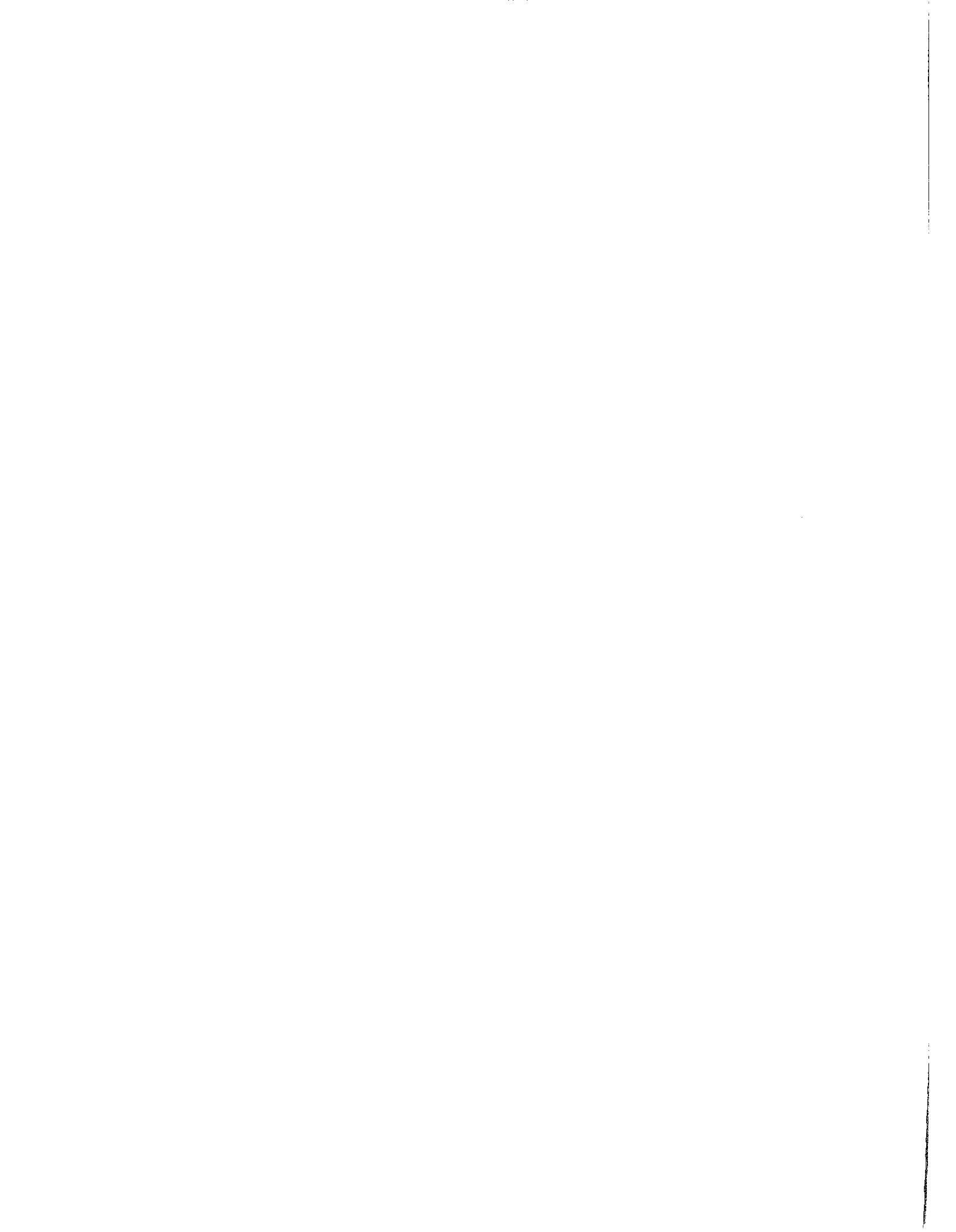
Permanently restricted net assets at June 30, 2010 are as follows:

Operations	<u>\$ 1,917,758</u>
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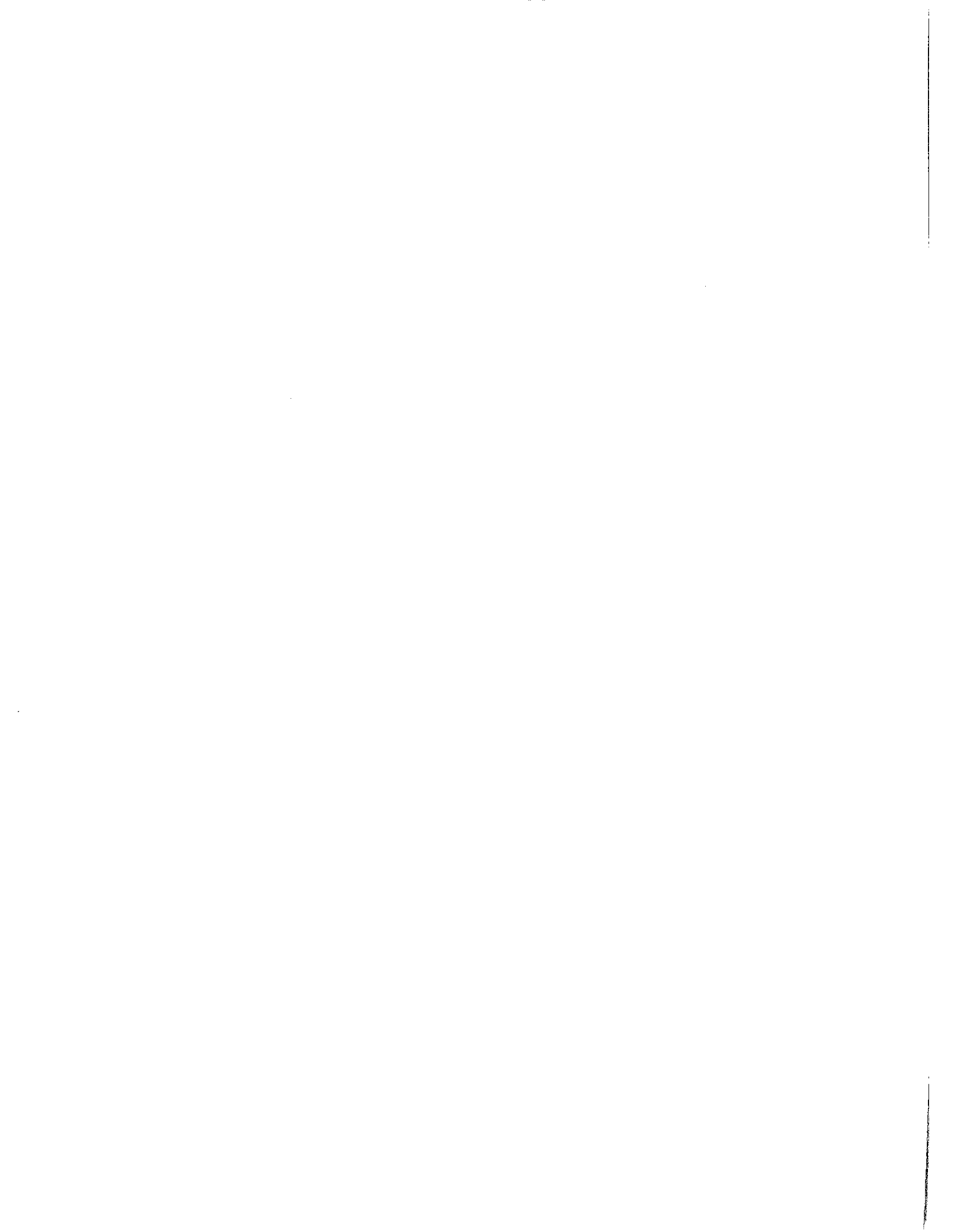
Note 12 - Cash Flows

A reconciliation of decrease in net assets to net cash used in operating activities is as follows:

Decrease in net assets	\$ (196,370)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	72,654
Realized and unrealized gain on investments	(170,884)
Bad debt expense	659,581
Pension-related changes other than periodic pension costs	60,886
Changes in assets and liabilities:	
Increase in contributions receivable	(271,033)
Increase in prepaid expenses	(17,320)
Decrease in promises to give	131,133
Decrease in interest receivable	44,862
Decrease in allocations payable	(396,972)
Decrease in designation payable	(277,009)
Decrease in accrued liabilities	(68,838)
Decrease in grant payable	(124,207)
Decrease in accounts receivable	38,449
Decrease in pension and postretirement benefit obligations	<u>(112,725)</u>
Net cash used in operating activities	<u>\$ (627,793)</u>



Additional Information

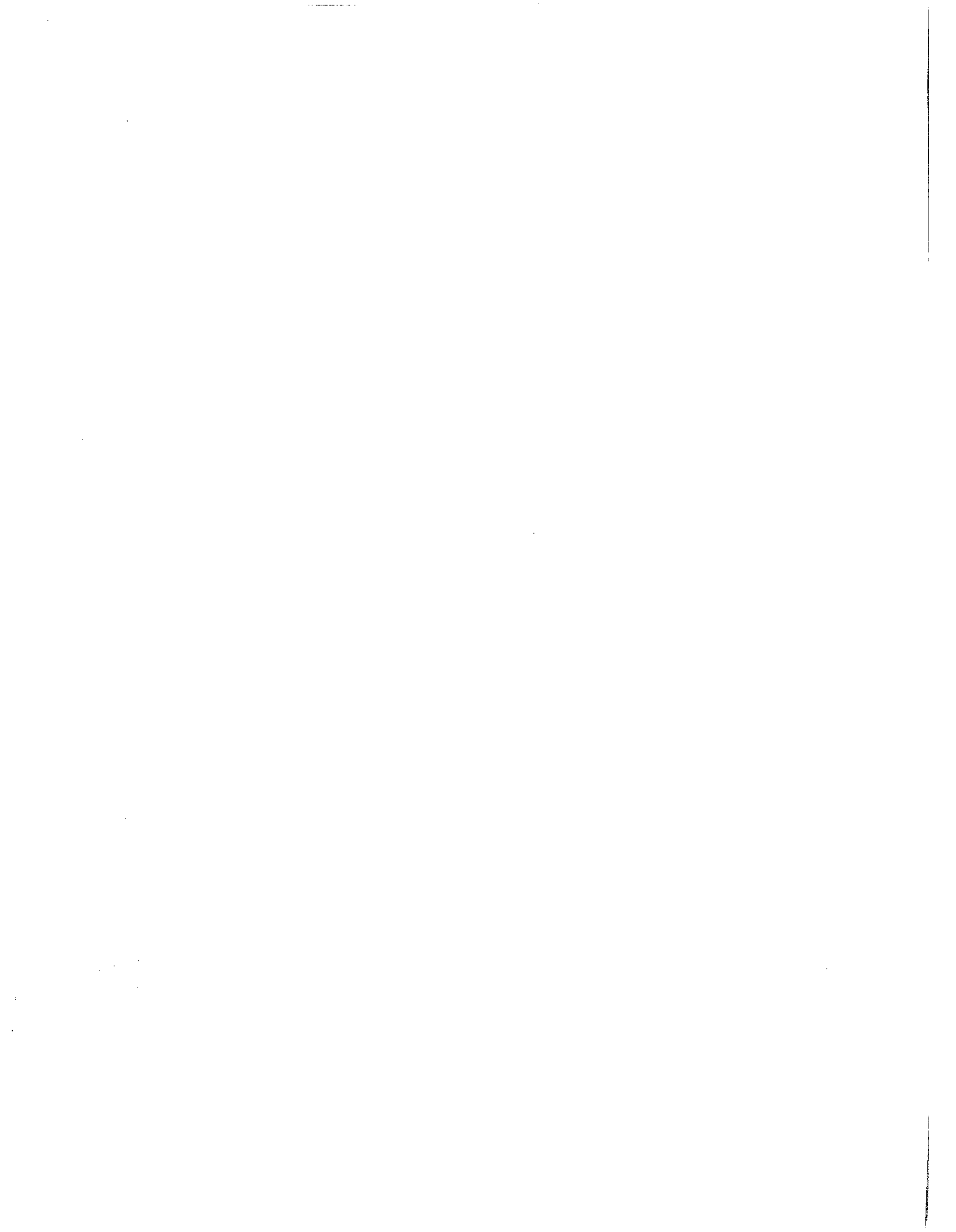


To the Board of Directors
United Way of Washtenaw County

We have audited the financial statements of United Way of Washtenaw County (a not-for-profit corporation) as of June 30, 2010. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of allocations to agencies and donor designations is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

January 7, 2011



United Way of Washtenaw County

Schedule of Allocations to Agencies and Donor Designations Year Ended June 30, 2010

American Red Cross	\$ 75,000
Ann Arbor Center for Independent Living	17,000
Ann Arbor Community Center	16,875
Ann Arbor YMCA	10,892
Arbor Hospice	10,000
Boys and Girls Club	35,000
Catholic Social Services	289,769
CSS Lead Agency Resources	9,000
Child Care Network	54,636
Community Action Network	46,986
Community Dental Center	14,027
Corner Health Center	189,023
Dawn Farm	40,000
Food Gatherers	63,880
Home of New Vision	40,000
Hope Clinic	57,787
Housing Bureau for Seniors	27,431
Jewish Family Services	29,364
Legal Services of South Central MI	44,339
Michigan Ability Partners	49,306
Neighborhood Senior Services	57,383
Ozone House Youth & Family	89,107
Packard Community Clinic	45,000
Peace Neighborhood Center	58,925
Perry Nursery School	124,583
Regional Alliance for Healthy Schools	10,028
SafeHouse Center	110,983
Salvation Army of Washtenaw	46,250
Shelter Association of Washtenaw	52,134
SOS Community Services	144,699
Student Advocacy Center	10,000
Washtenaw Association for Community Advocates	14,000
Washtenaw Literacy	9,500
Ypsilanti Meal on Wheels	54,691
Miscellaneous	439,668
Total allocations to agencies	2,387,266
Donor designations	2,198,415
Gross funds awarded	<u>\$ 4,585,681</u>

