

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

Financial Report
with Additional Information
June 30, 2011

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, 2011 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 2010 financial statements and, in our report dated January 7, 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. 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, 2011 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.

Plante & Moran, PLLC

November 21, 2011

United Way of Washtenaw County

Statement of Financial Position

June 30, 2011

(with summarized information for June 30, 2010)

Assets	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current Assets		
Cash and cash equivalents	\$ 836,649	\$ 480,637
Accounts receivable	40,169	92,945
Pledges receivable - Net of allowance for estimated uncollectible pledges of \$381,455 in 2011 and \$362,626 in 2010	1,884,338	1,769,326
Investments (Note 2)	2,154,742	1,277,692
Prepaid expenses and other current assets	41,690	55,515
Total current assets	<u>4,957,588</u>	<u>3,676,115</u>
Investments - Net of current portion (Note 2)	1,309,577	2,153,500
Endowment Investments (Note 2)	2,069,170	1,830,044
Property and Equipment - Net (Note 5)	1,771,393	1,772,904
Prepaid Pension (Note 8)	18,258	-
Total assets	<u>\$ 10,125,986</u>	<u>\$ 9,432,563</u>
Liabilities and Net Assets		
Current Liabilities		
Designations payable	\$ 1,127,577	\$ 958,846
Current portion of capital lease obligation (Note 6)	18,984	10,261
Grant payable	20,013	6,926
Allocations payable	2,670,778	2,493,755
Accrued liabilities and other	97,673	79,812
Total current liabilities	<u>3,935,025</u>	<u>3,549,600</u>
Capital Lease Obligation - Net of current portion (Note 6)	49,304	7,653
Other Long-term Liabilities - Pension and postretirement obligations (Note 8)	112,716	200,592
Total liabilities	<u>4,097,045</u>	<u>3,757,845</u>
Net Assets		
Unrestricted	3,128,863	3,373,615
Aggregate deficiency (Note 3)	(11,730)	(87,714)
Temporarily restricted (Note 10)	993,800	471,059
Permanently restricted (Note 10)	1,918,008	1,917,758
Total net assets	<u>6,028,941</u>	<u>5,674,718</u>
Total liabilities and net assets	<u>\$ 10,125,986</u>	<u>\$ 9,432,563</u>

United Way of Washtenaw County

Statement of Activities and Changes in Net Assets Year Ended June 30, 2011 (with summarized information for the year ended June 30, 2010)

	Year Ended June 30				2010 Total
	2011			Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenue, Gains, and Other Support					
Campaign results:					
Contributions	\$ 37,897	\$ 5,689,210	\$ -	\$ 5,727,107	\$ 5,841,063
Uncollectible pledges	-	(381,455)	-	(381,455)	(659,581)
Donor designations	-	(1,906,935)	-	(1,906,935)	(2,198,415)
Net campaign results	37,897	3,400,820	-	3,438,717	2,983,067
Grants	199,513	-	-	199,513	157,246
In-kind donations	73,145	-	-	73,145	24,134
Special event revenue	48,650	-	-	48,650	35,469
Other contributions and bequests	175,611	-	250	175,861	124,823
Investment income	47,050	87,856	-	134,906	111,619
Service fees	91,432	-	-	91,432	128,519
Gain on sale of fixed assets	1,757	-	-	1,757	-
Miscellaneous income	1,781	-	-	1,781	32,626
Total revenue, gains, and other support	676,836	3,488,676	250	4,165,762	3,597,503
Net Assets Released from Restrictions	3,075,574	(3,075,574)	-	-	-
Total revenue, gains, other support, and net assets released from restrictions	3,752,410	413,102	250	4,165,762	3,597,503
Expenses and Losses					
Program services:					
Funds awarded:					
Gross funds awarded	4,338,632	-	-	4,338,632	4,585,681
Less donor designations	(1,906,935)	-	-	(1,906,935)	(2,198,415)
Net funds awarded	2,431,697	-	-	2,431,697	2,387,266
Community impact	219,211	-	-	219,211	197,748
Community service	256,075	-	-	256,075	109,907
Regional call center 2-1-1	85,054	-	-	85,054	40,753
Success by Six	229,095	-	-	229,095	199,255
Total program services	3,221,132	-	-	3,221,132	2,934,929
Support services:					
Management and general	285,816	-	-	285,816	307,613
Fundraising	566,681	-	-	566,681	731,297
United Way of America dues	51,654	-	-	51,654	51,804
Total expenses	4,125,283	-	-	4,125,283	4,025,643
(Decrease) Increase in Net Assets	(372,873)	413,102	250	40,479	(428,140)
Net Realized and Unrealized Gains on Investments	75,984	202,823	-	278,807	170,884
Reclassified from Temporarily Restricted Net Assets to Unrestricted Net Assets Based on Donor Direction	93,184	(93,184)	-	-	-
(Decrease) Increase in Net Assets	(203,705)	522,741	250	319,286	(257,256)
Pension and Other Postretirement-related Charges Other than Net Periodic Pension Costs	34,937	-	-	34,937	308,216
(Decrease) Increase in Net Assets	(168,768)	522,741	250	354,223	50,960
Net Assets - Beginning of year	3,285,901	471,059	1,917,758	5,674,718	5,623,758
Net Assets - End of year	\$ 3,117,133	\$ 993,800	\$ 1,918,008	\$ 6,028,941	\$ 5,674,718

United Way of Washtenaw County

	Program Services			
	Community Impact	Community Service	Regional Call Center 2-1-1	Success by Six
Allocation to agencies	\$ 4,338,632	\$ -	\$ -	\$ -
Less donor designations	(1,906,935)	-	-	-
Subtotal	2,431,697	-	-	-
Salaries	75,048	160,816	-	-
Employee benefits	7,336	15,719	-	-
Defined benefit plan benefits	3,955	8,476	-	-
Postretirement health plan benefits	-	-	-	-
Subtotal	86,339	185,011	-	-
Payroll taxes	7,089	15,192	-	-
Professional fees	1,078	2,564	2	52
Contract services	86,828	-	80,000	227,004
Data processing	-	-	-	-
Supplies	915	989	22	22
Telephone	2,719	2,855	68	68
Postage	89	86	2	21
Occupancy	10,872	11,417	272	272
Rental and maintenance of equipment	1,837	1,782	40	44
Printing and publications	1,362	747	-	34
Advertising	-	-	4,176	224
Awards and recognition	-	49	-	-
Conferences and training	1,519	1,646	9	411
Campaign supplies	-	499	-	-
Meetings	20	8,472	-	480
Special events	25	5,320	-	-
Organization dues	-	-	-	-
Depreciation	15,537	16,314	388	388
State membership fees	-	-	-	-
Insurance	2,268	2,382	57	57
Miscellaneous	-	-	-	-
Interest expense	714	750	18	18
Subtotal	132,872	71,064	85,054	229,095
United Way of America dues	-	-	-	-
Total functional expenses	<u>\$ 2,650,908</u>	<u>\$ 256,075</u>	<u>\$ 85,054</u>	<u>\$ 229,095</u>

Statement of Functional Expenses
Year Ended June 30, 2011
(with comparative totals for year ended June 30, 2010)

Total Program Services	Support Services			Total Support Services	Total Expenses	
	Management and General	Fundraising	UWA Dues		2011	2010
\$ 4,338,632	\$ -	\$ -	\$ -	\$ -	\$ 4,338,632	\$ 4,585,681
(1,906,935)	-	-	-	-	(1,906,935)	(2,198,415)
2,431,697	-	-	-	-	2,431,697	2,387,266
235,864	117,932	182,831	-	300,763	536,627	569,948
23,055	11,722	18,314	-	30,036	53,091	42,633
12,431	6,215	9,606	-	15,821	28,252	104,619
-	3,823	-	-	3,823	3,823	41,020
271,350	139,692	210,751	-	350,443	621,793	758,220
22,281	11,141	17,218	-	28,359	50,640	52,348
3,696	56,165	13,174	-	69,339	73,035	61,206
393,832	-	-	-	-	393,832	293,619
-	2,040	-	-	2,040	2,040	1,995
1,948	1,030	1,979	-	3,009	4,957	6,761
5,710	2,583	5,302	-	7,885	13,595	13,012
198	2,352	6,371	-	8,723	8,921	8,989
22,833	10,347	21,203	-	31,550	54,383	51,384
3,703	2,799	5,508	-	8,307	12,010	14,706
2,143	3,922	43,686	-	47,608	49,751	51,143
4,400	-	111,808	-	111,808	116,208	75,788
49	1,755	2,397	-	4,152	4,201	5,001
3,585	-	2,849	-	2,849	6,434	12,958
499	-	7,914	-	7,914	8,413	3,181
8,972	1,701	4,708	-	6,409	15,381	21,124
5,345	1,690	75,435	-	77,125	82,470	33,260
-	1,330	265	-	1,595	1,595	1,704
32,627	14,760	30,297	-	45,057	77,684	72,654
-	10,000	-	-	10,000	10,000	10,000
4,764	2,095	4,423	-	6,518	11,282	12,017
-	19,735	-	-	19,735	19,735	21,732
1,500	679	1,393	-	2,072	3,572	3,771
518,085	146,124	355,930	-	502,054	1,020,139	828,353
-	-	-	51,654	51,654	51,654	51,804
\$ 3,221,132	\$ 285,816	\$ 566,681	\$ 51,654	\$ 904,151	\$ 4,125,283	\$ 4,025,643

United Way of Washtenaw County

Statement of Cash Flows Year Ended June 30, 2011

(with summarized information for the year ended June 30, 2010)

	Year Ended	
	June 30, 2011	June 30, 2010
Cash Flows from Operating Activities		
Collections from contributors	\$ 5,543,191	\$ 5,924,038
Grants received	199,513	157,246
Interest income received	134,181	156,481
Other income received	1,781	32,626
Payments of agency allocations	(2,254,674)	(2,784,238)
Payments of donor designations	(1,646,772)	(2,346,905)
Payments to employees and suppliers	(1,603,470)	(1,767,041)
Net cash provided by (used in) operating activities	373,750	(627,793)
Cash Flows from Investing Activities		
Purchase of fixed assets	(7,440)	(1,242)
Proceeds from sales of investments	5,380,528	6,204,572
Purchase of investments	(5,373,873)	(6,635,374)
Proceeds from contributions restricted for investment in endowment	250	2,023
Net cash used in investing activities	(535)	(430,021)
Cash Flows from Financing Activities - Payments on capital lease	(17,203)	(10,067)
Net Increase (Decrease) in Cash and Cash Equivalents	356,012	(1,067,881)
Cash and Cash Equivalents - Beginning of year	480,637	1,548,518
Cash and Cash Equivalents - End of year	\$ 836,649	\$ 480,637
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	\$ 3,572	\$ 3,771

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

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 - In an effort to coordinate an approach to better meet human service needs, the Coordinated Funding Model was conceived. Together with the Office of Community Development (OCD) and the Ann Arbor Area Community Foundation (AACF), United Way of Washtenaw County developed a funding model that supports shared, community-wide strategies - focusing the attention of donors, funders, and nonprofit service providers on outcomes and stretching community resources to the greatest extent possible. Each organization brings capacity, knowledge, best practices, and experience, which results in improvements such as more comprehensive data about community needs and "one application-one review-one evaluation" process for agencies to manage rather than one per funder. Beginning July 1, 2011, approved programs that address the issues of hunger relief, housing and homelessness, access to health care, early childhood, school-aged youth, and aging will receive two-year grants. United Way of Washtenaw County will continue to fund several other programs - such as 2-1-1, Success by Six, the American Red Cross, etc. - entirely outside of Coordinated Funding. The Organization has also made sure to retain a small flexible fund to address any emerging need or opportunity that arises over the course of the year as well.

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.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

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

Success by Six - Washtenaw Success by Six, a Great Start project, is a program by 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.

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, 2011. 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.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

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

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.

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 fundraising 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 \$73,145 for 2011.

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 - Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Michigan, the Organization is exempt from income taxes. The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). There were no unrelated business activities in 2011 and 2010. Accordingly, no tax expense was incurred during the years ended June 30, 2011 and 2010.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2007.

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, 2010 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 covered under the Dodd-Frank Act in accordance within applicable program limits. At times balances may exceed federally insured limits.

Fair Value Disclosures - The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Organization could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 21, 2011, which is the date the financial statements were issued.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 2 - Investments

The fair value of investments is as follows:

Mutual funds (Note 4)	\$ 1,985,190
Community Foundation Fund (Note 4)	88,270
Certificates of deposit	<u>1,305,287</u>
Total noncurrent investments	3,378,747
Certificates of deposit - Current	<u>2,154,742</u>
Total investments	<u>\$ 5,533,489</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 endowment 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 United Way of Washtenaw, which is included in the Organization's investments.

The activity in the investment funds of the Organization and the Community Foundation for the fiscal year ended June 30, 2011 is as follows:

	<u>Investments</u>	<u>Ann Arbor Area Community Foundation</u>
Balance - July 1, 2010	\$ 1,824,303	\$ 73,380
Miscellaneous deposit	100	-
Investment returns:		
Dividends and interest	54,522	2,170
Realized and unrealized gains	291,609	13,922
Investment deductions:		
Investment and administrative fees	(5,382)	(1,202)
Distributions and grants	(110,104)	-
Less amount held in cash equivalents	<u>(69,858)</u>	<u>-</u>
Balance - June 30, 2011	<u>\$ 1,985,190</u>	<u>\$ 88,270</u>

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 2 - Investments (Continued)

Reconciliation of total endowment balance to investment balance:

Total investment (excludes certificates of deposit)	\$ 2,073,460
Add endowment included as part of cash balance	69,858
Subtract nonendowment investment included in mutual funds balance (Note 10)	<u>(74,148)</u>
Total endowment balance (Note 3)	<u>\$ 2,069,170</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-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.

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

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 3 - Donor-restricted Endowments (Continued)

- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (11,730)	\$ 162,892	\$ 1,918,008	\$ 2,069,170

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ (87,714)	\$ -	\$ 1,917,758	\$ 1,830,044
Investment return:				
Investment income	-	53,253	-	53,253
Net appreciation (realized and unrealized)	75,984	202,823	-	278,807
Total investment return	75,984	256,076	-	332,060
Contributions	-	-	250	250
Appropriation of endowment assets for expenditure	-	(93,184)	-	(93,184)
Endowment net assets - End of year	\$ (11,730)	\$ 162,892	\$ 1,918,008	\$ 2,069,170

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, 2011, the fair value of the Community Foundation endowment assets had fallen below its corpus level by \$11,730. In accordance with GAAP, a deficiency of this nature is reported in unrestricted net assets. This deficiency resulted from unfavorable market fluctuations.

Note 3 - Donor-restricted Endowments (Continued)

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.

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 Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at June 30, 2011 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.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 4 - Fair Value Measurements (Continued)

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. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the 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 asset or liability.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2011

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Investments:				
Mutual funds:				
Fixed income	\$ 455,083	\$ -	\$ -	\$ 455,083
Balanced	242,648	-	-	242,648
Equity	827,439	-	-	827,439
Global	460,020	-	-	460,020
Community Foundation	-	-	88,270	88,270
Total investments	<u>\$ 1,985,190</u>	<u>\$ -</u>	<u>\$ 88,270</u>	<u>\$ 2,073,460</u>

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2011 are as follows:

	Ann Arbor Community Foundation
Balance at June 30, 2010	\$ 73,380
Net additions, purchases, sales, and maturities	968
Total realized gains	1,070
Total unrealized gains	12,852
Balance at June 30, 2011	<u>\$ 88,270</u>

Realized and unrealized gains of \$13,922 for the year ended June 30, 2011 are reported in temporarily restricted net assets in the statement of activities and changes in net

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 4 - Fair Value Measurements (Continued)

assets.

The fair value of investments held by the Community Foundation at June 30, 2011 was determined primarily based on Level 3 inputs. The fair value is determined by the Community Foundation, based on the fair value of the underlying assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains for these assets presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

Of the Level 3 assets still held by the Organization at June 30, 2011, the unrealized gain for the year ended June 30, 2011 was \$12,852, which is recognized in the increase in temporarily restricted net assets in the statement of activities and changes in net assets.

Note 5 - 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>228,473</u>
Total cost	2,216,452
Accumulated depreciation	<u>(445,059)</u>
Net carrying amount	<u>\$ 1,771,393</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 \$77,684 for the year ended June 30, 2011.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 6 - Capital Leases

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

2012	\$	21,933
2013		20,242
2014		15,997
2015		12,360
2016		<u>4,447</u>
Total minimum lease payments		74,979
Less amount representing interest		<u>6,691</u>
Present value of net minimum lease payments	\$	<u>68,288</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, \$87,520 has been capitalized as equipment and related accumulated depreciation was \$15,506.

Interest rates on capital leases vary from .006 percent to 15.114 percent.

Note 7 - 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, 2011). This line of credit is due on demand and there were no outstanding borrowings on it at June 30, 2011.

Note 8 - Pension and Other Postretirement Benefit Plans

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.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 8 - Pension and Other Postretirement Benefit Plans (Continued)

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 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, 2011

	Pension Benefits	Other Postretirement Benefits
Projected benefit obligation	\$ 1,224,985	\$ 112,716
Fair value of plan assets at end of year	1,243,243	-
Funded (underfunded) status at end of year	<u>\$ 18,258</u>	<u>\$ (112,716)</u>

Amounts recognized in the statement of financial position consist of the following:

	Pension Benefits	Other Postretirement Benefits
Beginning - Unfunded status	\$ (43,217)	\$ (157,375)
Net periodic benefit cost	(28,447)	(12,282)
Actuarial gain	-	34,937
Amortization of prior service cost	-	13,741
Employee contributions	89,922	8,263
Ending - Funded (unfunded) status	<u>\$ 18,258</u>	<u>\$ (112,716)</u>

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

	Pension Benefits	Other Postretirement Benefits
Actuarial net loss	<u>\$ 494,263</u>	<u>\$ -</u>

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 8 - Pension and Other Postretirement Benefit Plans (Continued)

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 \$1,224,985 at June 30, 2011.

	Pension Benefits	Other Postretirement Benefits
Net Periodic Benefit Cost (Income), Employer Contributions, Participant Contributions, and Benefits Paid		
Net periodic benefit cost (income)	\$ 28,252	\$ (1,459)
Employer contributions	89,922	8,263
Benefits paid	-	8,263
Other Changes in Plan Assets and Benefit Obligations Recognized in the Statement of Activities and Changes in Net Assets		
Net loss (gain)	\$ -	\$ (34,937)
Total recognized in benefit-related changes other than net periodic benefit cost	\$ -	\$ (34,937)
Total recognized in net periodic benefit cost and other changes.	\$ 28,252	\$ (36,396)

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30, 2011 are as follows:

	Pension Benefits	Other Postretirement Benefits
Discount rate	6.00 %	5.50 %

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 8 - Pension and Other Postretirement Benefit Plans (Continued)

Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30, 2011 are as follows:

	Pension Benefits	Other Postretirement Benefits
Discount rate	6.00 %	5.50 %
Expected long-term return on plan assets	7.00	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.

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

Pension Plan Assets

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Organization, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

The Organization's pension plan weighted average asset allocation at June 30, 2011, by asset category, is as follows:

Asset Category	
Equity securities	67 %
Fixed income	13 %
Cash equivalents	20 %
Total	<u>100 %</u>

The target allocation of plan assets is 40-80 percent equity securities, 10-55 percent corporate bonds and U.S. Treasury securities, and 0-30 percent other types of investments.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 8 - Pension and Other Postretirement Benefit Plans (Continued)

The fair values of the Organization's pension plan assets at June 30, 2011 by major asset classes are as follows:

Fair Value Measurements at June 30, 2011

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - Fixed income	\$ 169,776	\$ 169,776	\$ -	\$ -
Mutual funds - Balanced	139,614	139,614	-	-
Mutual funds - Equities	416,084	416,084	-	-
Mutual funds - Global	259,176	259,176	-	-
Total	<u>\$ 984,650</u>	<u>\$ 984,650</u>	<u>\$ -</u>	<u>\$ -</u>

The difference between the plan assets of \$1,243,243 and total investment per fair market table of \$984,650 above is \$258,593 held in a deposit account not subject to fair market valuation.

The above table presents information about the pension and postretirement benefit plan assets measured at fair value at June 30, 2011 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.

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.

Cash Flow

Contributions

The Organization expects to contribute \$89,022 to its pension plan in 2012.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 8 - Pension and Other Postretirement Benefit Plans (Continued)

Estimated Future Benefit Payments

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

	Pension Benefits	Other Postretirement Benefits
2012	\$ 30,599	\$ 11,563
2013	56,805	11,816
2014	62,868	12,003
2015	69,299	12,146
2016	97,444	12,248
2017-2021	567,833	46,815

Note 9 - 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 \$20,504 to the plan for the year ended June 30, 2011.

Note 10 - 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, 2011 are restricted for the following:

Pledges	\$ 756,760
Services to children and youth with development and physical disabilities	74,148
Endowment earnings in excess of distributions	162,892
Total temporarily restricted net assets	<u>\$ 993,800</u>

United Way of Washtenaw County

Notes to Financial Statements June 30, 2011

Note 10 - Restricted Net Assets (Continued)

Permanently restricted net assets at June 30, 2011 are as follows:

Operations	\$ 1,918,008
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Note 11 - Cash Flows

A reconciliation of the increase in net assets to net cash from operating activities is as follows:

Increase in net assets	\$ 354,223
Adjustments to reconcile increase in net assets to net cash from operating activities:	
Depreciation	77,684
Realized and unrealized gain on investments	(278,807)
Bad debt expense	381,455
Gain on sale of assets	(1,757)
Changes in assets and liabilities:	
Increase in contributions receivable	(496,217)
Decrease in prepaid expenses	14,550
Increase in interest receivable	(725)
Increase in allocations payable	177,023
Increase in designation payable	168,731
Increase in accrued liabilities	17,861
Increase in grant payable	13,087
Decrease in accounts receivable	52,776
Decrease in pension and postretirement benefit obligations	(106,134)
Net cash provided by operating activities	<u>\$ 373,750</u>

Additional Information

Independent Auditor's Report on 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, 2011. 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

November 21, 2011

United Way of Washtenaw County

Schedule of Allocations to Agencies and Donor Designations Year Ended June 30, 2011

American Red Cross	\$ 75,000
Ann Arbor Center for Independent Living	39,091
Arbor Hospice	9,198
Boys and Girls Club	32,193
Catholic Social Services	204,892
Child Care Network	148,188
Community Action Network	29,526
Community Dental Center	22,902
COPE	42,906
Corner Health Center	276,766
Hope Clinic	137,929
Jewish Family Services	4,800
Legal Services of South Central MI	32,044
Ozone House Youth & Family	113,335
PORT	120,250
Perry Nursery School	59,243
Regional Alliance for Healthy Schools	9,626
SafeHouse Center	45,484
Salvation Army of Washtenaw	42,540
Shelter Association of Washtenaw	74,763
SOS Community Services	124,577
Washtenaw Literacy	59,520
Ypsilanti Meal on Wheels	47,227
Emerging Needs	460,259
Allocations pending	219,438
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Total allocations to agencies	2,431,697
Donor designations	1,906,935
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Gross funds awarded	\$ 4,338,632

