

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

Financial Report
with Additional Information
June 30, 2013

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 financial statements of United Way of Washtenaw County (the "Organization"), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
United Way of Washtenaw County

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Washtenaw County as of June 30, 2013 and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of Washtenaw County's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

November 13, 2013

United Way of Washtenaw County

Statement of Financial Position June 30, 2013

(with summarized information for June 30, 2012)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 416,762	\$ 687,951
Accounts receivable	250,707	27,927
Pledges receivable - Net of allowance for estimated uncollectible pledges of \$222,413 in 2013 and \$399,916 in 2012	1,703,374	1,904,105
Investments (Note 2)	263,615	242,280
Prepaid expenses and other current assets	<u>11,068</u>	<u>30,987</u>
Total current assets	2,645,526	2,893,250
Investments - Net of current portion (Note 2)	4,963,071	5,090,023
Property and Equipment - Net (Note 5)	<u>1,638,224</u>	<u>1,715,923</u>
Total assets	<u>\$ 9,246,821</u>	<u>\$ 9,699,196</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 15,315	\$ 31,366
Designations payable	657,679	1,067,037
Current portion of capital lease obligation (Note 6)	15,608	17,915
Grant payable	46,462	187,496
Allocations payable	2,286,545	2,261,430
Accrued liabilities and other	<u>64,429</u>	<u>80,032</u>
Total current liabilities	3,086,038	3,645,276
Capital Lease Obligation - Net of current portion (Note 6)	16,827	32,589
Other Long-term Liabilities - Pension and postretirement obligations (Note 8)	<u>189,862</u>	<u>455,229</u>
Total liabilities	3,292,727	4,133,094
Net Assets		
Unrestricted:		
Undesignated	2,724,609	2,732,883
Board designated	155,354	-
Aggregate deficiency (Note 3)	(14,799)	(19,675)
Temporarily restricted (Note 10)	1,168,442	933,876
Permanently restricted (Note 10)	<u>1,920,488</u>	<u>1,919,018</u>
Total net assets	5,954,094	5,566,102
Total liabilities and net assets	<u>\$ 9,246,821</u>	<u>\$ 9,699,196</u>

United Way of Washtenaw County

Statement of Activities and Changes in Net Assets Year Ended June 30, 2013

(with summarized information for the year ended June 30, 2012)

	Year Ended June 30				
	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, Gains, and Other Support					
Campaign results:					
Contributions	\$ 294,411	\$ 5,635,785	\$ -	\$ 5,930,196	\$ 6,017,957
Uncollectible pledges	-	(222,413)	-	(222,413)	(399,916)
Donor designations	-	(2,377,694)	-	(2,377,694)	(2,142,448)
Net campaign results	294,411	3,035,678	-	3,330,089	3,475,593
Grants	16,000	-	-	16,000	79,062
In-kind donations	124,034	-	-	124,034	240,353
Special event revenue	61,822	-	-	61,822	58,369
Other contributions and bequests	230,861	-	1,470	232,331	226,573
Investment income	53,072	43,572	-	96,644	93,428
Service fees	91,646	-	-	91,646	115,638
Miscellaneous income	13,430	-	-	13,430	6,190
Total revenue, gains, and other support	885,276	3,079,250	1,470	3,965,996	4,295,206
Net Assets Released from Restrictions	3,002,071	(3,002,071)	-	-	-
Total revenue, gains, other support, and net assets released from restrictions	3,887,347	77,179	1,470	3,965,996	4,295,206
Expenses and Losses					
Program services:					
Funds awarded:					
Gross funds awarded	4,724,161	-	-	4,724,161	4,556,463
Less donor designations	(2,377,694)	-	-	(2,377,694)	(2,142,448)
Net funds awarded	2,346,467	-	-	2,346,467	2,414,015
Community impact	204,830	-	-	204,830	265,579
Community service	249,333	-	-	249,333	252,613
Regional call center 2-1-1	16,261	-	-	16,261	16,000
Success by Six	90,637	-	-	90,637	139,000
Total program services	2,907,528	-	-	2,907,528	3,087,207
Support services:					
Management and general	358,346	-	-	358,346	240,580
Fundraising	682,999	-	-	682,999	852,293
United Way of America dues	52,718	-	-	52,718	52,083
Total expenses	4,001,591	-	-	4,001,591	4,232,163
(Decrease) Increase in Net Assets - Before other changes	(114,244)	77,179	1,470	(35,595)	63,043
Net Realized and Unrealized Gains (Losses) on Investments	4,876	157,387	-	162,263	(61,105)
(Decrease) Increase in Net Assets - Before pension and other postretirement-related charges	(109,368)	234,566	1,470	126,668	1,938
Pension and Other Postretirement-related Charges Other than Net Periodic Pension Costs	261,324	-	-	261,324	(464,777)
Increase (Decrease) in Net Assets	151,956	234,566	1,470	387,992	(462,839)
Net Assets - Beginning of year	2,713,208	933,876	1,919,018	5,566,102	6,028,941
Net Assets - End of year	<u>\$ 2,865,164</u>	<u>\$ 1,168,442</u>	<u>\$ 1,920,488</u>	<u>\$ 5,954,094</u>	<u>\$ 5,566,102</u>

See Notes to Financial Statements.

United Way of Washtenaw County

	Program Services			
	Community Impact	Community Service	Washtenaw 2-1-1	Success by Six
Allocation to agencies	\$ 4,724,161	\$ -	\$ -	\$ -
Less donor designations	(2,377,694)	-	-	-
Subtotal	2,346,467	-	-	-
Salaries	83,950	126,952	-	23,406
Employee benefits	6,933	18,430	-	9,985
Defined benefit plan benefits	2,566	26,035	-	-
Postretirement health plan benefits	-	-	-	-
Subtotal	93,449	171,417	-	33,391
Payroll taxes	7,766	11,439	-	2,440
Professional fees	2,430	3,818	-	-
Contract services	52,410	-	16,000	54,678
Data processing	34	51	-	-
Supplies	734	905	-	-
Telephone	1,666	2,416	-	-
Postage	467	450	-	-
Occupancy	12,458	14,913	-	-
Rental and maintenance of equipment	1,166	2,161	-	-
Printing and publications	4,550	1,390	261	-
Advertising	-	-	-	-
Awards and recognition	53	-	-	-
Conferences and training	2,286	2,346	-	128
Campaign supplies	-	100	-	-
Meetings	1,578	6,350	-	-
Special events	6,434	5,359	-	-
Organization dues	-	-	-	-
Depreciation	14,949	22,864	-	-
State membership fees	-	-	-	-
Insurance	1,926	2,945	-	-
Miscellaneous	153	103	-	-
Interest expense	321	306	-	-
Subtotal	111,381	77,916	16,261	57,246
United Way of America dues	-	-	-	-
Total functional expenses	<u>\$ 2,551,297</u>	<u>\$ 249,333</u>	<u>\$ 16,261</u>	<u>\$ 90,637</u>

Statement of Functional Expenses
Year Ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

Total Program Services	Support Services			Total Support Services	Total Expenses	
	Management and General	Fundraising	UWA Dues		2013	2012
\$ 4,724,161 (2,377,694)	\$ - -	\$ - -	\$ - -	\$ - -	\$ 4,724,161 (2,377,694)	\$ 4,556,463 (2,142,448)
2,346,467	-	-	-	-	2,346,467	2,414,015
234,308	176,078	212,726	-	388,804	623,112	571,280
35,348	3,341	14,959	-	18,300	53,648	68,480
28,601	5,707	5,543	-	11,250	39,851	20,819
-	(6,478)	-	-	(6,478)	(6,478)	(7,317)
298,257	178,648	233,228	-	411,876	710,133	653,262
21,645	15,421	20,264	-	35,685	57,330	54,604
6,248	74,002	19,834	-	93,836	100,084	76,072
123,088	-	-	-	-	123,088	260,638
85	1,489	91	-	1,580	1,665	2,120
1,639	1,212	1,528	-	2,740	4,379	4,568
4,082	1,858	3,771	-	5,629	9,711	6,669
917	2,355	3,462	-	5,817	6,734	8,956
27,371	10,379	22,594	-	32,973	60,344	57,845
3,327	2,877	2,460	-	5,337	8,664	6,091
6,201	5,314	23,366	-	28,680	34,881	37,115
-	160	207,520	-	207,680	207,680	323,666
53	391	40	-	431	484	5,421
4,760	5,953	2,123	-	8,076	12,836	15,919
100	-	11,110	-	11,110	11,210	7,567
7,928	4,953	4,028	-	8,981	16,909	11,589
11,793	-	88,031	-	88,031	99,824	103,689
-	-	-	-	-	-	2,278
37,813	15,829	34,295	-	50,124	87,937	84,936
-	10,000	-	-	10,000	10,000	10,000
4,871	2,090	4,419	-	6,509	11,380	10,561
256	24,578	247	-	24,825	25,081	20,536
627	837	588	-	1,425	2,052	1,963
262,804	179,698	449,771	-	629,469	892,273	1,112,803
-	-	-	52,718	52,718	52,718	52,083
\$ 2,907,528	\$ 358,346	\$ 682,999	\$ 52,718	\$ 1,094,063	\$ 4,001,591	\$ 4,232,163

United Way of Washtenaw County

Statement of Cash Flows

	Year Ended	
	June 30, 2013	June 30, 2012
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 387,992	\$ (462,839)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	87,937	84,936
Realized and unrealized (gain) loss on investments	(162,263)	61,105
Bad debt expense	222,413	399,916
Donated fixed asset	-	(20,968)
Contributions restricted for investment in endowment	1,470	1,010
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(222,780)	12,242
Contributions receivable	(23,152)	(420,693)
Prepaid expenses and other current assets	19,919	10,703
Accounts payable	(16,051)	31,366
Designation payable	(409,358)	(60,540)
Allocations payable	25,115	(230,230)
Grant payable	(141,034)	(11,635)
Accrued liabilities and other	(15,603)	(17,641)
Pension and postretirement benefit obligations	(265,367)	360,771
Net cash used in operating activities	(510,762)	(262,497)
Cash Flows from Investing Activities		
Purchase of fixed assets	(10,238)	(8,498)
Purchases of investments	(1,303,249)	(3,846,387)
Proceeds from sales of investments	1,571,129	3,986,468
Net cash provided by investing activities	257,642	131,583
Cash Flows from Financing Activities		
Proceeds from capital lease	-	2,640
Payments on capital lease	(18,069)	(20,424)
Net cash used in financing activities	(18,069)	(17,784)
Net Decrease in Cash and Cash Equivalents	(271,189)	(148,698)
Cash and Cash Equivalents - Beginning of year	687,951	836,649
Cash and Cash Equivalents - End of year	\$ 416,762	\$ 687,951
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 2,052	\$ 1,963
Donated fixed assets	-	20,968

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

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 on 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 connect people, resources, and agencies together to create a thriving community for everyone.

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 & Economic Development (OCED) 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 result 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. 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, 2013

Note I - 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, 2013. 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, 2013

Note I - 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 \$119,600 for 2013.

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 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 2013. Accordingly, no tax expense was incurred during the year ended June 30, 2013.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

Note I - 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, 2013, 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 2010.

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, 2012 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 up to \$250,000. 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 13, 2013, which is the date the financial statements were available to be issued.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

Note 2 - Investments

The fair value of investments is as follows:

Mutual funds (Note 4)	\$ 1,938,060
Community Foundation Fund (Note 4)	85,476
Certificates of deposit	<u>2,939,535</u>
Total noncurrent investments	4,963,071
Certificates of deposit - Current	<u>263,615</u>
Total investments	<u>\$ 5,226,686</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, 2013 is as follows:

	<u>Investments</u>	<u>Ann Arbor Area Community Foundation</u>
Balance - July 1, 2012	\$ 1,743,303	\$ 80,450
Miscellaneous deposit	1,320	150
Investment returns - Dividends and interest	49,109	589
Realized and unrealized gains	154,076	8,187
Investment deductions:		
Investment and administrative fees	(5,346)	(780)
Distributions and grants	(97,753)	(3,120)
Plus change in amount held in cash equivalents	<u>93,351</u>	<u>-</u>
Balance - June 30, 2013	<u>\$ 1,938,060</u>	<u>\$ 85,476</u>

Note 2 - Investments (Continued)

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 purpose 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

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

Note 3 - Donor-restricted Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (14,799)	\$ 122,747	\$ 1,920,488	\$ 2,028,436

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ (19,675)	\$ 22,661	\$ 1,919,018	\$ 1,922,004
Investment return:				
Investment income	-	43,572	-	43,572
Net depreciation (realized and unrealized)	4,876	157,387	-	162,263
Total investment return	4,876	200,959	-	205,835
Contributions	-	-	1,470	1,470
Appropriation of endowment assets for expenditure	-	(100,873)	-	(100,873)
Endowment net assets - End of year	\$ (14,799)	\$ 122,747	\$ 1,920,488	\$ 2,028,436

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, 2013, the fair value of the Community Foundation endowment assets had fallen below its corpus level by \$14,799. 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.

Note 3 - Donor-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 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, 2013 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets 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 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. 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 whereby 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.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

Note 4 - Fair Value Measurements (Continued)

The Organization's policy to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfers. There were no transfers for the year ended June 30, 2013

Assets Measured at Fair Value on a Recurring Basis at June 30, 2013

	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, 2013
Investments:				
Mutual funds - Fixed income	\$ 474,920	\$ -	\$ -	\$ 474,920
Mutual funds - Balanced	263,872	-	-	263,872
Mutual funds - Equity	874,563	-	-	874,563
Mutual funds - Global	324,705	-	-	324,705
Community Foundation	-	-	85,476	85,476
Total assets	<u>\$ 1,938,060</u>	<u>\$ -</u>	<u>\$ 85,476</u>	<u>\$ 2,023,536</u>

The fair value of investments held by the Community Foundation at June 30, 2013 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.

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2013 are as follows:

	Ann Arbor Community Foundation
Balance at June 30, 2012	\$ 80,450
Net additions, purchases, sales, and maturities	(3,161)
Total realized gains	2,751
Total unrealized gains	5,436
Balance at June 30, 2013	<u>\$ 85,476</u>

Realized and unrealized gains of \$8,187 for the year ended June 30, 2013 are reported in temporarily restricted net assets in the statement of activities and changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. 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.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

Note 4 - Fair Value Measurements (Continued)

Of the Level 3 assets still held by the Organization at June 30, 2013, the unrealized gain for the year ended June 30, 2013 was \$5,436.

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>268,197</u>
Total cost	2,256,176
Accumulated depreciation	<u>(617,952)</u>
Net carrying amount	<u>\$ 1,638,224</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 \$87,937 for June 30, 2013.

Note 6 - Capital Leases

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

2014	\$ 17,001
2015	13,030
2016	<u>4,650</u>
Total minimum lease payments	34,681
Less amount representing interest	<u>2,246</u>
Present value of net minimum lease payments	<u>\$ 32,435</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 \$55,478.

Interest rates on capital leases vary from .006 percent to 9.123 percent.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

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, 2013). This line of credit is due on demand and there were no outstanding borrowings on it at June 30, 2013.

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.

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, 2013

	Pension Benefits	Other Postretirement Benefits
Projected benefit obligation	\$ 1,640,888	\$ 48,062
Fair value of plan assets at end of year	1,499,088	-
Underfunded status at end of year	\$ (141,800)	\$ (48,062)

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

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

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

	Pension Benefits	Other Postretirement Benefits
Beginning - Unfunded status	\$ (322,276)	\$ (132,953)
Interest cost	(83,658)	(5,527)
Actuarial gain	106,036	84,543
Actual return on assets	128,098	-
Actual benefits paid	-	5,875
Employer contributions	30,000	-
Ending - Unfunded status	<u>\$ (141,800)</u>	<u>\$ (48,062)</u>

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

	Pension Benefits	Other Postretirement Benefits
Actuarial net loss	<u>\$ 729,725</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 \$1,640,888 at June 30, 2013.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

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

	Pension Benefits	Other Postretirement Benefits
	<u> </u>	<u> </u>
Net Periodic Benefit Cost (Income), Employer Contributions, Participant Contributions, and Benefits Paid		
Net periodic benefit cost (income)	\$ 39,851	\$ (6,478)
Employer contributions	30,000	5,875
Benefits paid	-	5,875
Other Changes in Plan Assets and Benefit Obligations Recognized in the Statement of Activities and Changes in Net Assets		
Net gain	<u>\$ -</u>	<u>\$ (72,538)</u>
Total recognized in benefit-related changes other than net periodic benefit cost	<u>\$ -</u>	<u>\$ (72,538)</u>
Total recognized in net periodic benefit cost and other changes	<u>\$ 39,851</u>	<u>\$ (6,478)</u>

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30, 2013 are as follows:

	Pension Benefits	Other Postretirement Benefits
	<u> </u>	<u> </u>
Discount rate	5.00 %	4.75 %

Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30, 2013 are as follows:

	Pension Benefits	Other Postretirement Benefits
	<u> </u>	<u> </u>
Discount rate	5.00 %	4.25 %
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.

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

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

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)	5 %
Year that the rate reaches the ultimate trend rate	2017

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, 2013 by asset category is as follows:

Asset Category

Equity securities	68 %
Fixed income	26
Cash equivalents	6
	<hr/>
Total	100 %
	<hr/> <hr/>

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.

The fair values of the Organization's pension plan assets at June 30, 2013 by major asset classes are as follows:

Fair Value Measurements at June 30, 2013

	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	\$ 386,191	\$ 386,191	\$ -	\$ -
Mutual funds - Balanced	244,867	244,867	-	-
Mutual funds - Equities	558,002	558,002	-	-
Mutual funds - Global	218,231	218,231	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 1,407,291	\$ 1,407,291	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

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

The difference between the plan assets of \$1,499,088 and total investment per fair market table of \$1,407,291 above is \$91,797 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, 2013 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 whereby 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 \$60,706 to its pension plan in 2013.

Estimated Future Benefit Payments

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

Year	Pension Benefits	Other Postretirement Benefits
2014	\$ 66,851	\$ 5,875
2015	67,284	5,455
2016	102,647	5,032
2017	105,994	4,616
2018	120,538	4,233
2019-2023	629,950	16,851

United Way of Washtenaw County

Notes to Financial Statements June 30, 2013

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 are eligible to participate in the plan. The Organization makes match and discretionary contributions for all eligible employees with service of at least one year and 1,000 hours of service. The Organization matches 2 percent of employee salary up to salary deferral. The Organization made discretionary contributions of up to 3 percent of salary during the period. Total contributions for the year ended June 30, 2013 were \$4,354 match and \$6,532 discretionary.

The Organization has an employee 403(b) salary deferral plan. This plan is inactive and no new participants have been accepted since January 2009.

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, 2013, net of the allocations and designations to be paid from the contributions raised by the current campaign and restricted contributions.

Temporarily restricted net assets at June 30, 2013 are restricted for the following:

Time restriction - Pledges	\$ 1,045,695
Endowment earnings in excess of distributions	<u>122,747</u>
Total temporarily restricted net assets	<u>\$ 1,168,442</u>

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. Permanently restricted net assets at June 30, 2013 were \$1,920,488.

Board-designated net assets are designated campaign contributions to be allocated out at a future time based on board approval. Board-designated net assets at June 30, 2013 were \$155,354.

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 and for the year ended June 30, 2013. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

November 13, 2013

United Way of Washtenaw County

Schedule of Allocations to Agencies and Donor Designations Year Ended June 30, 2013

American Red Cross	\$ 75,000
Aid in Milan	55,500
Ann Arbor Center for Independent Living	38,772
Arbor Hospice	9,123
Ardent Cause	7,900
Blueprint for Aging	50,000
Boys and Girls Club	31,930
Catholic Social Services	217,882
Child Care Network	154,656
Community Action Network	29,285
Community Dental Center	22,715
Corner Health Center	274,505
Faith in Action	30,000
Food Gatherers	149,020
Hope Clinic	136,803
Jewish Family Services	4,761
Legal Services of South Central MI	31,782
Manchester Community Resource Center	30,000
Ozone House Youth & Family	112,409
PORT	119,268
Perry Nursery School	58,759
Regional Alliance for Healthy Schools	9,547
SafeHouse Center	45,112
Saline Area Social Service	59,759
Salvation Army of Washtenaw	42,192
Shelter Association of Washtenaw	74,152
SOS Community Services	115,896
Student Advocacy Center	42,556
Success by Six Great Start Collaborative	45,000
Washtenaw Alliance for Children and Youth	25,000
Washtenaw Health Initiative	6,387
Washtenaw Health Plan	30,000
Washtenaw Housing Alliance	40,000
Washtenaw Literacy	59,034
Ypsilanti Meal on Wheels	46,841
Allocations pending	<u>64,921</u>
Total allocations to agencies	2,346,467
Donor designations	<u>2,377,694</u>
Gross funds awarded	<u><u>\$ 4,724,161</u></u>