

UNITED WAY OF FORSYTH COUNTY, INC.

Consolidated Financial Statements

June 30, 2010

TABLE OF CONTENTS

Independent Auditors' Report	2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities.....	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements	9 - 25

Board of Directors
United Way of Forsyth County, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statements of financial position of United Way of Forsyth County, Inc. as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of United Way of Forsyth County, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Forsyth County, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Butler & Burke LLP

Winston-Salem, North Carolina
November 19, 2010

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,296,952	\$ 2,145,966
Pledges receivable, net (Note C)	6,302,296	6,696,665
Other receivables	199,099	25,101
Investment in United Arts on Coliseum Foundation (Note E)	102,000	405,000
Investments (Note D)	5,781,438	4,714,689
Property and equipment, net (Note F)	-	7,958
Beneficial interest in assets held by others (Note G)	<u>410,427</u>	<u>388,830</u>
<u>TOTAL ASSETS</u>	<u>\$ 15,092,212</u>	<u>\$ 14,384,209</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Designation to agencies and other United Ways	\$ 2,001,917	\$ 2,111,224
Accrued expenses and other liabilities	<u>1,705,655</u>	<u>1,428,079</u>
<u>Total Liabilities</u>	<u>3,707,572</u>	<u>3,539,303</u>
Net Assets		
Unrestricted	4,511,741	3,606,815
Temporarily restricted (Note I)	6,672,462	7,039,054
Permanently restricted (Note I)	<u>200,437</u>	<u>199,037</u>
<u>Total Net Assets</u>	<u>11,384,640</u>	<u>10,844,906</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 15,092,212</u>	<u>\$ 14,384,209</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010 (With Comparative Totals for the Year Ended June 30, 2009)

	Temporarily Restricted			Totals 2010	Totals 2009
	Unrestricted	Campaign	Programs		
REVENUES, GAINS AND OTHER SUPPORT					
Gross contributions received for current campaigns	\$ -	\$ 16,743,912	\$ -	\$ 16,743,912	\$ 17,227,854
Overpayments on prior year campaigns	-	102,603	-	102,603	40,869
Designations from other United Way agencies	-	161,074	-	161,074	130,980
Less amount recognized from prior year	-	(134,609)	-	(134,609)	(136,301)
Contributions received for future campaigns	-	132,128	-	132,128	134,609
Less provision for uncollectible pledges	-	(821,530)	-	(821,530)	(821,855)
Less donor designations	-	(4,119,521)	-	(4,119,521)	(4,574,414)
Net Campaigns	-	12,064,057	-	12,064,057	12,001,742
Other gifts and grants	-	-	437,662	437,662	310,867
Investment income(net of management fees of \$3,111)	123,845	-	3,867	127,712	153,443
Donor designation administrative fees	341,394	-	-	341,394	367,863
Other revenue	137,122	-	-	137,122	166,175
Net assets released from restrictions	12,908,546	(12,458,493)	(450,053)	(12,908,546)	-
Total Revenues, Gains and Other Support	13,510,907	(394,436)	(8,524)	13,109,347	13,000,090
EXPENSES					
Allocations					
Amounts distributed to member agencies	11,856,920	-	-	11,856,920	13,117,142
Less donor designations	(1,736,317)	-	-	(1,736,317)	(1,940,305)
	10,120,603	-	-	10,120,603	11,176,837
Community services by United Way					
Unrestricted programs	354,688	-	-	354,688	333,631
Restricted programs	470,562	-	-	470,562	312,904
	825,250	-	-	825,250	646,535
Supporting services					
Fundraising	918,017	-	-	918,017	835,662
Management and general	1,080,776	-	-	1,080,776	1,114,295
	1,998,793	-	-	1,998,793	1,949,957
United Way of America dues	174,731	-	-	174,731	183,067
Total Expenses	13,119,377	-	-	13,119,377	13,956,396
Change in Net Assets From Operations	391,530	(394,436)	(8,524)	(10,030)	(956,306)
Other Changes					
Unrealized and realized gains/(losses) on investments and beneficial interest in assets held by others	639,940	-	36,368	676,308	(2,885,939)
Pension expense in excess of net periodic pension cost	(126,544)	-	-	(126,544)	(873,580)
CHANGE IN NET ASSETS	904,926	(394,436)	27,844	539,734	(4,715,825)
Net Assets at Beginning of Year	3,606,815	6,706,632	332,422	10,844,906	15,560,731
Net Assets at End of Year	\$ 4,511,741	\$ 6,312,196	\$ 360,266	\$ 11,384,640	\$ 10,844,906

See accompanying notes to consolidated financial statements.

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009 (With Comparative Totals for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted			Totals 2009	Totals 2008
		Campaign	Programs	Total		
REVENUES, GAINS AND OTHER SUPPORT						
Gross contributions received for current campaigns	\$ -	\$ 17,227,854	\$ -	\$ 17,227,854	\$ 17,227,854	\$ 18,143,337
Overpayments on prior year campaigns	-	40,869	-	40,869	40,869	161,639
Designations from other United Way agencies	-	130,980	-	130,980	130,980	241,538
Less amount recognized from prior year	-	(136,301)	-	(136,301)	(136,301)	(205,688)
Contributions received for future campaigns	-	134,609	-	134,609	134,609	136,301
Less provision for uncollectible pledges	-	(821,855)	-	(821,855)	(821,855)	(796,634)
Less donor designations	-	(4,574,414)	-	(4,574,414)	(4,574,414)	(5,003,564)
Net Campaigns	-	12,001,742	-	12,001,742	12,001,742	12,676,929
Other gifts and grants	-	-	309,367	309,367	310,867	269,293
Investment income (net of management fees of \$3,070)	145,587	-	7,856	7,856	153,443	80,644
Donor designation administrative fees	367,863	-	-	-	367,863	391,295
Other revenue	166,175	-	-	-	166,175	126,336
Net assets released from restrictions	12,160,905	(11,848,001)	(312,904)	(12,160,905)	-	-
Total Revenues, Gains and Other Support	12,840,530	153,741	4,319	158,060	13,000,090	13,544,497
EXPENSES						
Allocations						
Amounts distributed to member agencies	13,117,142	-	-	-	13,117,142	12,696,573
Less donor designations	(1,940,305)	-	-	-	(1,940,305)	(2,046,869)
	11,176,837	-	-	-	11,176,837	10,649,704
Community services by United Way						
Unrestricted programs	333,631	-	-	-	333,631	373,685
Restricted programs	312,904	-	-	-	312,904	480,100
	646,535	-	-	-	646,535	853,785
Supporting services						
Fundraising	835,662	-	-	-	835,662	871,033
Management and general	1,114,295	-	-	-	1,114,295	1,008,812
	1,949,957	-	-	-	1,949,957	1,879,845
United Way of America dues	183,067	-	-	-	183,067	172,248
Total Expenses	13,956,396	-	-	13,956,396	13,555,582	14,555,582
Change in Net Assets From Operations	(1,115,866)	153,741	4,319	158,060	(956,306)	(11,085)
Other Changes						
Unrealized and realized gains/(losses) on investments and beneficial interest in assets held by others	(2,783,925)	-	(102,014)	(102,014)	(2,885,939)	96,205
Pension expense in excess of net periodic pension cost	(873,580)	-	-	-	(873,580)	(393,447)
CHANGE IN NET ASSETS	(4,773,371)	153,741	(97,695)	56,046	(4,715,825)	(308,327)
Net Assets at Beginning of Year	8,380,186	6,552,891	430,117	6,983,008	15,560,731	15,869,058
Net Assets at End of Year	\$ 3,606,815	\$ 6,706,632	\$ 332,422	\$ 7,039,054	\$ 10,844,906	\$ 15,560,731

See accompanying notes to consolidated financial statements.

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010 (With Comparative Totals for the Year Ended June 30, 2009)

	Unrestricted Community Services Programs Provided by United Way		Restricted Community Services Programs Provided by United Way			Supporting Services			Totals	
	Community Services Programs Provided by United Way		Federal Grants	Local Grants	Total	Fund Raising	Management and General	Total	2010	2009
	\$		\$	\$	\$	\$	\$	\$	\$	\$
Allocations										
Amounts designated to member agencies	11,856,920								11,856,920	13,117,142
Less donor designations	(1,736,317)								(1,736,317)	(1,940,305)
Total Allocations	10,120,603								10,120,603	11,176,837
Salaries	209,915	16,167	101,372	117,539	499,706	566,245	1,065,951	1,393,405	1,366,550	
Payroll taxes	14,000	1,208	7,400	8,608	34,475	40,135	74,610	97,218	93,417	
Employee benefits	64,049	2,401	22,046	24,447	149,298	195,599	344,897	433,393	314,441	
Total Salaries and Related Expenses	287,964	19,776	130,818	150,594	683,479	801,979	1,485,458	1,924,016	1,774,408	
Professional fees and contract services	-	234,967	3,005	237,972	32,995	69,351	102,346	340,318	287,781	
Supplies	6,302	-	39,685	39,685	50,216	18,951	69,167	115,154	122,732	
Telephone	3,367	-	1,140	1,140	8,981	8,252	17,233	21,740	19,666	
Postage and shipping	2,620	-	34	34	5,702	7,089	12,791	15,445	16,046	
Printing and publications	92	-	-	-	-	1,129	1,129	1,221	7,944	
Travel	1,910	586	3,213	3,799	15,300	10,616	25,916	31,625	24,844	
Meetings	6,980	5,100	645	5,745	21,989	9,024	31,013	43,738	36,097	
Subscriptions and professional membership dues	980	-	1,074	1,074	250	5,656	5,906	7,960	8,969	
Continuing education and professional development	20	-	3,239	3,239	-	8,035	8,035	11,294	5,353	
Personnel recruitment and relocation	395	-	116	116	1,051	-	1,051	1,562	1,789	
Equipment rental and maintenance	8,160	-	-	-	17,761	22,081	39,842	48,002	46,437	
Occupancy	25,634	390	2,145	2,535	56,181	67,671	123,852	152,021	155,341	
Payments to national and state organizations	8,911	-	-	-	20,968	22,540	43,508	52,419	58,050	
Miscellaneous	-	132	24,497	24,629	200	24,741	24,941	49,570	23,484	
	353,335	260,951	209,611	470,562	915,073	1,077,115	1,992,188	2,816,085	2,588,941	
Depreciation	1,353	-	-	-	2,944	3,661	6,605	7,958	7,551	
	354,688	260,951	209,611	470,562	918,017	1,080,776	1,998,793	2,824,043	2,596,492	
United Way of America dues	-	-	-	-	-	174,731	174,731	174,731	183,067	
	354,688	260,951	209,611	470,562	918,017	1,255,507	2,173,524	2,998,774	2,779,559	
Total	\$ 10,475,291	\$ 260,951	\$ 209,611	\$ 470,562	\$ 918,017	\$ 1,255,507	\$ 2,173,524	\$ 13,119,377	\$ 13,956,396	

See accompanying notes to consolidated financial statements.

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009 (With Comparative Totals for the Year Ended June 30, 2008)

	Unrestricted Community Services Programs Provided by United Way	Restricted Community Services Programs Provided by United Way			Supporting Services			Totals 2009	Totals 2008
		Federal Grants	Local Grants	Total	Fund Raising	Management and General	Total		
Allocations									
Amounts designated to member agencies	\$ 13,117,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,117,142	\$ 12,696,573
Less donor designations	(1,940,305)	-	-	-	-	-	-	(1,940,305)	(2,046,869)
Total Allocations	11,176,837	-	-	-	-	-	-	11,176,837	10,649,704
Salaries	204,623	-	81,724	81,724	459,882	620,321	1,080,203	1,366,550	1,291,136
Payroll taxes	13,020	-	5,943	5,943	32,192	42,262	74,454	93,417	85,925
Employee benefits	46,305	-	18,737	18,737	111,215	138,184	249,399	314,441	296,468
Total Salaries and Related Expenses	263,948	-	106,404	106,404	603,289	800,767	1,404,056	1,774,408	1,673,529
Professional fees and contract services	4,000	173,116	1,221	174,337	331	109,113	109,444	287,781	426,187
Supplies	5,607	-	12,173	12,173	83,873	21,079	104,952	122,732	122,220
Telephone	2,815	-	680	680	9,365	6,806	16,171	19,666	18,911
Postage and shipping	2,715	-	61	61	6,388	6,882	13,270	16,046	17,863
Printing and publications	-	-	40	40	7,549	355	7,904	7,944	16,929
Travel	2,266	-	1,176	1,176	10,079	11,323	21,402	24,844	42,434
Meetings	7,593	4,500	924	5,424	9,673	13,407	23,080	36,097	53,293
Subscriptions and professional membership dues	1,261	-	675	675	-	7,033	7,033	8,969	6,824
Continuing education and professional development	20	-	179	179	2,404	2,750	5,154	5,353	6,098
Personnel recruitment and relocation	89	-	-	-	1,001	699	1,700	1,789	13,434
Equipment rental and maintenance	5,981	-	-	-	14,073	26,383	40,456	46,437	49,407
Occupancy	26,183	-	1,625	1,625	61,197	66,336	127,533	155,341	156,612
Payments to national and state organizations	9,869	-	-	-	23,220	24,961	48,181	58,050	54,563
Miscellaneous	-	-	10,130	10,130	200	13,154	13,354	23,484	68,171
	332,347	177,616	135,288	312,904	832,642	1,111,048	1,943,690	2,588,941	2,726,475
Depreciation	1,284	-	-	-	3,020	3,247	6,267	7,551	7,155
United Way of America dues	333,631	177,616	135,288	312,904	835,662	1,114,295	1,949,957	2,596,492	2,733,630
	-	-	-	-	-	183,067	183,067	183,067	172,248
	333,631	177,616	135,288	312,904	835,662	1,297,362	2,133,024	2,779,559	2,905,878
Total	\$ 11,510,468	\$ 177,616	\$ 135,288	\$ 312,904	\$ 835,662	\$ 1,297,362	\$ 2,133,024	\$ 13,956,396	\$ 13,555,582

See accompanying notes to consolidated financial statements.

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 539,734	\$ (4,715,825)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,958	7,551
Unrealized and realized (gains) losses on investments	(639,940)	2,783,925
Unrealized and realized (gains) losses on beneficial interest in assets held by others	(36,368)	102,014
Provision for uncollectible pledges	821,530	821,855
(Increase) decrease in operating assets:		
Pledges receivable	(427,161)	(827,532)
Other receivables	(173,998)	13,191
Increase (decrease) in operating liabilities:		
Designations to agencies and other United Ways	(109,307)	(182,277)
Accrued expenses and other liabilities	277,576	799,037
Contributions restricted for long-term purposes	(1,400)	(1,500)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>258,624</u>	<u>(1,199,561)</u>
INVESTING ACTIVITIES		
Sale (purchase) of investments, net	(426,809)	895,709
Investment in United Arts on Coliseum Foundation	303,000	(253,000)
Beneficial interest in assets held by others		
Contributions	(1,400)	(1,500)
Reinvested earnings, net	(3,829)	(7,720)
Distributions	20,000	10,000
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>(109,038)</u>	<u>643,489</u>
FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	1,400	1,500
<u>Net Cash Provided by Financing Activities</u>	<u>1,400</u>	<u>1,500</u>
Increase (Decrease) in Cash and Cash Equivalents	150,986	(554,572)
Cash and Cash Equivalents at Beginning of Year	<u>2,145,966</u>	<u>2,700,538</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,296,952</u>	<u>\$ 2,145,966</u>

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

United Way of Forsyth County, Inc. ("United Way") is a not-for-profit corporation organized under the laws of the State of North Carolina. Its purpose is to increase the organized capacity of people to care for one another. It accomplishes this purpose by providing the best possible support for local human services through its member agencies, by directing resources toward root causes of human problems, and by being inclusive of all citizens of the community.

Annual campaigns are conducted in the fall of each year to support programs primarily in the allocation period from July to June of the subsequent year. Donors may designate their pledges among several focus areas, agencies, or geographic locations of their choice.

In 2005, the United Way of Forsyth County Foundation was formed for the purposes of providing a resource for funds for areas of need within the community that have been identified by United Way and other charitable organizations as areas of high priority. This Foundation will also carry out fundraising activities with an emphasis on bequests and planned giving. The United Way controls this Foundation by voting for the majority of its board members. Therefore, the United Way and this Foundation are consolidated.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Basis of Consolidation

The consolidated financial statements include the accounts of the United Way and the United Way of Forsyth County Foundation. All significant intercompany transactions have been eliminated.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, Subtopic 205, *Presentation of Financial Statements*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted Net Assets

Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Temporarily Restricted Net Assets

Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently Restricted Net Assets

Net assets that contain donor-imposed restrictions stipulating that the amounts be maintained in perpetuity. United Way may expend part or all of the income earned according to donor stipulations.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

Effective July 1, 2009, the FASB issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. The FASB Codification is the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP) and is effective for financial statements that cover annual periods ending after September 15, 2009. Other than resolving certain minor inconsistencies in current GAAP, it is not intended to change GAAP, but rather to make it easier to review and research GAAP applicable to particular transactions or specific accounting issues.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes (FIN 48; codified as FASB ASC 740-10-05-6)*, clarifies the accounting for the recognition and measurement of uncertainties in income taxes for all entities, including not-for-profit organizations. United Way's policy is to evaluate the likelihood that any uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that United Way has no significant uncertain tax positions that would be subject to change upon examination. The adoption of FIN 48 did not have a material impact on United Way's financial statements.

Support and Revenue

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Amounts that are restricted for future periods or for specific purposes are reported as temporarily or permanently restricted support. When a donor restriction expires, that is, when stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction in the consolidated statements of activities. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Cash and Cash Equivalents

United Way considers all demand deposits at financial institutions and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash balances may exceed federal insurance limits from time to time. United Way has not experienced any losses on such deposits, and does not believe the organization is exposed to a significant risk of loss.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges are recorded as revenue when made. Campaign pledge contributions are generally paid within one year. United Way estimates its allowance for doubtful pledges receivable based on a combination of factors including historical loss experience, current economic conditions, and management's knowledge of the composition of pledges receivable.

Furniture and Equipment

Furniture and equipment are recorded at cost, if purchased, and at estimated fair value at the date of receipt, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years. In accordance with United Way's policy, property and equipment are included in unrestricted net assets. The United Way capitalizes expenditures for such items in excess of \$1,000. Lesser amounts are expensed.

Investments

Investments in various securities are recorded at fair value as determined by quoted market prices. Realized and unrealized gains and losses are reflected in the consolidated statements of activities.

Beneficial Interest in Assets Held by Others (Endowments)

The United Way has established trust arrangements with the Winston-Salem Foundation (the "Foundation"), the purpose of which is to provide permanent endowments to support the future needs of the United Way. Donor contributions have been irrevocably transferred to the Foundation, who will invest the funds and make quarterly earnings distributions, to the United Way or accumulated income funds within the endowments, in amounts determined by the Foundation. The United Way has granted the Foundation variance power, the unilateral power to redirect the use of the assets, but has retained a right to the assets by specifying itself as the beneficiary. Pursuant to GAAP, these endowments have been recognized as beneficial interest in assets held by others in the accompanying consolidated statements of financial position at the current market value of the underlying investments held by the Foundation, which amounted to \$410,427 and \$388,830 for the years ended June 30, 2010 and 2009, respectively.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The endowment funds administered by the Winston-Salem Foundation are as follows:

The Voluntary Action Center Training Endowment

This endowment was established during 1986 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to aid and support the training programs of the Voluntary Action Center of Forsyth County, Inc. ("VAC"), whose programs are conducted under the auspices of United Way. Under the terms of the trust agreement, VAC and the Foundation Committee may agree to distribute principal of the trust as long as the remaining fair value of the principal does not fall below \$35,000. Fair value of the endowment assets was \$88,687 and \$80,222 for the years ended June 30, 2010 and 2009, respectively.

The United Way Joel A. Weston, Jr. Memorial Endowment

This endowment was established during 1988 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to fund an award for excellence in nonprofit management, dedicated to the memory of Joel A. Weston, Jr., who served as chairman of United Way's Board of Directors from 1980-1982. Under the terms of the agreement, net income from the endowment may be used to fund the award. Fair value of the endowment assets was \$176,151 and \$167,615 for the years ended June 30, 2010 and 2009, respectively.

The United Way Caring Shares Endowment

This endowment was established during 1989 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to provide funds for the welfare of the community as deemed necessary by the Board of Directors of United Way. Under the terms of the trust agreement, net income from the endowment may be used to provide funds for the welfare of the community. Fair value of the endowment assets was \$145,589 and \$140,993 for the years ended June 30, 2010 and 2009, respectively.

The Board of Directors of the United Way has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gifts 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 United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments 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 funds 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 United Way in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the United Way 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 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 United Way, and (7) the United Way's investment policies.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies. Based on the nature of the endowments, the investment of the funds is determined by the Foundation rather than the United Way. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to provide the United Way income while growing the funds if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed by the Foundation.

Spending Policy. The Foundation makes quarterly distributions to the United Way or accumulated income funds within the endowments. Distribution amounts are determined by Foundation policy. The decision to receive distributions or accumulate in income funds within the endowments is determined by the United Way's management consistent with the previously discussed standards of prudence prescribed by UPMIFA. Amounts distributed by the funds are temporarily restricted for various purposes discussed above. In absence of any donor restrictions on endowment earnings, the United Way, consistent with UPMIFA and GAAP, would still have to reflect all investment income and changes in value of perpetual funds as temporarily restricted net assets until appropriated for expenditure by the Board of Directors.

Allocations

Allocations result from contributions by donors that are not specifically directed to individual organizations and agencies. These funds are allocated for distribution to various member agencies and programs based on need and other criteria deemed appropriate by the Board of Directors.

Designations

Designations result from contributions by donors that are specifically directed to organizations and agencies. These funds are distributed to the organizations net of an administrative fee.

Donated Services

No amounts have been reflected in the consolidated financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist United Way with campaign solicitations and various committee assignments. The value of this contributed time does not meet the criteria for recognition in the consolidated financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on a review of the current organizational structure and the identification of certain employee, facility, and departmental expenses which serve multiple functional areas.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

United Way and the United Way of Forsyth County Foundation are tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

Subsequent Events

United Way has evaluated its subsequent events (events occurring after June 30, 2010) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements, with no impact on net assets.

NOTE C: PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30, 2010 and 2009:

	<u>2010</u>
Campaign 2010	\$ 11,420
Campaign 2009, net of uncollectible reserve of \$1,024,431	6,290,876
Campaign 2008, net of uncollectible reserve of \$970,204	<u>-</u>
	<u>\$ 6,302,296</u>
	 <u>2009</u>
Campaign 2009	\$ 24,437
Campaign 2008, net of uncollectible reserve of \$1,047,634	6,672,228
Campaign 2007, net of uncollectible reserve of \$1,032,683	<u>-</u>
	<u>\$ 6,696,665</u>

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D: INVESTMENTS

Investments, stated at fair value, consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
General:		
Vanguard Small-Cap Value Index Fund	\$ 219,548	\$ 172,523
Vanguard Energy Fund Admiral Shares	33,994	32,888
Vanguard Precious Metals and Mining Fund	83,521	66,148
Vanguard Dividend Growth Fund	191,511	212,708
Vanguard Material Index Fund	38,882	33,198
Vanguard PRIMECAP Fund	212,044	223,891
Vanguard Total International Stock Index Fund	167,170	174,404
Vanguard Mid-Cap Value Index Fund	182,234	174,564
Vanguard Emerging Markets Stock Index Signal Shares	165,577	135,460
Vanguard International Value Fund	160,312	173,581
Vanguard Inflation-Protected Securities Fund Admiral Shares	232,363	163,854
Vanguard Short-Term Investment-Grade Fund Admiral Shares	<u>495,590</u>	<u>152,510</u>
	<u>2,182,746</u>	<u>1,715,729</u>
Bradford:		
Vanguard Energy Fund Admiral Shares	177,588	161,495
Vanguard Precious Metals and Mining Fund	208,693	155,331
Vanguard Inflation-Protected Securities Fund	340,772	224,099
Vanguard Mid-Cap Value Index Fund	343,758	246,820
Vanguard Dividend Growth Fund	355,395	299,055
Vanguard Materials Index Fund Admiral Shares	170,151	136,552
Vanguard Total International Stock Index Fund	200,235	175,958
Vanguard Emerging Markets Stock Index Signal Shares	316,586	352,382
Vanguard PRIMECAP Core Fund	384,392	314,577
Evergreen Funds	-	211,961
Vanguard International Value Fund	192,202	172,328
Vanguard Small-Cap Value Fund	322,900	243,454
Vanguard Short-Term Investment-Grade Fund Admiral Shares	<u>586,020</u>	<u>304,948</u>
	<u>3,598,692</u>	<u>2,998,960</u>
	<u>\$ 5,781,438</u>	<u>\$ 4,714,689</u>

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E: INVESTMENT IN UNITED ARTS ON COLISEUM FOUNDATION

The United Way, along with the Arts Council, Inc. have formed the United Arts on Coliseum Foundation. The United Arts on Coliseum Foundation owns property in Winston-Salem known as the Hanes Community Center. As of June 30, 2010 and 2009, the United Way, through the United Way of Forsyth County Foundation, has invested \$102,000 and \$405,000, respectively.

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Computer hardware	\$ 212,197	\$ 212,197
Computer equipment	36,554	36,554
Furniture	10,998	10,998
Equipment	<u>8,161</u>	<u>8,161</u>
	267,910	267,910
Less: accumulated depreciation	<u>(267,910)</u>	<u>(259,952)</u>
	<u>\$ -</u>	<u>\$ 7,958</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$7,958 and \$7,551, respectively.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (ENDOWMENTS)

Endowment net assets composition by type as of June 30, 2010 and 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2010</u>				
Donor-restricted endowment funds	\$ -	\$ 209,990	\$ 200,437	\$ 410,427
<u>2009</u>				
Donor-restricted endowment funds	\$ -	\$ 189,793	\$ 199,037	\$ 388,830

Changes in endowment net assets during the years ended June 30, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2010</u>				
Endowment net assets, beginning of year	\$ -	\$ 189,793	\$ 199,037	\$ 388,830
Contributions	-	-	1,400	1,400
Interest and dividend income, net	-	3,829	-	3,829
Realized and unrealized gains, net	-	36,368	-	36,368
Amounts appropriated for expenditure	-	(20,000)	-	(20,000)
Endowment net assets, end of year	\$ -	\$ 209,990	\$ 200,437	\$ 410,427
<u>2009</u>				
Endowment net assets, beginning of year	\$ -	\$ 294,087	\$ 197,537	\$ 491,624
Contributions	-	-	1,500	1,500
Interest and dividend income, net	-	7,720	-	7,720
Realized and unrealized losses, net	-	(102,014)	-	(102,014)
Amounts appropriated for expenditure	-	(10,000)	-	(10,000)
Endowment net assets, end of year	\$ -	\$ 189,793	\$ 199,037	\$ 388,830

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H: EMPLOYEE BENEFIT PLANS

Defined Benefit Plan

United Way has a noncontributory defined benefit retirement plan covering substantially all employees. The plan provides defined benefits based on years of service and final average compensation. Contributions to the plan are based upon the aggregate cost method and comply with the funding requirements of the Employee Retirement Income Security Act. United Way's general policy is to fund pension costs accrued. United Way uses a June 30 measurement date to measure amounts related to its defined benefit retirement plan.

The following sets forth the funded status of the retirement plan and the amounts recognized in United Way's consolidated financial statements as of and for the years ended June 30, 2010 and 2009.

Obligation and Funded Status

	<u>2010</u>	<u>2009</u>
Fair value of plan assets	\$ 1,866,139	\$ 1,603,081
Projected benefit obligation	<u>(3,380,106)</u>	<u>(2,868,168)</u>
Funded status (plan assets less benefit obligation)	<u>\$ (1,513,967)</u>	<u>\$ (1,265,087)</u>
Amounts recognized on statement of financial position as accrued pension cost (liability for pension benefits)	<u>\$ (1,513,967)</u>	<u>\$ (1,265,087)</u>
Net periodic pension cost recognized in expense	<u>\$ 211,571</u>	<u>\$ 153,358</u>
Accumulated benefit obligation at end of year	<u>\$ 3,380,106</u>	<u>\$ 2,781,368</u>

Assumptions

Weighted-average assumptions used in computing ending obligations:

Discount rate	4.75%	6.0%
Rate of compensation increase	5.0%	3.0%

Weighted-average assumptions used in computing net periodic pension cost:

Discount rate	6.0%	6.0%
Rate of compensation increase	5.0%	3.0%
Expected long-term rate of return on plan assets	8.5%	8.5%

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H: EMPLOYEE BENEFIT PLANS (CONTINUED)

The expected long-term rate of return on plan assets assumption of 8.5% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 — Selection of Economic Assumption for Measuring Pension Obligations. Based on United Way’s investment allocation for the retirement plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range at June 30, 2010 and 2009 of 8.33% — 10.23% and 8.76% - 10.59%, respectively. A rate of 8.5%, which is near the low point of the best estimate range, was selected for both periods.

Plan Assets by Category as of June 30, 2010

General Account	\$ 355,774	19.1%
Equity securities	1,085,000	58.1%
Fixed income securities	<u>425,365</u>	<u>22.8%</u>
	<u>\$ 1,866,139</u>	<u>100.0%</u>

Plan Assets by Category as of June 30, 2009

Equity securities	\$ 1,165,962	72.7%
Fixed income securities	<u>437,119</u>	<u>27.3%</u>
	<u>\$ 1,603,081</u>	<u>100.0%</u>

United Way’s investment policy is that investment funds will be selected and blended in such a way so as to increase the probability of an enhanced return and reduced risk (volatility). The parameters for the asset mix will be a high of 90% equities/10% bonds and a low of 75% equities/25% bonds. The target mix will be 85% equities and 15% bonds.

To reduce risk, investments may be made on a global basis with emphasis on large, established corporations, many of which have a demonstrated record of dividend payments. Bonds included in the portfolio will be investment grade quality only and weighted in accordance with interest rate levels and inflationary expectations. The investment portfolio is constantly monitored, with a view toward changing market and economic conditions, to ensure that asset class weightings offer the opportunity for above average return.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H: EMPLOYEE BENEFIT PLANS (CONTINUED)

The strategy employed, the asset mix of the portfolio, and its return are constantly monitored by the Finance and Administration Committee and reported to the Board. The Committee makes a quarterly report to the Board on the status of Plan investments, including the asset mix.

Cash Flows for the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Employer contribution	\$ 89,235	\$ 171,893
Pension benefits paid	14,714	96,022

United Way expects to contribute no funds to the plan in the year ended June 30, 2011.

The following benefit payments are expected to be paid:

2011	\$ 1,727,000
2012	275,000
2013	375,000
2014	253,000
2015	8,000
2016-2020	622,000

Plan Curtailment

In November 2006, the Board of Directors approved a curtailment of the plan, which will freeze benefit accruals as of December 31, 2009.

Defined Contribution Plan

United Way also sponsors a defined contribution plan under which all employees are eligible to participate. Employees may defer a portion of their compensation pursuant to Section 403(b) of the Internal Revenue Code. Upon an employee's completion of minimum service requirements, United Way matches 100% of each employee's contribution up to a maximum of 3% of eligible compensation. United Way contributed \$36,157 and \$33,819 to the 403(b) plan for the years ended June 30, 2010 and 2009, respectively.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I: RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2010 and 2009 were available for the following purposes:

	<u>2010</u>	<u>2009</u>
Time restrictions (net campaign contributions received for future periods)	\$ 6,312,196	\$ 6,706,632
Purpose restrictions (community services provided by United Way)	<u>360,266</u>	<u>332,422</u>
	<u>\$ 6,672,462</u>	<u>\$ 7,039,054</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of beneficial interest in assets held by others that must be maintained in the associated endowment funds (Note G).

NOTE J: COMMITMENTS AND CONTINGENCIES

United Way leases office space, various office equipment, and an automobile under noncancelable operating lease agreements all expiring in fiscal year 2011. Future minimum lease payments under these leases are \$155,067 during the year ended June 30, 2011. Rent expense under these leases for the years ended June 30, 2010 and 2009 was \$144,569 and \$164,900, respectively.

Annual campaigns are conducted from September to December, principally to raise support for allocations to member agencies, program services, and general operating expenses. On June 30, 2010, the Board of Directors authorized commitments of \$8,850,284 for allocations to member agencies for the period beginning July 1, 2010 through June 30, 2011. To the extent that these commitments exceed unrestricted and temporarily restricted net assets at June 30, 2010, meeting them is contingent upon the results of the campaign conducted in the fall of 2010.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Restricted grants require the fulfillment of certain conditions specified by the donors. Failure to fulfill the conditions could result in the return of funds to the donors. While that is a possibility, management considers the contingency remote since, by accepting the gifts and grants and their terms, management has accommodated the objectives of United Way to the donor's restrictions.

NOTE K: FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, Subtopic 10, *Overall* (ASC 820-10), defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10 also establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the United Way has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K: FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used by United Way for assets and liabilities measured at fair value:

- **Marketable Securities:** Valued at the closing price reported on the active markets on which the individual securities are traded.
- **Beneficial Interest In Assets Held By Others:** Equities and fixed income funds within the Winston-Salem Foundation endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded (Level 1). Alternative investments within the Winston-Salem Foundation endowment pool, primarily hedge funds, are valued by estimating unit net asset values based upon the ratio of fund net assets to class shares outstanding. There is limited or no observable market data for the prices of hedge funds that are held in the endowment pool (Level 3). Due to the significance of the alternative investment in the endowment pool (20% and 23% of the total pool at June 30, 2010 and 2009, respectively), the entire endowment fund held at the Foundation is considered to fall within level 3 measurements in the fair value hierarchy under ASC 820-10.
- **Pension Plan Investments:** Valued at the closing price reported on the active markets on which the equity securities and fixed income securities are traded.
- **Pension Projected Benefit Obligation:** Based upon actuarial assumptions by Mutual of America. The assumptions include a discount rate of 4.75% per year, a salary increase for employees of 5.00% per year, and further assumptions for retirement age, mortality rates, employee withdrawal rates, social security wage base changes, post-retirement expense loading charges, maximum benefit increases and maximum includible compensation increases.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the United Way believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the United Way's assets and liabilities at fair value as of June 30, 2010 and 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2010				
Assets:				
Beneficial interest in assets held by others	\$ -	\$ -	\$ 410,427	\$ 410,427
Marketable securities	5,781,438	-	-	5,781,438
Pension plan investments:				
Equity securities	1,085,000	-	-	1,085,000
Fixed income	425,365	-	-	425,365
General account	355,774	-	-	355,774
	<u>\$ 7,647,577</u>	<u>\$ -</u>	<u>\$ 410,427</u>	<u>\$ 8,058,004</u>
Liabilities:				
Pension projected benefits obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,380,106</u>	<u>\$ 3,380,106</u>
2009				
Assets:				
Beneficial interest in assets held by others	\$ -	\$ -	\$ 388,830	\$ 388,830
Marketable securities	4,714,689	-	-	4,714,689
Pension plan investments:				
Equity securities	1,165,962	-	-	1,165,962
Fixed income	437,119	-	-	437,119
	<u>\$ 6,317,770</u>	<u>\$ -</u>	<u>\$ 388,830</u>	<u>\$ 6,706,600</u>
Liabilities:				
Pension projected benefits obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,868,168</u>	<u>\$ 2,868,168</u>

The United Way had \$2,296,952 and \$2,145,966 of cash and cash equivalents as of June 30, 2010 and 2009, respectively, which were not classified as a Level as prescribed within ASC 820-10.

Pension plan assets are netted with pension liabilities on the consolidated statements of financial position.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K: FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below set forth a summary of changes in the fair value of the United Way's level 3 assets and liabilities for the years ended June 30, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Assets:		
Balance, beginning of year	\$ 388,830	\$ 491,624
Additions	1,400	1,500
Unrealized and realized gains (losses)	36,368	(102,014)
Interest and dividend income, net	3,829	7,720
Distributions	<u>(20,000)</u>	<u>(10,000)</u>
Balance, end of year	<u>\$ 410,427</u>	<u>\$ 388,830</u>
Liabilities:		
Balance, beginning of year	\$ 2,868,168	\$ 2,430,866
Service and interest cost	224,498	281,762
Increase due to assumption change	477,560	93,245
Actuarial (gain)/loss	(159,775)	164,813
Expense charges	(15,631)	(6,496)
Benefits disbursed	<u>(14,714)</u>	<u>(96,022)</u>
Balance, end of year	<u>\$ 3,380,106</u>	<u>\$ 2,868,168</u>

NOTE L: CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the United Way to concentrations of credit and market risk consist primarily of cash, cash equivalents, and investments.

The United Way maintains its deposited cash balances with two financial institutions. United Way investments, which are maintained in three separate accounts, are held by two brokerage houses. United Way has not experienced any losses on these accounts.

NOTE M: CONDITIONAL PROMISE TO GIVE

The United Way has received a conditional promise to give from the R.J. Reynolds Foundation. Under the promise, the Foundation agreed to match up to \$1 million over a five year period for contributions received for the Women's Leadership Council. \$600,000 of this pledge has been recognized as revenue as of June 30, 2010.