

**UNITED WAY OF FORSYTH COUNTY, INC.**

**Consolidated Financial Statements**

**June 30, 2011**

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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, 2011 and 2010, 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, 2011 and 2010, 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  
December 12, 2011

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,870,814	\$ 1,884,283
Restricted cash	500,000	-
Pledges receivable, net	6,122,020	6,302,296
Other receivables	348,429	199,099
Investment in United Arts on Coliseum Foundation	7,065	102,000
Investments	7,650,285	6,194,107
Property and equipment, net	3,820,559	-
Beneficial interest in assets held by others	450,104	410,427
Other assets	<u>11,346</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 20,780,622</u></b>	<b><u>\$ 15,092,212</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Designation to agencies and other United Ways	\$ 2,276,633	\$ 2,001,917
Accrued expenses and other liabilities	<u>1,758,236</u>	<u>1,705,655</u>
<b><u>Total Liabilities</u></b>	<b><u>4,034,869</u></b>	<b><u>3,707,572</u></b>
<b>Net Assets</b>		
Unrestricted	9,266,615	4,511,741
Temporarily restricted	6,772,630	6,672,462
Permanently restricted	<u>706,508</u>	<u>200,437</u>
<b><u>Total Net Assets</u></b>	<b><u>16,745,753</u></b>	<b><u>11,384,640</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 20,780,622</u></b>	<b><u>\$ 15,092,212</u></b>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Gross contributions - current campaign	\$ -	\$ 16,684,365	\$ -	\$ 16,684,365
Overpayments on prior campaigns	-	250,124	-	250,124
Contributions received for future campaigns	-	175,103	-	175,103
Designations from other United Way agencies	-	149,108	-	149,108
Less amount recognized from prior year	-	(132,128)	-	(132,128)
Less donor designations	-	(4,102,184)	-	(4,102,184)
Less provision for uncollectible pledges	-	(817,842)	-	(817,842)
<u>Net Campaign</u>	-	12,206,546	-	12,206,546
Other gifts and grants	-	716,479	506,071	1,222,550
Non-cash gift of property	3,860,531	-	-	3,860,531
Investment income, net	179,992	1,585	-	181,577
Administrative fees	347,445	-	-	347,445
Other revenue	277,299	-	-	277,299
Net assets released from restrictions	12,896,470	(12,896,470)	-	-
<u>Total Support and Revenue</u>	<u>17,561,737</u>	<u>28,140</u>	<u>506,071</u>	<u>18,095,948</u>
<b>EXPENSES</b>				
Program services	11,757,168	-	-	11,757,168
Management and general	1,490,576	-	-	1,490,576
Fundraising	939,122	-	-	939,122
<u>Total Expenses</u>	<u>14,186,866</u>	<u>-</u>	<u>-</u>	<u>14,186,866</u>
Change in Net Assets From Operations	3,374,871	28,140	506,071	3,909,082
<b>Other Changes</b>				
Unrealized and realized gains on investments and beneficial interest in assets held by others	1,276,186	72,028	-	1,348,214
Pension gain in excess of net periodic pension cost	103,817	-	-	103,817
<b>CHANGE IN NET ASSETS</b>	<b>4,754,874</b>	<b>100,168</b>	<b>506,071</b>	<b>5,361,113</b>
Net Assets at Beginning of Year	4,511,741	6,672,462	200,437	11,384,640
Net Assets at End of Year	<u>\$ 9,266,615</u>	<u>\$ 6,772,630</u>	<u>\$ 706,508</u>	<u>\$ 16,745,753</u>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Gross contributions - current campaign	\$ -	\$ 16,743,912	\$ -	\$ 16,743,912
Overpayments on prior campaigns	-	102,603	-	102,603
Contributions received for future campaigns	-	132,128	-	132,128
Designations from other United Way agencies	-	161,074	-	161,074
Less amount recognized from prior year	-	(134,609)	-	(134,609)
Less donor designations	-	(4,119,521)	-	(4,119,521)
Less provision for uncollectible pledges	-	(821,530)	-	(821,530)
<u>Net Campaign</u>	-	12,064,057	-	12,064,057
Other gifts and grants	-	437,662	1,400	439,062
Investment income, net	123,845	3,867	-	127,712
Administrative fees	341,394	-	-	341,394
Other revenue	137,122	-	-	137,122
Net assets released from restrictions	<u>12,908,546</u>	<u>(12,908,546)</u>	-	-
<u>Total Support and Revenue</u>	<u>13,510,907</u>	<u>(402,960)</u>	<u>1,400</u>	<u>13,109,347</u>
<b>EXPENSES</b>				
Program services	10,936,942	-	-	10,936,942
Management and general	1,285,386	-	-	1,285,386
Fundraising	<u>897,049</u>	-	-	<u>897,049</u>
<u>Total Expenses</u>	<u>13,119,377</u>	-	-	<u>13,119,377</u>
Change in Net Assets From Operations	391,530	(402,960)	1,400	(10,030)
<b>Other Changes</b>				
Unrealized and realized gains on investments and beneficial interest in assets held by others	639,940	36,368	-	676,308
Pension expense in excess of net periodic pension cost	<u>(126,544)</u>	-	-	<u>(126,544)</u>
<b>CHANGE IN NET ASSETS</b>	904,926	(366,592)	1,400	539,734
Net Assets at Beginning of Year	<u>3,606,815</u>	<u>7,039,054</u>	<u>199,037</u>	<u>10,844,906</u>
Net Assets at End of Year	<u>\$ 4,511,741</u>	<u>\$ 6,672,462</u>	<u>\$ 200,437</u>	<u>\$ 11,384,640</u>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 393,107	\$ 635,789	\$ 524,560	\$ 1,553,456
Payroll taxes	26,155	42,118	38,934	107,207
Employee benefits	<u>109,839</u>	<u>269,194</u>	<u>176,166</u>	<u>555,199</u>
<b><u>Total Salaries and Related Expenses</u></b>	<b>529,101</b>	<b>947,101</b>	<b>739,660</b>	<b>2,215,862</b>
Allocations and grants	10,491,827	-	-	10,491,827
Professional fees and contract services	573,891	58,295	7,570	639,756
Supplies	34,254	58,718	74,132	167,104
Telephone	4,298	8,044	9,699	22,041
Postage and shipping	1,914	5,474	4,698	12,086
Printing and publications	42	179	-	221
Travel	12,950	14,344	18,931	46,225
Meetings	16,912	6,786	5,273	28,971
Subscriptions and professional dues	1,372	6,030	580	7,982
Professional development and education	398	1,843	2,250	4,491
Personnel recruitment and relocation	-	25,682	63	25,745
Equipment rental and maintenance	6,202	19,020	16,126	41,348
Occupancy	27,009	69,145	59,840	155,994
Depreciation	-	39,972	-	39,972
United Way dues	-	223,805	-	223,805
Miscellaneous	<u>56,998</u>	<u>6,138</u>	<u>300</u>	<u>63,436</u>
<b><u>TOTAL EXPENSES</u></b>	<b><u>\$ 11,757,168</u></b>	<b><u>\$ 1,490,576</u></b>	<b><u>\$ 939,122</u></b>	<b><u>\$ 14,186,866</u></b>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2010

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 327,455	\$ 566,244	\$ 499,706	\$ 1,393,405
Payroll taxes	22,608	40,135	34,475	97,218
Employee benefits	<u>88,496</u>	<u>195,599</u>	<u>149,298</u>	<u>433,393</u>
<b><u>Total Salaries and Related Expenses</u></b>	<b>438,559</b>	<b>801,978</b>	<b>683,479</b>	<b>1,924,016</b>
Allocations and grants	10,120,603	-	-	10,120,603
Professional fees and contract services	237,972	69,351	32,995	340,318
Supplies	45,987	18,950	50,216	115,153
Telephone	4,507	8,252	8,981	21,740
Postage and shipping	2,654	7,089	5,702	15,445
Printing and publications	92	1,129	-	1,221
Travel	5,709	10,616	15,300	31,625
Meetings	12,725	9,024	21,989	43,738
Subscriptions and professional dues	2,054	5,656	250	7,960
Professional development and education	3,259	8,035	-	11,294
Personnel recruitment and relocation	510	-	1,051	1,561
Equipment rental and maintenance	8,161	22,081	17,761	48,003
Occupancy	28,168	67,671	56,181	152,020
Depreciation	1,353	3,661	2,944	7,958
United Way dues	-	227,150	-	227,150
Miscellaneous	<u>24,629</u>	<u>24,743</u>	<u>200</u>	<u>49,572</u>
<b><u>TOTAL EXPENSES</u></b>	<b><u>\$ 10,936,942</u></b>	<b><u>\$ 1,285,386</u></b>	<b><u>\$ 897,049</u></b>	<b><u>\$ 13,119,377</u></b>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,361,113	\$ 539,734
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,972	7,958
Non-cash gift of property	(3,860,531)	-
Unrealized and realized gains on investments	(1,276,186)	(639,940)
Unrealized and realized gains on beneficial interest in assets held by others	(72,028)	(36,368)
Provision for uncollectible pledges	817,842	821,530
(Increase) decrease in operating assets:		
Pledges receivable	(637,566)	(427,161)
Other receivables	(149,330)	(173,998)
Other assets	(11,346)	-
Increase (decrease) in operating liabilities:		
Designations to agencies and other United Ways	274,716	(109,307)
Accrued expenses and other liabilities	52,581	277,576
Contributions restricted for long-term purposes	(506,071)	(1,400)
<u>Net Cash Provided by Operating Activities</u>	<u>33,166</u>	<u>258,624</u>
<b>INVESTING ACTIVITIES</b>		
Sale of investments	300,000	-
Purchases of investments	(479,992)	(43,027)
Increase in restricted cash	(500,000)	-
Investment in United Arts on Coliseum Foundation	94,935	303,000
Beneficial interest in assets held by others		
Contributions	(6,071)	(1,400)
Reinvested earnings, net	(1,578)	(3,829)
Distributions	40,000	20,000
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>(552,706)</u>	<u>274,744</u>
<b>FINANCING ACTIVITIES</b>		
Contributions restricted for long-term purposes	506,071	1,400
<u>Net Cash Provided by Financing Activities</u>	<u>506,071</u>	<u>1,400</u>
Increase (Decrease) in Cash and Cash Equivalents	(13,469)	534,768
Cash and Cash Equivalents at Beginning of Year	<u>1,884,283</u>	<u>1,349,515</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,870,814</u>	<u>\$ 1,884,283</u>

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

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**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 the Foundation by voting for the majority of its board members. Therefore, the United Way and the 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 in accordance with U.S. generally accepted accounting principles (GAAP).

**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**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 39 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.

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

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Endowments**

**Beneficial Interest in Assets Held by Others**

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 \$450,104 and \$410,427 for the years ended June 30, 2011 and 2010, respectively.

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 \$70,288 and \$88,687 for the years ended June 30, 2011 and 2010, 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 \$205,439 and \$176,151 for the years ended June 30, 2011 and 2010, 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 \$174,377 and \$145,589 for the years ended June 30, 2011 and 2010, respectively.

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

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

*Funds with Deficiencies.* From time to time, the fair value of the assets associated with the donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the United Way to retain as funds of perpetual duration. In accordance with GAAP, deficiencies of this nature are first offset by any accumulated temporarily restricted net assets from the fund, with any remaining deficiency offsetting unrestricted net assets. There were no endowment fund deficiencies as of June 30, 2011 or 2010.

*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 (unless there is a fund deficiency as discussed above).

**Other Endowments**

Other endowments consist of a \$500,000 gift from a donor which the United Way will use earnings to satisfy the donor's annual campaign pledge. The intent of the donor was that the gift be invested in perpetuity. As of June 30, 2011, the gift had not been invested, and is recorded as restricted cash on the consolidated statements of financial position.

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

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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. It is the opinion of management that the United Way has no uncertain tax positions that would be subject to change upon examination.

**Subsequent Events**

United Way has evaluated its subsequent events (events occurring after June 30, 2011) 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.

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

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2011 and 2010:

	<u>2011</u>
Campaign 2011	\$ 30,842
Campaign 2010, net of uncollectible reserve of \$1,018,942	6,091,178
Campaign 2009, net of uncollectible reserve of \$800,758	<u>-</u>
	<u>\$ 6,122,020</u>
	<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>

**NOTE D: INVESTMENTS**

Investments, stated at fair value, consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Money market and short-term reserve funds	\$ 112,857	\$ 412,669
Mutual funds	<u>7,537,428</u>	<u>5,781,438</u>
	<u>\$ 7,650,285</u>	<u>\$ 6,194,107</u>

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

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**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 (UAOC). The purpose of UAOC was to acquire property in Winston-Salem known as the Hanes Community Center and to prepare the property for resale. As of June 30, 2011 and 2010, the United Way's remaining investment, through the United Way of Forsyth County Foundation, was \$7,065 and \$102,000, respectively.

**NOTE F: PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,782,000	\$ -
Buildings	1,972,531	-
Building improvements	106,000	-
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>
	4,128,441	267,910
Less: accumulated depreciation	<u>(307,882)</u>	<u>(267,910)</u>
	<u>\$ 3,820,559</u>	<u>\$ -</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$39,972 and \$7,958, respectively.

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

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**NOTE G: ENDOWMENTS**

Endowment net assets composition by type as of June 30, 2011 and 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>2011</u></b>				
Donor-restricted endowment funds				
Beneficial interest in assets held by others	\$ -	\$ 243,596	\$ 206,508	\$ 450,104
Restricted cash	-	-	500,000	500,000
	<u>\$ -</u>	<u>\$ 243,596</u>	<u>\$ 706,508</u>	<u>\$ 950,104</u>
<b><u>2010</u></b>				
Donor-restricted endowment funds				
Beneficial interest in assets held by others	\$ -	\$ 209,990	\$ 200,437	\$ 410,427

Changes in endowment net assets during the years ended June 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>2011</u></b>				
Endowment net assets, beginning of year	\$ -	\$ 209,990	\$ 200,437	\$ 410,427
Contributions	-	-	506,071	506,071
Interest and dividend income, net	-	1,578	-	1,578
Realized and unrealized gains	-	72,028	-	72,028
Amounts appropriated for expenditure	-	(40,000)	-	(40,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 243,596</u>	<u>\$ 706,508</u>	<u>\$ 950,104</u>
<b><u>2010</u></b>				
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	-	36,368	-	36,368
Amounts appropriated for expenditure	-	(20,000)	-	(20,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 209,990</u>	<u>\$ 200,437</u>	<u>\$ 410,427</u>

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

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**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, 2011 and 2010.

**Obligation and Funded Status**

	<u>2011</u>	<u>2010</u>
Fair value of plan assets	\$ 2,389,966	\$ 1,866,139
Projected benefit obligation	<u>(3,847,798)</u>	<u>(3,380,106)</u>
Funded status (plan assets less benefit obligation)	<u>\$ (1,457,832)</u>	<u>\$ (1,513,967)</u>
Amounts recognized on consolidated statements of financial position as accrued pension cost (liability for pension benefits)	<u>\$ (1,457,832)</u>	<u>\$ (1,513,967)</u>
Net periodic pension cost recognized in expense	<u>\$ 212,682</u>	<u>\$ 211,571</u>
Accumulated benefit obligation at end of year	<u>\$ 3,847,798</u>	<u>\$ 3,380,106</u>

**Assumptions**

Weighted-average assumptions used in computing ending obligations:

Discount rate	4.25%	4.75%
Rate of compensation increase	N/A	N/A

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

Discount rate	4.75%	6.0%
Rate of compensation increase	N/A	5.0%
Expected long-term rate of return on plan assets	8.0%	8.5%

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

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**NOTE H: EMPLOYEE BENEFIT PLANS (CONTINUED)**

The expected long-term rate of return on plan assets assumption of 8.0% 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, 2011 and 2010 of 6.74% - 9.06% and 8.33% - 10.23%, respectively. A rate of 8.0%, which is within the best estimate range, was selected.

**Plan Assets by Category as of June 30, 2011**

General Account	\$ 355,501	14.8%
Equity securities	1,557,210	65.2%
Fixed income securities	<u>477,255</u>	<u>20.0%</u>
	<u>\$ 2,389,966</u>	<u>100.0%</u>

**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>

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**

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**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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Employer contribution	\$ 165,000	\$ 89,235
Pension benefits paid	12,928	14,714

United Way expects to contribute \$150,000 to the plan in the year ended June 30, 2012.

The following benefit payments are expected to be paid:

2012	\$ 2,074,000
2013	401,000
2014	271,000
2015	13,000
2016	212,000
2017 – 2021	505,000

**Plan Curtailment**

In November 2006, the Board of Directors approved a curtailment of the plan, which froze 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 \$42,610 and \$36,157 to the 403(b) plan for the years ended June 30, 2011 and 2010, respectively.

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

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**NOTE I: RESTRICTIONS ON NET ASSETS**

**Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2011 and 2010 were available for the following purposes:

	<u>2011</u>	<u>2010</u>
Time restrictions (net campaign contributions received for future periods)	\$ 6,454,684	\$ 6,312,196
Purpose restrictions (community services provided by United Way)	<u>317,946</u>	<u>360,266</u>
	<u>\$ 6,772,630</u>	<u>\$ 6,672,462</u>

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of beneficial interest in assets held by others and restricted cash.

**NOTE J: COMMITMENTS AND CONTINGENCIES**

United Way leases office space and various office equipment under noncancelable operating lease agreements expiring through June 2018. Future minimum lease payments under these leases are as follows:

<u>Year Ended June 30,</u>	
2012	\$ 159,557
2013	159,557
2014	159,557
2015	159,557
2016	155,214
Thereafter	<u>298,266</u>
	<u>\$ 1,091,708</u>

Rent expense under these leases for the years ended June 30, 2011 and 2010 was \$162,929 and \$144,569, 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, 2011, the Board of Directors authorized commitments of \$8,865,413 for allocations to member agencies for the period beginning July 1, 2011 through June 30, 2012. To the extent that these commitments exceed unrestricted and temporarily restricted net assets at June 30, 2011, meeting them is contingent upon the results of the campaign conducted in the fall of 2011.

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

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**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 Subtopic 820-10, *Fair Value Measurements and Disclosures* (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**

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**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:

- *Investments:* 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% of the total pool at June 30, 2010), the entire endowment fund held at the Foundation was considered to fall within level 3 measurements in the fair value hierarchy under ASC 820-10 at June 30, 2010. Due to a change in the investment strategy of the Winston-Salem Foundation during the year ended June 30, 2011 (only 1% of endowment assets were alternative investments) the value of the endowment pool was transferred to a level 1 asset.
- *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 4.25% per year, and further assumptions for retirement age, mortality rates, employee withdrawal rates, social security wage base changes, post-retirement expense loading charges.

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**

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**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, 2011 and 2010:

<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
<b>Investments</b>				
Money market and short-term reserve funds	\$ 112,857	\$ -	\$ -	\$ 112,857
Bond Funds	1,940,281	-	-	1,940,281
Equity Funds	3,933,851	-	-	3,933,851
Foreign Funds	1,663,296	-	-	1,663,296
	<u>7,650,285</u>	<u>-</u>	<u>-</u>	<u>7,650,285</u>
<b>Beneficial Interest in assets held by others</b>	<u>450,104</u>	<u>-</u>	<u>-</u>	<u>450,104</u>
<b>Pension plan investments</b>				
Equity securities	1,557,210	-	-	1,557,210
Fixed income securities	477,255	-	-	477,255
General Account	355,501	-	-	355,501
	<u>2,389,966</u>	<u>-</u>	<u>-</u>	<u>2,389,966</u>
<b>Total assets at fair value</b>	<u>\$ 10,490,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,490,355</u>
<b>Liabilities:</b>				
Pension projected benefits obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,847,798</u>	<u>\$ 3,847,798</u>
<u><b>2010</b></u>				
<b>Assets:</b>				
<b>Investments</b>				
Money market and short-term reserve funds	\$ 412,669	\$ -	\$ -	\$ 412,669
Bond Funds	1,654,746	-	-	1,654,746
Equity Funds	2,924,609	-	-	2,924,609
Foreign Funds	1,202,083	-	-	1,202,083
	<u>6,194,107</u>	<u>-</u>	<u>-</u>	<u>6,194,107</u>
<b>Beneficial Interest in assets held by others</b>	<u>-</u>	<u>-</u>	<u>410,427</u>	<u>410,427</u>
<b>Pension plan investments</b>				
Equity securities	1,085,000	-	-	1,085,000
Fixed income securities	425,365	-	-	425,365
General Account	355,774	-	-	355,774
	<u>1,866,139</u>	<u>-</u>	<u>-</u>	<u>1,866,139</u>
<b>Total assets at fair value</b>	<u>\$ 8,060,246</u>	<u>\$ -</u>	<u>\$ 410,427</u>	<u>\$ 8,470,673</u>
<b>Liabilities:</b>				
Pension projected benefits obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,380,106</u>	<u>\$ 3,380,106</u>

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**

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**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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Balance, beginning of year	\$ 410,427	\$ 388,830
Additions	6,071	1,400
Unrealized and realized gains	72,028	36,368
Interest and dividend income, net	1,578	3,829
Distributions	(40,000)	(20,000)
Transfers from level 3 to level 1	<u>(450,104)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 410,427</u>
<b>Liabilities:</b>		
Balance, beginning of year	\$ 3,380,106	\$ 2,868,168
Service and interest cost	142,380	224,498
Increase due to assumption change	231,137	477,560
Actuarial (gain)/loss	132,173	(159,775)
Expense charges	(25,070)	(15,631)
Benefits disbursed	<u>(12,928)</u>	<u>(14,714)</u>
Balance, end of year	<u>\$ 3,847,798</u>	<u>\$ 3,380,106</u>

During the year ended June 30, 2011, United Way transferred the beneficial interest in assets held by others in the amount of \$450,104 from level 3 to level 1 due to a change in the investment strategy by the Winston-Salem Foundation.

**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. \$800,000 of this pledge has been recognized as revenue as of June 30, 2011.