

**UNITED WAY OF BUFFALO  
AND ERIE COUNTY**

**FINANCIAL STATEMENTS**

**March 31, 2008**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
United Way of Buffalo and Erie County  
Buffalo, New York

We have audited the accompanying balance sheets of United Way of Buffalo and Erie County as of March 31, 2008 and 2007 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of United Way of Buffalo and Erie County as of March 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



October 29, 2008

UNITED WAY OF BUFFALO AND ERIE COUNTY

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**Balance Sheets**

March 31,	2008	2007
<b>Assets</b>		
Cash	\$ 3,976,689	\$ 4,261,198
Investments (Note 2)	2,198,731	2,101,509
Campaign pledges receivable, net (Note 3)	9,731,222	9,916,271
Property and equipment, net (Note 4)	3,190,446	3,285,594
Prepaid pension (Note 5)	26,708	138,360
Other assets	1,019,690	619,834
	<u>\$ 20,143,486</u>	<u>\$ 20,322,766</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Designations payable	\$ 3,203,420	\$ 3,155,368
Allocations payable	2,484,575	2,093,331
Accounts payable and accrued expenses	467,858	410,246
Deferred revenue	1,399,110	1,270,673
Accrued postretirement benefit obligation (Note 5)	319,000	323,000
	<u>7,873,963</u>	<u>7,252,618</u>
 <b>Net assets:</b>		
Unrestricted	6,215,027	5,975,403
Temporarily restricted	6,039,496	7,079,745
Permanently restricted (Note 6)	15,000	15,000
	<u>12,269,523</u>	<u>13,070,148</u>
	<u>\$ 20,143,486</u>	<u>\$ 20,322,766</u>

See accompanying notes.

## UNITED WAY OF BUFFALO AND ERIE COUNTY

**Statements of Activities**

For the years ended March 31,	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, gains and other support:				
Campaign results:				
Current year campaign results	\$ -	\$ 14,793,875	\$ -	\$ 14,793,875
Net assets released from restrictions	10,895,715	(10,895,715)	-	-
Less: donor designations	-	(3,788,679)	-	(3,788,679)
Estimated uncollectible pledges	-	(1,149,730)	-	(1,149,730)
	10,895,715	(1,040,249)	-	9,855,466
Other revenues:				
Grant funding, program and other income	2,824,032	-	-	2,824,032
Investment income	261,736	-	-	261,736
	3,085,768	-	-	3,085,768
Total revenue, gains and other support	13,981,483	(1,040,249)	-	12,941,234
Expenses:				
Allocations	6,008,925	-	-	6,008,925
Functional expenses:				
Community care services	2,425,776	-	-	2,425,776
Grant programs	2,886,566	-	-	2,886,566
Management and general	538,918	-	-	538,918
Fund raising	1,575,098	-	-	1,575,098
Payments to National affiliate	143,072	-	-	143,072
	7,569,430	-	-	7,569,430
Total expenses	13,578,355	-	-	13,578,355
Increase (decrease) in net assets from operations	403,128	(1,040,249)	-	(637,121)
Accumulated net assets adjustment - defined benefit pension plan (Note 5)	(163,504)	-	-	(163,504)
Increase (decrease) in net assets	239,624	(1,040,249)	-	(800,625)
Net assets - beginning	5,975,403	7,079,745	15,000	13,070,148
Net assets - ending	\$ 6,215,027	\$ 6,039,496	\$ 15,000	\$ 12,269,523

See accompanying notes.

2007			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 15,449,067	\$ -	\$ 15,449,067
11,220,918	(11,220,918)	-	-
-	(3,806,240)	-	(3,806,240)
-	(1,039,188)	-	(1,039,188)
11,220,918	(617,279)	-	10,603,639
1,386,302	-	-	1,386,302
280,602	-	-	280,602
1,666,904	-	-	1,666,904
12,887,822	(617,279)	-	12,270,543
6,008,100	-	-	6,008,100
2,266,661	-	-	2,266,661
1,567,725	-	-	1,567,725
423,073	-	-	423,073
1,525,167	-	-	1,525,167
142,469	-	-	142,469
5,925,095	-	-	5,925,095
11,933,195	-	-	11,933,195
954,627	(617,279)	-	337,348
(353,021)	-	-	(353,021)
601,606	(617,279)	-	(15,673)
5,373,797	7,697,024	15,000	13,085,821
\$ 5,975,403	\$ 7,079,745	\$ 15,000	\$ 13,070,148

UNITED WAY OF BUFFALO AND ERIE COUNTY

**Statements of Functional Expenses**

For the years ended March 31,

2008

	Supporting Services					Total
	Community Care Services	Grant Programs	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 1,388,423	\$ 557,536	\$ 330,870	\$ 822,199	\$ 1,153,069	\$ 3,099,028
Payroll taxes and employee benefits	313,734	124,459	76,461	183,688	260,149	698,342
Total salaries and related expenses	1,702,157	681,995	407,331	1,005,887	1,413,218	3,797,370
Consulting and professional fees	118,195	139,864	35,075	171,931	207,006	465,065
Supplies	68,556	46,664	2,290	18,465	20,755	135,975
Telephone	13,965	7,837	3,716	9,978	13,694	35,496
Postage	31,528	11,308	3,046	17,744	20,790	63,626
Occupancy	112,592	50,090	25,283	78,214	103,497	266,179
Printing and public relations	61,191	67,511	7,411	94,772	102,183	230,885
Travel, conferences and meetings	44,283	52,423	15,158	31,977	47,135	143,841
Membership dues	2,453	12,107	9,953	3,583	13,536	28,096
Employee education and training	6,410	3,224	1,060	4,636	5,696	15,330
Equipment rental and maintenance	129,112	20,193	6,413	34,277	40,690	189,995
Production	(1,803)	4,176	(500)	4,437	3,937	6,310
Payments to State affiliate	16,560	7,632	2,739	11,975	14,714	38,906
Grant awards	-	1,721,123	-	-	-	1,721,123
Miscellaneous	2,863	6,165	473	2,094	2,567	11,595
Depreciation	117,714	54,254	19,470	85,128	104,598	276,566
	<u>\$ 2,425,776</u>	<u>\$ 2,886,566</u>	<u>\$ 538,918</u>	<u>\$ 1,575,098</u>	<u>\$ 2,114,016</u>	<u>\$ 7,426,358</u>
Payments to National affiliate						143,072
						<u>\$ 7,569,430</u>

See accompanying notes.

2007

Community Care Services	Grant Programs	Supporting Services			Total Supporting Services	Total
		Management and General	Fund Raising			
\$ 1,183,847	\$ 597,393	\$ 275,588	\$ 760,558	\$ 1,036,146	\$ 2,817,386	
297,210	133,667	47,356	191,913	239,269	670,146	
1,481,057	731,060	322,944	952,471	1,275,415	3,487,532	
167,397	174,759	17,228	163,793	181,021	523,177	
71,189	61,205	2,205	22,617	24,822	157,216	
15,670	8,486	4,122	10,506	14,628	38,784	
24,365	14,839	3,414	20,702	24,116	63,320	
116,389	53,132	21,843	72,685	94,528	264,049	
40,988	46,953	4,746	101,160	105,906	193,847	
47,835	46,706	11,974	34,095	46,069	140,610	
2,943	34,402	6,826	3,463	10,289	47,634	
6,755	3,294	903	4,628	5,531	15,580	
142,548	23,024	6,362	37,840	44,202	209,774	
(560)	1,445	710	4,205	4,915	5,800	
17,838	8,448	2,356	11,545	13,901	40,187	
200	297,435	-	-	-	297,635	
4,784	2,266	632	3,096	3,728	10,778	
127,263	60,271	16,808	82,361	99,169	286,703	
\$ 2,266,661	\$ 1,567,725	\$ 423,073	\$ 1,525,167	\$ 1,948,240	\$ 5,782,626	
					142,469	
					<u>\$ 5,925,095</u>	

UNITED WAY OF BUFFALO AND ERIE COUNTY

**Statements of Cash Flows**

For the years ended March 31,	2008	2007
<b>Cash flows from operating activities:</b>		
Decrease in net assets:		
Increase (decrease) in net assets from operations	\$ (637,121)	\$ 337,348
Net assets adjustment - defined benefit pension plan (Note 5)	(163,504)	(353,021)
	<u>(800,625)</u>	<u>(15,673)</u>
Adjustments to reconcile decrease in net assets to net cash flows from operating activities:		
Depreciation	276,566	286,703
Realized and unrealized gain on investments	(5,194)	(30,685)
Changes in other operating assets and liabilities:		
Pledges receivable	185,049	426,656
Prepaid pension and other assets	(288,204)	506,642
Designations payable	48,052	(243,944)
Allocations payable	391,244	(64,321)
Accounts payable and accrued expenses	57,612	(14,317)
Unemployment insurance trust funds	-	(157,766)
Deferred revenue	128,437	(68,350)
Accrued postretirement benefit obligation	(4,000)	3,000
	<u>(11,063)</u>	<u>627,945</u>
<b>Net cash flows from (for) operating activities</b>	<b>(11,063)</b>	<b>627,945</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(1,000,521)	(328,552)
Proceeds from sale of investments	908,493	238,750
Purchase of equipment and building improvements	(181,418)	(116,943)
	<u>(273,446)</u>	<u>(206,745)</u>
<b>Net cash flows for investing activities</b>	<b>(273,446)</b>	<b>(206,745)</b>
Net increase (decrease) in cash	(284,509)	421,200
Cash - beginning	<u>4,261,198</u>	<u>3,839,998</u>
Cash - ending	<u>\$ 3,976,689</u>	<u>\$ 4,261,198</u>

See accompanying notes.

**Notes to Financial Statements**

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**1. Summary of Significant Accounting Policies:**

**Organization and Operations:**

United Way of Buffalo and Erie County (United Way) is a nonprofit corporation whose mission is to raise and distribute funds for community needs. United Way's fund raising efforts are concentrated in the Buffalo and Erie County metropolitan area.

Annual campaigns are conducted in the fall of each year to support programs whose services are provided primarily in the subsequent year. Campaign contributions are used to support local health and human service providers and to pay United Way's operating expenses. Donors may designate their pledges among several care programs. Community care designations are pooled and are allocated to health and human service providers. Specific care donors designate their pledges to a specific nonprofit health and human services agency or another United Way.

Annual fall campaign results are reduced by pledges collected on behalf of others or pledged to a specific organization (i.e., donor designation) and by a provision for uncollectible pledges. The net campaign results are reflected as temporarily restricted in the accompanying statement of activities since the amounts are generally collected over time. Campaign collections are reflected as net assets released from restrictions.

Net campaign results are allocated to providers approved to receive community care funding at the completion of the campaign. Committed community care allocations are included in allocations payable in the accompanying balance sheets. Specific care donations have been recorded as pledges receivable and designations payable in the accompanying balance sheets.

**Donor-Imposed Restrictions:**

All contributions are considered available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Contributions:**

United Way's annual campaign drive begins around September 1 of each year, and is substantially completed by December 31. Revenues from the campaign are reported as temporarily restricted net assets.

Campaign contributions are used for allocations to agencies, payments to United Way of America, services provided directly by United Way, and fund raising, fund distribution, management, and general expenses.

**Charitable Trusts:**

United Way is the beneficiary of funds held in trust by various financial institutions. A portion of the income earned in these funds is paid annually to United Way as an unrestricted distribution.

**Cash:**

Cash at financial institutions may exceed insured limits at various times during the year, and subject United Way to concentrations of credit risk.

**Investments:**

Investments are stated at fair value as determined by published market quotations.

**Pledges Receivable:**

Pledges receivable are recognized in the year in which the pledges become known regardless of campaign year. An allowance for estimated uncollectible pledges is recorded based on collection experience and present economic conditions.

**Property and Equipment:**

Property and equipment is recorded at cost if purchased, or, if donated, at fair market value at the date of donation, net of accumulated depreciation. Depreciation is provided over estimated useful lives using the straight-line method. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

### Fund Raising Expenses:

Fund raising activities in connection with the annual campaign are conducted throughout the year, and are reported as expenses when incurred.

### Contributed Volunteer Services:

No amounts have been reflected in the financial statements for contributed volunteer services. United Way pays for substantially all services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist United Way in its program services and fundraising campaigns.

### Cost Allocation:

United Way's costs of providing its services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Deferred Revenue:

Deferred revenue arises from grants and specific purpose program income for which related expenditures have not been made.

### Income Taxes:

United Way is a 501(c)(3) corporation exempt from taxation under Section 501(a) of the Internal Revenue Code.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## 2. Investments:

	2008	2007
Certificates of deposit	\$ 1,115,462	\$ 1,398,757
Money market accounts	943,050	524,859
Mutual funds	88,075	103,604
Equities	52,144	74,289
	<u>\$ 2,198,731</u>	<u>\$ 2,101,509</u>

The following summarizes investment earnings:

	2008	2007
Interest	\$ 256,542	\$ 249,917
Net realized and unrealized gains	5,194	30,685
	<u>\$ 261,736</u>	<u>\$ 280,602</u>

## 3. Campaign Pledges Receivable:

	2008	2007
United Way:		
2007 - 2008 Campaign	\$ 9,812,469	\$ -
2006 - 2007 Campaign	936,279	10,210,024
2005 - 2006 Campaign	487,663	1,053,263
2004 - 2005 Campaign	-	269,362
	<u>11,236,411</u>	<u>11,532,649</u>
Less allowance for uncollectible pledges	<u>2,495,949</u>	<u>2,524,700</u>
	<u>8,740,462</u>	<u>9,007,949</u>
Federal and State Federated Appeals	918,911	908,322
Western New York Women's Fund Campaign	71,849	-
	<u>\$ 9,731,222</u>	<u>\$ 9,916,271</u>

United Way administers the local campaigns for federal and state employees. The Local Federal Coordinating Committee, representing the Combined Federal Campaign, and the State Employees Federated Appeal Steering Committee, representing the State Employees Federated Appeal, have designated United Way to conduct their annual campaigns in conjunction with the annual campaign of United Way.

United Way administers the Western New York Women's Fund Campaign. This is a campaign separate from the United Way's, and is administered in conjunction with the Community Foundation for Greater Buffalo.

United Way combines the activities of the three separate campaigns with the activities of its own campaign in the accompanying financial statements, and presents the contributions as donor designations. The Federal and State Federated Appeals campaign remits an administrative fee to United Way for managing their annual campaigns.

#### 4. Property and Equipment:

	2008	2007
Land	\$ 158,930	\$ 158,930
Building and improvements	3,659,342	3,628,654
Furniture and equipment	2,656,533	2,505,803
	6,474,805	6,293,387
Less accumulated depreciation	3,284,359	3,007,793
	<u>\$ 3,190,446</u>	<u>\$ 3,285,594</u>

#### 5. Retirement Plans:

##### Defined Benefit Pension Plan:

United Way maintains a defined benefit pension plan covering essentially all nonunion employees. United Way's policy is to fund at least the minimum amount required by ERISA.

During the year ended March 31, 2007, United Way adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS No. 158), which requires single-employer defined benefit plans to recognize an asset or liability in the statement of financial position reflecting the funded status of pension and other postretirement benefit plans, with current-year changes in the funded status recognized in the changes in net assets. SFAS No. 158 did not change the existing criteria for measurement of periodic benefit costs, plan assets, or benefit obligations.

The incremental effect of applying SFAS No. 158 to the Plan on individual line items in the balance sheet as of March 31, 2007 is as follows:

	Before Application of SFAS No. 158		After Application of SFAS No. 158	
Prepaid Pension Costs	\$ 491,381	\$ (353,021)	\$ 138,360	
Unrestricted net assets	\$ 6,328,424	\$ (353,021)	\$ 5,975,403	

Amounts recognized as net assets adjustment for the years ended March 31, 2008 and 2007 consist of:

	2008	2007
Unrecognized net asset	\$ 24,295	\$ (42,029)
Unrecognized actuarial loss	144,566	347,571
Unrecognized prior service cost	(5,357)	47,479
	<u>\$ 163,504</u>	<u>\$ 353,021</u>

Amounts recognized as the cumulative net asset adjustment as of March 31, 2008 and 2007 consist of:

	2008	2007
Unrecognized net asset	\$ (17,734)	\$ (42,029)
Unrecognized actuarial loss	492,137	347,571
Unrecognized prior service cost	42,122	47,479
	<u>\$ 516,525</u>	<u>\$ 353,021</u>

These amounts will be recognized in expense in future periods.

Amounts included in the cumulative net asset adjustment for the year ended March 31, 2008 expected to be recognized in expense in 2009 are as follows:

Unrecognized net asset	\$ (17,700)
Unrecognized actuarial loss	16,700
Unrecognized prior service cost	5,400
	<u>\$ 4,400</u>

The status of the defined benefit pension plan at and for the years ended March 31, 2008 and 2007 is presented below. The measurement date used to determine the plan assets and benefit obligations is March 31<sup>st</sup> of each year.

	2008	2007
Benefit obligation	\$ 3,206,707	\$ 2,990,288
Fair value of plan assets	3,233,415	3,128,648
Funded status	<u>\$ 26,708</u>	<u>\$ 138,360</u>
Prepaid pension costs	\$ 26,708	\$ 138,360
Pension expense	\$ 92,617	\$ 107,672
Employer contributions	144,469	58,649
Benefits paid	20,213	-

Weighted average assumptions used to determine benefit obligations at March 31:	2008	2007
Discount rate	5.75%	5.75%
Expected future salary increase	4.00%	4.00%

Weighted average assumptions used to determine net periodic benefit cost:	2008	2007
Discount rate	5.75%	5.75%
Expected return on plan assets	8.00%	8.00%
Expected future salary increase	4.00%	4.00%

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 Assumptions for Measuring Pension Obligations. Based on United Way’s investment policy for the pension plan in effect as of the beginning of the fiscal year ended March 31, 2008, an estimated range was determined for both the real rate of return (net of inflation) and for inflation based on a historical 30 year rolling average. 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 range of 7.12% - 9.26%.

Contributions expected to be required by United Way for 2008 are approximately \$150,000.

Benefits expected to be paid in each of the next five fiscal years and the following five years in aggregate are:

2009	\$ 408,000
2010	34,000
2011	9,000
2012	140,000
2013	-
2014-2018	<u>2,557,000</u>
	<u>\$ 3,148,000</u>

United Way’s pension plan weighted-average asset allocations at March 31, 2008 and 2007 are as follows:

Asset Category:	2008	2007
Equity securities	45%	49%
Debt securities	52%	48%
Other	3%	3%
	<u>100%</u>	<u>100%</u>

The plan’s overall portfolio mix of equity securities and fixed income securities was based upon asset allocation modeling taking into consideration historical return patterns and risk factors. The plan believes that the current mix of assets under a balanced growth concept provides an appropriate level of return to achieve current assumed return plan assumptions.

### Multiemployer Pension Plan:

Certain hourly employees are covered under a multiemployer, union-administered pension plan. United Way is required to make contributions to the plan in accordance with the terms of existing collective bargaining agreements. United Way’s contributions under this plan for the years ended March 31, 2008 and 2007 totaled \$11,000 and \$9,200.

### Post Retirement Health Care Benefits:

United Way provides postretirement health care benefits for certain eligible employees. United Way’s practice is to fund these benefits as incurred. The measurement date used to determine the benefit obligation is March 31<sup>st</sup> of each year.

The status of the postretirement health benefit plan at and for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007
Accrued postretirement benefit obligation (benefit liability)	\$ 319,000	\$ 323,000
Benefit cost	15,320	24,378
Benefits paid	19,320	21,378

Weighted average assumptions used to determine benefit obligations at March 31:

Yearly health care premium increases	1.25%	1.25%
Discount rate	5.75%	5.75%

Weighted average assumptions used to determine net periodic benefit cost:

Discount rate	5.75%	5.75%
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United Way assumes the annual health care premium increase will be approximately 1.25% based on its ability under the plan to adjust coverage or limit contributions to maintain this percentage increase.

Expected future benefit payments:

2009	\$ 31,300
2010	27,700
2011	29,100
2012	22,400
2013	26,700
2014-2018	<u>145,000</u>
	<u>\$ 282,200</u>

### 6. Permanently Restricted Net Assets:

Permanently restricted net assets are restricted to investment in perpetuity, the income from which can be used for expenses associated with the annual campaign, operating expenses, or allocation to agencies.

**7. Lease Commitments:**

United Way leases various equipment under the terms of noncancelable operating leases. Future minimum lease payments due after March 31, 2008 are:

2009	\$ 61,500
2010	36,400
2011	15,200
2012	<u>11,400</u>
	<u>\$ 124,500</u>

Rent expense totaled \$69,500 and \$82,600 in 2008 and 2007.