

**UNITED WAY OF BUFFALO
AND ERIE COUNTY**

FINANCIAL STATEMENTS

March 31, 2009

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, 2009 and 2008 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, 2009 and 2008 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.



November 6, 2009

UNITED WAY OF BUFFALO AND ERIE COUNTY

Balance Sheets

March 31,	2009	2008
Assets		
Cash	\$ 4,061,105	\$ 3,976,689
Investments (Note 2)	2,202,589	2,198,731
Campaign pledges receivable, net (Note 3)	8,690,764	9,731,222
Property and equipment, net (Note 4)	2,972,192	3,190,446
Prepaid pension (Note 5)	-	26,708
Other assets	700,419	1,019,690
	\$ 18,627,069	\$ 20,143,486
Liabilities and Net Assets		
Liabilities:		
Designations payable	\$ 3,157,282	\$ 3,203,420
Allocations payable	2,154,709	2,484,575
Accounts payable and accrued expenses	854,722	467,858
Deferred revenue	849,051	1,399,110
Accrued pension liability (Note 5)	425,577	-
Accrued postretirement benefit obligation (Note 5)	286,000	319,000
	7,727,341	7,873,963
Net assets:		
Unrestricted	6,291,551	6,215,027
Temporarily restricted	4,593,177	6,039,496
Permanently restricted (Note 6)	15,000	15,000
	10,899,728	12,269,523
	\$ 18,627,069	\$ 20,143,486

UNITED WAY OF BUFFALO AND ERIE COUNTY

Statements of Activities

For the years ended March 31,

2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Campaign results:				
Current year campaign results	\$ -	\$ 14,161,872	\$ -	\$ 14,161,872
Net assets released from restrictions	10,655,458	(10,655,458)	-	-
Less: donor designations	-	(3,716,356)	-	(3,716,356)
Estimated uncollectible pledges	-	(1,236,377)	-	(1,236,377)
	<u>10,655,458</u>	<u>(1,446,319)</u>	-	<u>9,209,139</u>
Other revenues:				
Grant funding, program and other income	3,138,707	-	-	3,138,707
Investment income (loss)	(45,120)	-	-	(45,120)
	<u>3,093,587</u>	-	-	<u>3,093,587</u>
Total revenue, gains and other support	<u>13,749,045</u>	<u>(1,446,319)</u>	-	<u>12,302,726</u>
Expenses:				
Allocations	5,613,750	-	-	5,613,750
Functional expenses:				
Community care services	2,545,790	-	-	2,545,790
Grant programs	2,851,409	-	-	2,851,409
Management and general	764,597	-	-	764,597
Fund raising	1,520,917	-	-	1,520,917
	<u>7,682,713</u>	-	-	<u>7,682,713</u>
Total expenses	<u>13,296,463</u>	-	-	<u>13,296,463</u>
Increase (decrease) in net assets from operations	452,582	(1,446,319)	-	(993,737)
Pension liability adjustment (Note 5)	(376,058)	-	-	(376,058)
Increase (decrease) in net assets	76,524	(1,446,319)	-	(1,369,795)
Net assets - beginning	<u>6,215,027</u>	<u>6,039,496</u>	<u>15,000</u>	<u>12,269,523</u>
Net assets - ending	<u>\$ 6,291,551</u>	<u>\$ 4,593,177</u>	<u>\$ 15,000</u>	<u>\$ 10,899,728</u>

See accompanying notes.

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 14,793,875	\$ -	\$ 14,793,875
10,895,715	(10,895,715)	-	-
-	(3,788,679)	-	(3,788,679)
-	(1,149,730)	-	(1,149,730)
10,895,715	(1,040,249)	-	9,855,466
2,824,032	-	-	2,824,032
261,736	-	-	261,736
3,085,768	-	-	3,085,768
13,981,483	(1,040,249)	-	12,941,234
6,008,925	-	-	6,008,925
2,486,671	-	-	2,486,671
2,914,633	-	-	2,914,633
548,990	-	-	548,990
1,619,136	-	-	1,619,136
7,569,430	-	-	7,569,430
13,578,355	-	-	13,578,355
403,128	(1,040,249)	-	(637,121)
(163,504)	-	-	(163,504)
239,624	(1,040,249)	-	(800,625)
5,975,403	7,079,745	15,000	13,070,148
\$ 6,215,027	\$ 6,039,496	\$ 15,000	\$ 12,269,523

UNITED WAY OF BUFFALO AND ERIE COUNTY

Statements of Functional Expenses

For the years ended March 31,

2009

	Supporting Services					Total
	Community Care Services	Grant Programs	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 1,492,768	\$ 549,185	\$ 438,617	\$ 748,714	\$ 1,187,331	\$ 3,229,284
Payroll taxes and employee benefits	351,572	128,453	106,585	174,695	281,280	761,305
Total salaries and related expenses	1,844,340	677,638	545,202	923,409	1,468,611	3,990,589
Consulting and professional fees	98,946	122,438	114,834	132,122	246,956	468,340
Supplies	56,979	23,570	1,704	27,241	28,945	109,494
Telephone	15,113	6,270	3,795	12,800	16,595	37,978
Postage	12,093	11,440	3,142	37,696	40,838	64,371
Occupancy	117,008	46,097	24,305	66,270	90,575	253,680
Printing and public relations	34,582	47,417	10,334	124,730	135,064	217,063
Travel, conferences and meetings	29,847	42,279	14,860	33,008	47,868	119,994
Membership dues	4,682	12,104	7,087	5,268	12,355	29,141
Employee education and training	3,183	3,602	481	1,884	2,365	9,150
Equipment rental and maintenance	124,308	25,198	7,300	27,939	35,239	184,745
Production	(2,952)	3,686	152	5,597	5,749	6,483
Payments to State affiliate	18,114	7,032	2,739	10,721	13,460	38,606
Grant awards	-	1,743,876	-	-	-	1,743,876
Miscellaneous	8,428	8,447	1,275	5,028	6,303	23,178
Depreciation	117,658	45,686	17,794	69,654	87,448	250,792
Payments to National affiliate	63,461	24,629	9,593	37,550	47,143	135,233
	\$ 2,545,790	\$ 2,851,409	\$ 764,597	\$ 1,520,917	\$ 2,285,514	\$ 7,682,713

See accompanying notes.

2008					
Community Care Services	Grant Programs	Supporting Services			Total
		Management and General	Fund Raising	Total Supporting Services	
\$ 1,388,423	\$ 557,536	\$ 330,870	\$ 822,199	\$ 1,153,069	\$ 3,099,028
313,734	124,459	76,461	183,688	260,149	698,342
1,702,157	681,995	407,331	1,005,887	1,413,218	3,797,370
118,195	139,864	35,075	171,931	207,006	465,065
68,556	46,664	2,290	18,465	20,755	135,975
13,965	7,837	3,716	9,978	13,694	35,496
31,528	11,308	3,046	17,744	20,790	63,626
112,592	50,090	25,283	78,214	103,497	266,179
61,191	67,511	7,411	94,772	102,183	230,885
44,283	52,423	15,158	31,977	47,135	143,841
2,453	12,107	9,953	3,583	13,536	28,096
6,410	3,224	1,060	4,636	5,696	15,330
129,112	20,193	6,413	34,277	40,690	189,995
(1,803)	4,176	(500)	4,437	3,937	6,310
16,560	7,632	2,739	11,975	14,714	38,906
-	1,721,123	-	-	-	1,721,123
2,863	6,165	473	2,094	2,567	11,595
117,714	54,254	19,470	85,128	104,598	276,566
60,895	28,067	10,072	44,038	54,110	143,072
\$ 2,486,671	\$ 2,914,633	\$ 548,990	\$ 1,619,136	\$ 2,168,126	\$ 7,569,430

UNITED WAY OF BUFFALO AND ERIE COUNTY

Statements of Cash Flows

For the years ended March 31,	2009	2008
Cash flows from operating activities:		
Decrease in net assets:		
Decrease in net assets from operations	\$ (993,737)	\$ (637,121)
Net assets adjustment - defined benefit pension plan (Note 5)	(376,058)	(163,504)
	<u>(1,369,795)</u>	<u>(800,625)</u>
Adjustments to reconcile decrease in net assets to net cash flows from operating activities:		
Depreciation	250,792	276,566
Realized and unrealized (gain) loss on investments	152,450	(5,194)
Changes in other operating assets and liabilities:		
Pledges receivable	1,040,458	185,049
Prepaid pension and other assets	345,979	(288,204)
Designations payable	(46,138)	48,052
Allocations payable	(329,866)	391,244
Accounts payable and accrued expenses	386,864	57,612
Deferred revenue	(550,059)	128,437
Accrued pension liability	425,577	-
Accrued postretirement benefit obligation	(33,000)	(4,000)
	<u>273,262</u>	<u>(11,063)</u>
Net cash flows from (for) operating activities		
Cash flows from investing activities:		
Purchase of investments	(2,518,266)	(1,000,521)
Proceeds from sale of investments	2,361,958	908,493
Purchase of equipment and building improvements	(32,538)	(181,418)
	<u>(188,846)</u>	<u>(273,446)</u>
Net cash flows for investing activities		
Net increase (decrease) in cash	84,416	(284,509)
Cash - beginning	<u>3,976,689</u>	<u>4,261,198</u>
Cash - ending	<u>\$ 4,061,105</u>	<u>\$ 3,976,689</u>

See accompanying notes.

Notes to Financial Statements

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 statements 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, fund raising, fund distribution, management, and general expenses.

Charitable Trusts:

United Way is the beneficiary of funds held in trust by various financial institutions. These amounts are included in other assets on the accompanying balance sheets. 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 on a recurring basis as determined by quoted prices in active markets.

Pledges Receivable:

Pledges receivable are recognized in the year in which the pledges become known regardless of campaign year. Unconditional promises to give are recorded at estimated net realizable value.

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. United Way believes it is no longer subject to examination by Federal and State taxing authorities for years prior to 2006.

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.

Reclassifications:

The financial statements for the year ended March 31, 2008 have been reclassified to conform with the presentation adopted for March 31, 2009.

2. Investments:

	2009	2008
Certificates of deposit	\$ 1,140,302	\$ 1,115,462
Money market accounts	977,145	943,050
Mutual funds	60,294	88,075
Equities	24,848	52,144
	<u>\$ 2,202,589</u>	<u>\$ 2,198,731</u>

The following summarizes investment income in the statements of activities:

	2009	2008
Interest	\$ 107,330	\$ 256,542
Net realized and unrealized gains (losses)	(152,450)	5,194
	<u>\$ (45,120)</u>	<u>\$ 261,736</u>

3. Campaign Pledges Receivable:

	2009	2008
United Way:		
2008 - 2009 Campaign	\$ 8,795,176	\$ -
2007 - 2008 Campaign	995,528	9,812,469
2006 - 2007 Campaign	346,801	936,279
2005 - 2006 Campaign	-	487,663
	<u>10,137,505</u>	<u>11,236,411</u>
Less allowance for uncollectible pledges	<u>2,330,177</u>	<u>2,495,949</u>
	<u>7,807,328</u>	<u>8,740,462</u>
Federal and State Federated Appeals	726,391	918,911
Western New York Women's Fund Campaign	157,045	71,849
	<u>\$ 8,690,764</u>	<u>\$ 9,731,222</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:

	2009	2008
Land	\$ 158,930	\$ 158,930
Building and improvements	3,659,342	3,659,342
Furniture and equipment	2,689,071	2,656,533
	<u>6,507,343</u>	6,474,805
Less accumulated depreciation	3,535,151	3,284,359
	<u>\$ 2,972,192</u>	\$ 3,190,446

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.

The status of the defined benefit pension plan at and for the years ended March 31, 2009 and 2008 is presented below. The measurement date used to determine the plan assets and benefit obligations is March 31st of each year.

	2009	2008
Projected benefit obligation	\$ 2,973,642	\$3,206,707
Fair value of plan assets	2,548,065	3,233,415
Funded status	<u>\$ (425,577)</u>	<u>\$ 26,708</u>
Accumulated benefit obligation	<u>\$ 2,678,645</u>	<u>\$2,516,227</u>

Amounts recognized on the balance sheets:

	2009	2008
Prepaid pension asset and accrued pension liability	<u>\$ (425,577)</u>	<u>\$ 26,708</u>
Accumulated adjustment to net assets	<u>\$ (892,583)</u>	<u>\$ (516,525)</u>

Amounts recognized as the cumulative net asset adjustment as of March 31, 2009 and 2008 consist of:

	2009	2008
Unrecognized net asset	\$ -	\$ (17,734)
Unrecognized actuarial loss	855,818	492,137
Unrecognized prior service cost	36,765	42,122
	<u>\$ 892,583</u>	<u>\$ 516,525</u>

Amounts included in the cumulative net asset adjustment for the year ended March 31, 2009 expected to be recognized in expense in 2010 are as follows:

Unrecognized actuarial loss	\$ 62,800
Unrecognized prior service cost	5,400
	<u>\$ 68,200</u>

Amounts recognized as pension liability adjustment for the years ended March 31, 2009 and 2008 consist of:

	2009	2008
Unrecognized net asset	\$ 17,734	\$ 24,295
Unrecognized actuarial loss	363,681	144,566
Unrecognized prior service cost	(5,357)	(5,357)
	<u>\$ 376,058</u>	<u>\$ 163,504</u>
Pension expense	\$ 76,227	\$ 92,617
Employer contributions	-	144,469
Benefits paid	3,958	20,213
Weighted average assumptions used to determine benefit obligations at March 31:		
Discount rate	6.00%	5.75%
Expected future salary increase	2.00%	4.00%
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	6.00%	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, 2009, 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 6.95% - 9.10%.

No contributions are expected to be required by United Way for 2010.

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

2010	\$ 433,000
2011	9,000
2012	102,000
2013	-
2014	102,000
2015-2019	<u>2,376,000</u>
	<u>\$ 3,022,000</u>

United Way's pension plan weighted-average asset allocations at March 31, 2009 and 2008 are as follows:

	<u>2009</u>	2008
Asset Category:		
Equity securities	46%	45%
Debt securities	45%	52%
Other	9%	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, 2009 and 2008 totaled \$8,900 and \$11,000.

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 31st of each year.

The status of the postretirement health benefit plan at and for the years ended March 31, 2009 and 2008 is as follows:

	<u>2009</u>	2008
Accrued postretirement benefit obligation (benefit liability)	\$ 286,000	\$ 319,000
Benefit cost	3,700	15,300
Benefits paid	36,700	19,300
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%

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:

2010	\$ 36,900
2011	29,400
2012	24,800
2013	24,800
2014	25,900
2015-2019	<u>136,100</u>
	<u>\$ 277,900</u>

6. Permanently Restricted Net Assets:

Permanently restricted net assets have been restricted by donors to be maintained by the United Way in perpetuity. The United Way's Trustees have interpreted the State Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor endowment funds, absent explicit donor stipulations to the contrary. Permanently restricted net assets allow for income that can be used for expenses associated with the annual campaign, operating expenses, or allocation to agencies. Permanently restricted net assets totaled \$15,000 at March 31, 2009 and 2008.

7. Lease Commitments:

United Way leases various equipment under the terms of noncancelable operating leases. Future minimum lease payments due after March 31, 2009 are:

2010	\$ 58,300
2011	37,100
2012	32,800
	<u>\$ 128,200</u>

Rent expense totaled \$79,400 and \$69,500 in 2009 and 2008.