

**UNITED WAY OF BUFFALO  
AND ERIE COUNTY**

**FINANCIAL STATEMENTS**

**March 31, 2005**

403 Main St., Suite 430  
Buffalo, NY 14203  
(716) 856-3300 / fax (716) 856-2524  
mailbox@lumsden CPA.com



Lumsden & McCormick, LLP  
Certified Public Accountants

## 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, 2005 and 2004 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, 2005 and 2004 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.

A handwritten signature in blue ink that reads "Lumsden &amp; McCormick, LLP". The signature is written in a cursive, flowing style.

June 2, 2005

UNITED WAY OF BUFFALO AND ERIE COUNTY

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**Balance Sheets**

March 31,	2005	2004
<b>Assets</b>		
Cash	\$ 2,707,544	\$ 2,458,693
Investments (Note 2)	1,926,270	1,994,929
Campaign pledges receivable, net (Note 3)	10,594,229	11,524,460
Property and equipment, net (Note 4)	3,669,031	3,846,396
Prepaid pension (Note 5)	561,308	623,388
Other assets	633,716	431,983
	<b>\$ 20,092,098</b>	<b>\$ 20,879,849</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Designations payable	\$ 3,620,589	\$ 5,356,529
Allocations payable	1,753,718	2,178,321
Accounts payable and accrued expenses	399,286	349,106
Unemployment insurance trust funds (Note 6)	335,357	471,413
Deferred revenue	999,950	761,361
	<b>7,108,900</b>	<b>9,116,730</b>
<b>Net assets:</b>		
Unrestricted	4,509,632	4,429,397
Temporarily restricted	8,458,566	7,318,722
Permanently restricted (Note 7)	15,000	15,000
	<b>12,983,198</b>	<b>11,763,119</b>
	<b>\$ 20,092,098</b>	<b>\$ 20,879,849</b>

See accompanying notes.

UNITED WAY OF BUFFALO AND ERIE COUNTY

**Statements of Activities**

For the years ended March 31,

2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating activity:				
Revenue, gains and other support:				
Campaign results:				
Current year campaign results	\$ -	\$ 15,997,511	\$ -	\$ 15,997,511
Net assets released from restrictions	10,223,477	(10,223,477)	-	-
Less: donor designations	-	(3,444,489)	-	(3,444,489)
Estimated uncollectible pledges	-	(1,189,701)	-	(1,189,701)
	10,223,477	1,139,844	-	11,363,321
Other revenues:				
Grant funding, program and other income	1,324,978	-	-	1,324,978
Investment income	54,514	-	-	54,514
	1,379,492	-	-	1,379,492
Total revenue, gains and other support	11,602,969	1,139,844	-	12,742,813
Expenses:				
Allocation - community care fund recipients	6,049,284	-	-	6,049,284
Functional expenses:				
Community care services	2,618,500	-	-	2,618,500
Grant programs	1,287,830	-	-	1,287,830
Management and general	396,572	-	-	396,572
Fund raising	1,078,743	-	-	1,078,743
Payments to National affiliate	91,805	-	-	91,805
	5,473,450	-	-	5,473,450
Total expenses	11,522,734	-	-	11,522,734
<b>Increase (decrease) in net assets</b>	80,235	1,139,844	-	1,220,079
Net assets - beginning	4,429,397	7,318,722	15,000	11,763,119
Net assets - ending	\$ 4,509,632	\$ 8,458,566	\$ 15,000	\$ 12,983,198

See accompanying notes.

2004			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
-	18,479,507	\$ -	\$ 18,479,507
11,841,237	(11,841,237)	-	-
-	(6,068,845)	-	(6,068,845)
-	(1,365,559)	-	(1,365,559)
11,841,237	(796,134)	-	11,045,103
1,499,034	-	-	1,499,034
95,102	-	-	95,102
1,594,136	-	-	1,594,136
13,435,373	(796,134)	-	12,639,239
6,584,250	-	-	6,584,250
2,928,587	-	-	2,928,587
1,404,323	-	-	1,404,323
382,590	-	-	382,590
1,321,459	-	-	1,321,459
100,280	-	-	100,280
6,137,239	-	-	6,137,239
12,721,489	-	-	12,721,489
713,884	(796,134)	-	(82,250)
3,715,513	8,114,856	15,000	11,845,369
\$ 4,429,397	\$ 7,318,722	\$ 15,000	\$ 11,763,119

UNITED WAY OF BUFFALO AND ERIE COUNTY

Statements of Functional Expenses

For the years ended March 31,

2005

	Supporting Services					Total
	Community Care Services	Grant Programs	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 1,348,777	\$ 448,751	\$ 227,523	\$ 533,867	\$ 761,390	\$ 2,558,918
Employee benefits	237,835	68,881	23,001	108,082	131,083	437,799
Payroll taxes	107,189	34,011	14,177	42,859	57,036	198,236
Total salaries and related expenses	1,693,801	551,643	264,701	684,808	949,509	3,194,953
Consulting and professional fees	172,909	181,126	50,034	56,620	106,654	460,689
Supplies	62,528	18,500	1,058	28,843	29,901	110,929
Telephone	27,824	9,095	4,239	12,957	17,196	54,115
Postage	60,081	5,753	1,288	7,950	9,238	75,072
Occupancy	126,750	48,412	33,111	47,148	80,259	255,421
Printing and public relations	47,337	6,472	2,887	86,277	89,164	142,973
Travel, conferences and meetings	69,820	21,002	9,140	45,613	54,753	145,575
Membership dues	3,268	8,527	6,463	593	7,056	18,851
Employee education and training	1,651	381	104	3,850	3,954	5,986
Equipment rental and maintenance	141,623	75,381	5,535	24,247	29,782	246,786
Production	1,744	1,112	103	2,230	2,333	5,189
Payments to State affiliate	24,130	7,584	2,068	8,963	11,031	42,745
Grants awards	-	294,759	-	-	-	294,759
Miscellaneous	17,266	5,356	1,461	6,330	7,791	30,413
Depreciation	167,768	52,727	14,380	62,314	76,694	297,189
	<u>\$ 2,618,500</u>	<u>\$ 1,287,830</u>	<u>\$ 396,572</u>	<u>\$ 1,078,743</u>	<u>\$ 1,475,315</u>	<u>\$ 5,381,645</u>
Payments to National affiliate						<u>91,805</u>
						<u>\$ 5,473,450</u>

See accompanying notes.

2004

Community Care Services	Grant Programs	Supporting Services			Total Supporting Services	Total
		Management and General	Fund Raising			
\$ 1,553,269	\$ 500,649	\$ 230,572	\$ 635,907	\$ 866,479	\$ 2,920,397	
307,509	60,678	31,193	137,832	169,025	537,212	
130,471	42,137	15,367	53,881	69,248	241,856	
1,991,249	603,464	277,132	827,620	1,104,752	3,699,465	
209,641	206,061	48,623	52,654	101,277	516,979	
68,166	13,110	1,273	41,083	42,356	123,632	
31,067	8,820	3,998	14,087	18,085	57,972	
54,588	3,165	1,230	10,146	11,376	69,129	
147,079	71,746	10,762	82,507	93,269	312,094	
70,637	4,779	637	101,871	102,508	177,924	
68,073	33,713	10,072	28,104	38,176	139,962	
4,048	6,772	8,289	928	9,217	20,037	
8,116	3,958	593	4,752	5,345	17,419	
96,649	47,145	7,072	54,217	61,289	205,083	
4,702	1,406	134	1,650	1,784	7,892	
19,643	9,581	1,438	11,497	12,935	42,159	
-	315,029	-	-	-	315,029	
14,195	6,924	1,039	7,962	9,001	30,120	
140,734	68,650	10,298	82,381	92,679	302,063	
<u>\$ 2,928,587</u>	<u>\$ 1,404,323</u>	<u>\$ 382,590</u>	<u>\$ 1,321,459</u>	<u>\$ 1,704,049</u>	<u>\$ 6,036,959</u>	
					100,280	
					<u>\$ 6,137,239</u>	

UNITED WAY OF BUFFALO AND ERIE COUNTY

**Statements of Cash Flows**

For the years ended March 31,	2005	2004
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 1,220,079	\$ (82,250)
Adjustments to reconcile increase (decrease) in net assets to net cash flows from operating activities:		
Depreciation	297,189	302,063
Realized and unrealized (gain) loss on investments	34,485	(25,527)
Changes in other operating assets and liabilities:		
Pledges receivable	930,231	467,211
Prepaid pension and other assets	(139,653)	228,352
Designations payable	(1,735,940)	(115,873)
Allocations payable	(424,603)	(144,710)
Accounts payable and accrued expenses	50,180	(192,181)
Unemployment insurance trust funds	(136,056)	(70,795)
Deferred revenue	238,589	(242,139)
<b>Net cash flows from operating activities</b>	<b>334,501</b>	<b>124,151</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(1,195,393)	(31,177)
Proceeds from sale of investments	1,229,567	10,923
Purchase of equipment and building improvements	(119,824)	(43,904)
<b>Net cash flows for investing activities</b>	<b>(85,650)</b>	<b>(64,158)</b>
Net increase in cash	248,851	59,993
Cash - beginning	2,458,693	2,398,700
Cash - ending	\$ 2,707,544	\$ 2,458,693

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.

**Operating Activities:**

All revenue and expenses intended for program operations and administration are included in operating activities.

**Donor-Imposed Restrictions:**

All contributions are considered to be 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 are 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:

	2005	2004
Certificates of deposit	\$ 1,490,818	\$ 1,011,864
Money market accounts	272,351	242,919
Mutual funds	86,171	81,057
Equities	76,930	81,968
Annuity contracts	-	577,121
	<u>\$ 1,926,270</u>	<u>\$ 1,994,929</u>

The following summarizes investment earnings:

	2005	2004
Interest	\$ 88,999	\$ 69,575
Net realized and unrealized gains (losses)	(34,485)	25,527
	<u>\$ 54,514</u>	<u>\$ 95,102</u>

### 3. Campaign Pledges Receivable:

	2005	2004
United Way:		
2004 - 2005 Campaign	\$ 10,908,050	\$ -
2003 - 2004 Campaign	722,203	11,667,880
2002 - 2003 Campaign	574,775	1,260,890
2001 - 2002 Campaign	-	306,018
	<u>12,205,028</u>	<u>13,234,788</u>
Less allowance for uncollectible pledges	<u>2,641,569</u>	<u>2,934,200</u>
	<u>9,563,459</u>	<u>10,300,588</u>
Federal and State Federated Appeals	<u>1,030,770</u>	<u>1,223,872</u>
	<u>\$ 10,594,229</u>	<u>\$ 11,524,460</u>

The 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 the United Way to conduct their annual campaigns in conjunction with the annual campaign of United Way.

United Way combines the activities of these two campaigns with the activities of its own campaign in the accompanying financial statements and presents the contributions as donor designations. Pledges receivable contain amounts receivable from the three campaigns, as shown above. Each campaign also remits an administrative fee to United Way for managing its annual campaign.

#### 4. Property and Equipment:

	2005	2004
Land	\$ 158,930	\$ 158,930
Building and improvements	3,628,654	3,623,697
Furniture and equipment	2,311,882	2,197,015
	<u>6,099,466</u>	<u>5,979,642</u>
Less accumulated depreciation	2,430,435	2,133,246
	<u>\$ 3,669,031</u>	<u>\$ 3,846,396</u>

#### 5. Retirement Plans:

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, 2005 and 2004 totaled \$12,692 and \$13,682.

United Way also 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 measurement date used to determine the plan assets and benefit obligations is March 31st. of each year.

The status of the defined benefit pension plan at and for the years ended March 31, 2005 and 2004 was as follows:

	2005	2004
Benefit obligation	\$ 2,637,468	\$ 2,017,263
Fair value of plan assets	2,552,787	2,471,499
Funded status	<u>\$ (84,681)</u>	<u>\$ 454,236</u>
Accumulated benefit obligation	<u>\$ 1,877,993</u>	<u>\$ 1,371,510</u>
Prepaid pension costs	<u>\$ 561,308</u>	<u>\$ 623,388</u>
Pension expense	\$ 72,080	\$ 155,393
Employer contributions	10,000	-
Benefits paid	7,833	129,650
Weighted average assumptions used to determine benefit obligations at March 31:		
Discount rate	6.00%	6.50%
Expected future salary increase	4.50%	4.50%
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	6.00%	6.50%
Expected return on plan assets	8.00%	7.50%
Expected future salary increase	4.50%	4.50%

The Expected Long-Term Rate of Return on Plan Assets 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 Obligations. Based on the United Way's investment policy for the pension plan in effect as of the beginning of the fiscal year, 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 4.0% was selected and added to the real rate of return range to arrive at a range of 7.59% - 9.59%.

No contributions are expected to be required by United Way for 2006.

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

2005	\$ 255,000
2006	-
2007	141,000
2008	86,000
2009	36,000
2010-2015	<u>604,000</u>
	<u>\$1,122,000</u>

United Way's pension plan weighted-average asset allocations at March 31, 2005 and 2004 are as follows:

	2005	2004
Asset Category:		
Equity securities	51%	50%
Debt securities	46%	47%
Other	3%	3%
	100%	100%

The plan's overall portfolio mix of equity securities and fixed income (debt) securities were 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.

#### 6. Unemployment Insurance Trust Funds:

United Way administers a program whereby eligible agencies can obtain New York State Unemployment Insurance at preferred rates. Funds are accumulated for the purpose of paying unemployment insurance claims to eligible employees of participating agencies. Claims for covered agency employees are paid on a direct reimbursement basis to the New York State Department of Labor. During 2004, the United Way elected to terminate this fund effective December 31, 2004. The balance of the Unemployment Insurance Trust Funds will be reflected in the accompanying financial statements until all claims have been submitted and paid.

#### 7. 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.

#### 8. Lease Commitments:

United Way leases various equipment under the terms of noncancelable operating leases. Future minimum lease payments due after March 31, 2005 are:

2006	\$ 89,746
2007	55,856
2008	31,092
2009	24,727
	\$ 201,421

Rent expense totaled \$87,315 and \$88,095 in 2005 and 2004.