

**UNITED WAY OF BUFFALO  
AND ERIE COUNTY**

**FINANCIAL STATEMENTS**

**March 31, 2007**



**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, 2007 and 2006 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, 2007 and 2006 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.

As discussed in Note 6 to the financial statements, the Organization changed its method of accounting for its defined benefit pension plan.

*Lumsden & McCormick, LLP*

July 18, 2007

UNITED WAY OF BUFFALO AND ERIE COUNTY

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**Balance Sheets**

March 31,	2007	2006
<b>Assets</b>		
Cash	\$ 4,261,198	\$ 3,839,998
Investments (Note 2)	2,101,509	1,981,022
Campaign pledges receivable, net (Note 3)	9,916,271	10,342,927
Property and equipment, net (Note 4)	3,285,594	3,455,354
Prepaid pension (Note 5)	138,360	540,404
Other assets	619,834	724,432
	<u>\$ 20,322,766</u>	<u>\$ 20,884,137</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Designations payable	\$ 3,155,368	\$ 3,399,312
Allocations payable	2,093,331	2,157,652
Accounts payable and accrued expenses	410,246	424,563
Unemployment insurance trust funds (Note 6)	-	157,766
Deferred revenue	1,270,673	1,339,023
Accrued postretirement benefit obligation (Note 5)	323,000	320,000
	<u>7,252,618</u>	<u>7,798,316</u>
<b>Net assets:</b>		
Unrestricted	5,975,403	5,373,797
Temporarily restricted	7,079,745	7,697,024
Permanently restricted (Note 7)	15,000	15,000
	<u>13,070,148</u>	<u>13,085,821</u>
	<u>\$ 20,322,766</u>	<u>\$ 20,884,137</u>

See accompanying notes.

UNITED WAY OF BUFFALO AND ERIE COUNTY

**Statements of Activities**

For the years ended March 31,

2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Campaign results:				
Current year campaign results	\$ -	\$ 15,449,067	\$ -	\$ 15,449,067
Net assets released from restrictions	11,220,918	(11,220,918)	-	-
Less: donor designations	-	(3,806,240)	-	(3,806,240)
Estimated uncollectible pledges	-	(1,039,188)	-	(1,039,188)
	<u>11,220,918</u>	<u>(617,279)</u>	-	<u>10,603,639</u>
Other revenues:				
Grant funding, program and other income	1,386,302	-	-	1,386,302
Investment income	280,602	-	-	280,602
	<u>1,666,904</u>	-	-	<u>1,666,904</u>
Total revenue, gains and other support	<u>12,887,822</u>	<u>(617,279)</u>	-	<u>12,270,543</u>
Expenses:				
Allocations	6,008,100	-	-	6,008,100
Functional expenses:				
Community care services	2,740,454	-	-	2,740,454
Grant programs	1,395,911	-	-	1,395,911
Management and general	367,372	-	-	367,372
Fund raising	1,278,889	-	-	1,278,889
Payments to National affiliate	142,469	-	-	142,469
	<u>5,925,095</u>	-	-	<u>5,925,095</u>
Total expenses	<u>11,933,195</u>	-	-	<u>11,933,195</u>
<b>Increase (decrease) in net assets from operations</b>	<b>954,627</b>	<b>(617,279)</b>	<b>-</b>	<b>337,348</b>
Net assets adjustment - defined benefit pension plan (Note 5)	<u>(353,021)</u>	-	-	<u>(353,021)</u>
Increase (decrease) in net assets	601,606	(617,279)	-	(15,673)
Net assets - beginning	<u>5,373,797</u>	<u>7,697,024</u>	<u>15,000</u>	<u>13,085,821</u>
Net assets - ending	<u>\$ 5,975,403</u>	<u>\$ 7,079,745</u>	<u>\$ 15,000</u>	<u>\$ 13,070,148</u>

See accompanying notes.

2006			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 15,612,637	\$ -	\$ 15,612,637
11,610,321	(11,610,321)	-	-
-	(3,591,617)	-	(3,591,617)
-	(1,172,241)	-	(1,172,241)
11,610,321	(761,542)	-	10,848,779
1,181,696	-	-	1,181,696
141,535	-	-	141,535
1,323,231	-	-	1,323,231
12,933,552	(761,542)	-	12,172,010
6,351,200	-	-	6,351,200
2,655,501	-	-	2,655,501
1,127,479	-	-	1,127,479
405,812	-	-	405,812
1,076,872	-	-	1,076,872
135,523	-	-	135,523
5,401,187	-	-	5,401,187
11,752,387	-	-	11,752,387
1,181,165	(761,542)	-	419,623
-	-	-	-
1,181,165	(761,542)	-	419,623
4,192,632	8,458,566	15,000	12,666,198
\$ 5,373,797	\$ 7,697,024	\$ 15,000	\$ 13,085,821

UNITED WAY OF BUFFALO AND ERIE COUNTY

**Statements of Functional Expenses**

For the years ended March 31,

2007

	Supporting Services					
	Community Care Services	Grant Programs	Management and General	Fund Raising	Total Supporting Services	Total
Salaries	\$ 1,438,929	\$ 502,701	\$ 247,327	\$ 628,429	\$ 875,756	\$ 2,817,386
Payroll taxes and employee benefits	362,911	108,941	40,345	157,951	198,296	670,148
Total salaries and related expenses	1,801,840	611,642	287,672	786,380	1,074,052	3,487,534
Consulting and professional fees	229,318	151,742	10,393	131,725	142,118	523,178
Supplies	72,972	60,594	1,967	21,682	23,649	157,215
Telephone	17,601	7,993	3,733	9,459	13,192	38,786
Postage	44,897	7,077	1,246	10,093	11,339	63,313
Occupancy	131,528	49,057	18,946	64,519	83,465	264,050
Printing and public relations	63,490	38,481	2,346	89,529	91,875	193,846
Travel, conferences and meetings	48,649	46,403	11,887	33,673	45,560	140,612
Membership dues	3,365	34,252	6,775	3,243	10,018	47,635
Employee education and training	7,597	3,079	733	4,171	4,904	15,580
Equipment rental and maintenance	151,071	20,504	4,909	33,290	38,199	209,774
Production	(691)	1,458	753	4,280	5,033	5,800
Payments to State affiliate	20,061	7,881	1,906	10,339	12,245	40,187
Grants awards	200	297,435	-	-	-	297,635
Miscellaneous	5,437	2,091	506	2,744	3,250	10,778
Depreciation and amortization	143,119	56,222	13,600	73,762	87,362	286,703
	\$ 2,740,454	\$ 1,395,911	\$ 367,372	\$ 1,278,889	\$ 1,646,261	\$ 5,782,626
Payments to National affiliate						142,469
						\$ 5,925,095

See accompanying notes.

2006

Community Care Services	Grant Programs	Supporting Services			Total Supporting Services	Total
		Management and General	Fund Raising			
\$ 1,392,282	\$ 382,440	\$ 230,871	\$ 516,872	\$ 747,743	\$ 2,522,465	
318,719	80,366	37,868	121,692	159,560	558,645	
1,711,001	462,806	268,739	638,564	907,303	3,081,110	
214,399	59,093	67,706	121,496	189,202	462,694	
58,864	20,541	2,085	27,401	29,486	108,891	
19,593	7,412	3,371	8,597	11,968	38,973	
49,126	5,803	2,229	8,117	10,346	65,275	
145,896	43,132	18,747	58,845	77,592	266,620	
64,026	31,955	4,700	64,144	68,844	164,825	
48,535	34,039	8,153	35,523	43,676	126,250	
1,412	6,467	7,708	457	8,165	16,044	
6,126	4,666	486	2,590	3,076	13,868	
139,710	33,481	5,011	25,228	30,239	203,430	
(842)	1,981	(14)	3,193	3,179	4,318	
23,449	6,952	2,004	9,813	11,817	42,218	
-	357,506	-	-	-	357,506	
12,768	3,785	1,091	5,343	6,434	22,987	
161,438	47,860	13,796	67,561	81,357	290,655	
\$ 2,655,501	\$ 1,127,479	\$ 405,812	\$ 1,076,872	\$ 1,482,684	\$ 5,265,664	
					135,523	
					<u>\$ 5,401,187</u>	

UNITED WAY OF BUFFALO AND ERIE COUNTY

**Statements of Cash Flows**

For the years ended March 31,	2007	2006
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets:		
Increase in net assets from operations	\$ 337,348	\$ 419,623
Net assets adjustment - defined benefit pension plan (Note 5)	(353,021)	-
	<u>(15,673)</u>	<u>419,623</u>
Adjustments to reconcile increase (decrease) in net assets to net cash flows from operating activities:		
Depreciation and amortization	286,703	290,655
Realized and unrealized (gain) loss on investments	(30,685)	7,431
Changes in other operating assets and liabilities:		
Pledges receivable	426,656	251,302
Prepaid pension and other assets	506,642	(69,812)
Designations payable	(243,944)	(221,277)
Allocations payable	(64,321)	403,934
Accounts payable and accrued expenses	(14,317)	25,277
Unemployment insurance trust funds	(157,766)	(177,591)
Deferred revenue	(68,350)	339,073
Accrued postretirement benefit obligation	3,000	3,000
	<u>627,945</u>	<u>1,271,615</u>
<b>Net cash flows from operating activities</b>	<b>627,945</b>	<b>1,271,615</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(328,552)	(215,347)
Proceeds from sale of investments	238,750	153,164
Purchase of equipment and building improvements	(116,943)	(76,978)
	<u>(206,745)</u>	<u>(139,161)</u>
<b>Net cash flows from investing activities</b>	<b>(206,745)</b>	<b>(139,161)</b>
Net increase in cash	421,200	1,132,454
Cash - beginning	<u>3,839,998</u>	<u>2,707,544</u>
Cash - ending	<u>\$ 4,261,198</u>	<u>\$ 3,839,998</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:

	2007	2006
Certificates of deposit	\$ 1,398,757	\$ 1,572,965
Money market accounts	524,859	241,899
Mutual funds	103,604	99,229
Equities	74,289	66,929
	<u>\$ 2,101,509</u>	<u>\$ 1,981,022</u>

The following summarizes investment earnings:

	2007	2006
Interest	\$ 249,917	\$ 148,966
Net realized and unrealized gains (losses)	30,685	(7,431)
	<u>\$ 280,602</u>	<u>\$ 141,535</u>

### 3. Campaign Pledges Receivable:

	2007	2006
United Way:		
2006 - 2007 Campaign	\$ 10,210,024	\$ -
2005 - 2006 Campaign	1,053,263	10,681,577
2004 - 2005 Campaign	269,362	558,927
2003 - 2004 Campaign	-	180,661
	<u>11,532,649</u>	<u>11,421,165</u>
Less allowance for uncollectible pledges	2,524,700	2,086,660
	<u>9,007,949</u>	<u>9,334,505</u>
Federal and State Federated Appeals	908,322	1,008,422
	<u>\$ 9,916,271</u>	<u>\$ 10,342,927</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 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:

	2007	2006
Land	\$ 158,930	\$ 158,930
Building and improvements	3,628,654	3,628,654
Furniture and equipment	2,505,803	2,388,860
	<u>6,293,387</u>	<u>6,176,444</u>
Less accumulated depreciation	3,007,793	2,721,090
	<u>\$ 3,285,594</u>	<u>\$ 3,455,354</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 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 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 158 did not change the existing criteria for measurement of periodic benefit costs, plan assets, or benefit obligations. The impact of adopting SFAS 158 on the March 31, 2007 financial statements was to decrease prepaid pension asset and unrestricted net assets by \$353,021, resulting from the defined benefit pension plan adjustment as follows:

Unrecognized net asset	\$ (42,029)
Unrecognized actuarial loss	347,571
Unrecognized prior service cost	47,479
	<u>\$ 353,021</u>

This amount will be recognized in expense in future periods.

The status of the defined benefit pension plan at and for the years ended March 31, 2007 and 2006 is presented below. The measurement date used to determine the plan assets and benefit obligations is March 31<sup>st</sup> of each year.

	2007	2006
Benefit obligation	\$ 2,990,288	\$ 2,806,240
Fair value of plan assets	3,128,648	2,827,280
Funded status	<u>\$ 138,360</u>	<u>\$ 21,040</u>
Prepaid pension costs	<u>\$ 138,360</u>	<u>\$ 540,404</u>

Pension expense	\$ 107,672	\$ 82,423
Employer contributions	58,649	61,519
Benefits paid	-	-

Weighted average assumptions used to determine benefit obligations at March 31:		
Discount rate	5.75%	5.75%
Expected future salary increase	4.00%	4.50%

Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	5.75%	5.75%
Expected return on plan assets	8.00%	8.00%
Expected future salary increase	4.00%	4.50%

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, 2007, 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 7.22% - 9.34%.

No contributions are expected to be required by United Way for 2008.

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

2008	\$ 331,000
2009	89,000
2010	35,000
2011	9,000
2012	140,000
2013-2017	<u>2,089,000</u>
	<u>\$ 2,693,000</u>

United Way's pension plan weighted-average asset allocations at March 31, 2007 and 2006 are as follows:

Asset Category:	2007	2006
Equity securities	49%	51%
Debt securities	48%	46%
Other	3%	3%
	<u>100%</u>	<u>100%</u>

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.

**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, 2007 and 2006 totaled \$9,206 and \$11,299.

**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, 2007 and 2006 is as follows:

	2007	2006
Accrued postretirement benefit obligation (benefit liability)	\$ 323,000	\$ 320,000
Benefit cost	24,378	30,651
Benefits paid	21,378	30,651
Weighted average assumptions used to determine benefit obligations at March 31:		
Yearly health care premium increases	1.25%	0.50%
Discount rate	5.75%	6.50%
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	5.75%	6.50%

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:

2008	\$ 31,939
2009	31,939
2010	29,105
2011	30,339
2012	26,501
2013-2017	135,732
	\$ 285,555

**6. Unemployment Insurance Trust Funds:**

United Way administered a program whereby eligible agencies could obtain New York State Unemployment Insurance at preferred rates. Funds were accumulated for the purpose of paying unemployment insurance claims to eligible employees of participating agencies. Claims for covered agency employees were paid on a direct reimbursement basis to the New York State Department of Labor. During 2004, United Way elected to terminate this fund effective December 31, 2004. The balance in the Unemployment Insurance Trust Funds were reflected in the accompanying financial statements until all claims had been submitted and paid, which occurred in 2007.

**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, 2007 are:

2008	\$ 63,421
2009	57,023
2010	21,207
	\$ 141,651

Rent expense totaled \$82,637 and \$100,304 in 2007 and 2006.