

**UNITED WAY OF BUFFALO
AND ERIE COUNTY**

FINANCIAL STATEMENTS

March 31, 2010

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, 2010 and 2009 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, 2010 and 2009 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.



July 20, 2010

UNITED WAY OF BUFFALO AND ERIE COUNTY

Balance Sheets

March 31,	2010	2009
Assets		
Cash and cash equivalents	\$ 3,522,548	\$ 4,061,105
Investments (Note 2)	2,806,026	2,434,522
Campaign pledges receivable, net (Note 3)	8,148,760	8,690,764
Grants receivable	1,081,824	400,869
Property and equipment, net (Note 4)	2,907,727	2,972,192
Other assets	37,198	67,617
	\$ 18,504,083	\$ 18,627,069
Liabilities and Net Assets		
Liabilities:		
Designations payable	\$ 3,454,873	\$ 3,157,282
Allocations payable	1,493,600	2,154,709
Accounts payable and accrued expenses	923,007	854,722
Deferred revenue	625,964	849,051
Accrued pension liability (Note 5)	395,709	425,577
Accrued postretirement benefit obligation (Note 5)	296,000	286,000
	7,189,153	7,727,341
Net assets:		
Unrestricted	6,606,043	5,351,246
Temporarily restricted	4,693,887	5,533,482
Permanently restricted (Note 6)	15,000	15,000
	11,314,930	10,899,728
	\$ 18,504,083	\$ 18,627,069

UNITED WAY OF BUFFALO AND ERIE COUNTY

Statements of Activities

For the years ended March 31,

2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Campaign results:				
Current year campaign results	\$ -	\$ 13,276,512	\$ -	\$ 13,276,512
Net assets released from restrictions	9,686,538	(9,686,538)	-	-
Less: donor designations	-	(3,560,549)	-	(3,560,549)
Estimated uncollectible pledges	-	(869,020)	-	(869,020)
	<u>9,686,538</u>	<u>(839,595)</u>	<u>-</u>	<u>8,846,943</u>
Other revenues:				
Grant funding, program and other income	2,516,116	-	-	2,516,116
Investment income (loss)	161,599	-	-	161,599
	<u>2,677,715</u>	<u>-</u>	<u>-</u>	<u>2,677,715</u>
Total revenue, gains and other support	<u>12,364,253</u>	<u>(839,595)</u>	<u>-</u>	<u>11,524,658</u>
Expenses:				
Program funding allocations	4,449,320	-	-	4,449,320
Functional expenses:				
Community impact	2,698,860	-	-	2,698,860
Grant programs	2,590,591	-	-	2,590,591
Management and general	411,252	-	-	411,252
Fund raising	1,301,127	-	-	1,301,127
	<u>7,001,830</u>	<u>-</u>	<u>-</u>	<u>7,001,830</u>
Total expenses	<u>11,451,150</u>	<u>-</u>	<u>-</u>	<u>11,451,150</u>
Increase (decrease) in net assets	913,103	(839,595)	-	73,508
Pension liability adjustment (Note 5)	<u>341,694</u>	<u>-</u>	<u>-</u>	<u>341,694</u>
Increase (decrease) in net assets	<u>1,254,797</u>	<u>(839,595)</u>	<u>-</u>	<u>415,202</u>
Net assets - beginning	<u>5,351,246</u>	<u>5,533,482</u>	<u>15,000</u>	<u>10,899,728</u>
Net assets - ending	<u>\$ 6,606,043</u>	<u>\$ 4,693,887</u>	<u>\$ 15,000</u>	<u>\$ 11,314,930</u>

See accompanying notes.

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 14,161,872	\$ -	\$ 14,161,872
10,203,459	(10,203,459)	-	-
-	(3,716,356)	-	(3,716,356)
-	(1,236,377)	-	(1,236,377)
10,203,459	(994,320)	-	9,209,139
3,138,707	-	-	3,138,707
(45,120)	-	-	(45,120)
3,093,587	-	-	3,093,587
13,297,046	(994,320)	-	12,302,726
5,613,750	-	-	5,613,750
2,545,790	-	-	2,545,790
2,851,409	-	-	2,851,409
764,597	-	-	764,597
1,520,917	-	-	1,520,917
7,682,713	-	-	7,682,713
13,296,463	-	-	13,296,463
583	(994,320)	-	(993,737)
(376,058)	-	-	(376,058)
(375,475)	(994,320)	-	(1,369,795)
5,726,721	6,527,802	15,000	12,269,523
\$ 5,351,246	\$ 5,533,482	\$ 15,000	\$ 10,899,728

UNITED WAY OF BUFFALO AND ERIE COUNTY

Statements of Functional Expenses

For the years ended March 31,

2010

	Supporting Services					Total
	Community Impact	Grant Programs	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 1,534,577	\$ 421,432	\$ 223,437	\$ 661,018	\$ 884,455	\$ 2,840,464
Payroll taxes and employee benefits	446,878	121,608	66,123	191,622	257,745	826,231
Total salaries and related expenses	1,981,455	543,040	289,560	852,640	1,142,200	3,666,695
Professional fees	84,448	149,258	38,025	68,225	106,250	339,956
Supplies	42,562	20,873	1,615	22,543	24,158	87,593
Telephone	17,629	5,134	2,486	13,895	16,381	39,144
Postage	11,221	6,679	978	25,090	26,068	43,968
Occupancy	138,736	35,947	17,805	61,347	79,152	253,835
Printing and public relations	20,411	38,798	8,912	91,322	100,234	159,443
Travel, conferences and meetings	34,378	53,383	20,418	24,395	44,813	132,574
Membership dues	3,776	4,379	7,685	1,038	8,723	16,878
Employee education and training	9,375	2,629	760	4,508	5,268	17,272
Equipment rental and maintenance	131,173	17,261	4,308	25,574	29,882	178,316
Production	(2,392)	4,052	770	4,260	5,030	6,690
Payments to State affiliate	20,675	5,797	1,677	9,942	11,619	38,091
Grant awards	5,060	1,646,586	-	-	-	1,651,646
Miscellaneous	7,413	2,670	601	3,565	4,166	14,249
Depreciation	121,991	34,209	9,896	58,664	68,560	224,760
Payments to National affiliate	70,949	19,896	5,756	34,119	39,875	130,720
	\$ 2,698,860	\$ 2,590,591	\$ 411,252	\$ 1,301,127	\$ 1,712,379	\$ 7,001,830

See accompanying notes.

2009

Community Impact	Grant Programs	Supporting Services			Total Supporting Services	Total
		Management and General	Fund Raising			
\$ 1,492,768	\$ 549,185	\$ 438,617	\$ 748,714	\$ 1,187,331	\$ 3,229,284	
351,572	128,453	106,585	174,695	281,280	761,305	
1,844,340	677,638	545,202	923,409	1,468,611	3,990,589	
98,946	122,438	114,834	132,122	246,956	468,340	
56,979	23,570	1,704	27,241	28,945	109,494	
15,113	6,270	3,795	12,800	16,595	37,978	
12,093	11,440	3,142	37,696	40,838	64,371	
117,008	46,097	24,305	66,270	90,575	253,680	
34,582	47,417	10,334	124,730	135,064	217,063	
29,847	42,279	14,860	33,008	47,868	119,994	
4,682	12,104	7,087	5,268	12,355	29,141	
3,183	3,602	481	1,884	2,365	9,150	
124,308	25,198	7,300	27,939	35,239	184,745	
(2,952)	3,686	152	5,597	5,749	6,483	
18,114	7,032	2,739	10,721	13,460	38,606	
-	1,743,876	-	-	-	1,743,876	
8,428	8,447	1,275	5,028	6,303	23,178	
117,658	45,686	17,794	69,654	87,448	250,792	
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	

UNITED WAY OF BUFFALO AND ERIE COUNTY

Statements of Cash Flows

For the years ended March 31,	2010	2009
Operating activities:		
Change in net assets:		
Change in net assets from operations	\$ 73,508	\$ (993,737)
Net assets adjustment - defined benefit pension plan (Note 5)	341,694	(376,058)
	<u>415,202</u>	<u>(1,369,795)</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	224,760	250,792
Realized and unrealized (gain) loss on investments	(135,671)	152,450
Changes in other operating assets and liabilities:		
Pledges receivable	542,004	1,040,458
Grants receivable	(680,955)	230,290
Other assets	30,419	115,689
Designations payable	297,591	(46,138)
Allocations payable	(661,109)	(329,866)
Accounts payable and accrued expenses	68,285	386,864
Deferred revenue	(223,087)	(550,059)
Accrued pension liability	(29,868)	425,577
Accrued postretirement benefit obligation	10,000	(33,000)
	<u>(142,429)</u>	<u>273,262</u>
Net operating activities	(142,429)	273,262
Investing activities:		
Purchase of investments	(2,574,566)	(2,518,266)
Proceeds from sale of investments	2,338,733	2,361,958
Purchase of equipment and building improvements	(160,295)	(32,538)
	<u>(396,128)</u>	<u>(188,846)</u>
Net investing activities	(396,128)	(188,846)
Net change in cash and cash equivalents	(538,557)	84,416
Cash and cash equivalents - beginning	<u>4,061,105</u>	<u>3,976,689</u>
Cash and cash equivalents - ending	<u>\$ 3,522,548</u>	<u>\$ 4,061,105</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 investments on the accompanying balance sheets. A portion of the income earned in these funds is paid annually to United Way as an unrestricted distribution.

Subsequent Events:

United Way has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 20, 2010 (the date the financial statements were available to be issued).

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. Cash and cash equivalents 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 yet 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 2007.

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, 2009 have been reclassified to conform with the presentation adopted for March 31, 2010.

2. Investments:

	2010	2009
Certificates of deposit	\$ 922,874	\$ 1,140,302
Money market accounts	1,215,212	977,145
Mutual funds	87,954	60,294
Equities	39,832	24,848
Community Foundation Endowment Fund	540,154	231,933
	<u>\$ 2,806,026</u>	<u>\$ 2,434,522</u>

The following summarizes investment income in the statements of activities:

	2010	2009
Interest	\$ 25,928	\$ 107,330
Net realized and unrealized gains (losses)	135,671	(152,450)
	<u>\$ 161,599</u>	<u>\$ (45,120)</u>

3. Campaign Pledges Receivable:

	2010	2009
United Way:		
2009 - 2010 Campaign	\$ 8,313,311	\$ -
2008 - 2009 Campaign	510,400	8,795,176
2007 - 2008 Campaign	537,354	995,528
2006 - 2007 Campaign	-	346,801
	<u>9,361,065</u>	<u>10,137,505</u>
Less allowance for uncollectible pledges	2,274,375	2,330,177
	<u>7,086,690</u>	<u>7,807,328</u>
Federal and State Federated Appeals	950,803	726,391
Western New York Women's Fund Campaign	111,267	157,045
	<u>\$ 8,148,760</u>	<u>\$ 8,690,764</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:

	2010	2009
Land	\$ 158,930	\$ 158,930
Building and improvements	3,659,342	3,659,342
Furniture and equipment	2,849,366	2,689,071
	<u>6,667,638</u>	6,507,343
Less accumulated depreciation	3,759,911	3,535,151
	<u>\$ 2,907,727</u>	<u>\$ 2,972,192</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.

The status of the defined benefit pension plan at and for the years ended March 31, 2010 and 2009 is presented below. The measurement date used to determine the plan assets and benefit obligations is March 31st of each year.

	2010	2009
Projected benefit obligation	\$ 2,878,691	\$2,973,642
Fair value of plan assets	2,482,982	2,548,065
Funded status	<u>\$ (395,709)</u>	<u>\$ (425,577)</u>
Accumulated benefit obligation	<u>\$ 2,509,631</u>	<u>\$2,678,645</u>

Amounts recognized on the balance sheets:

	2010	2009
Accrued pension liability	<u>\$ (395,709)</u>	<u>\$ (425,577)</u>
Accumulated adjustment to net assets	<u>\$ (550,889)</u>	<u>\$ (892,583)</u>

Amounts recognized as the cumulative net asset adjustment as of March 31, 2010 and 2009 consist of:

	2010	2009
Unrecognized actuarial loss	\$ 519,481	\$ 855,818
Unrecognized prior service cost	31,408	36,765
	<u>\$ 550,889</u>	<u>\$ 892,583</u>

Amounts included in the cumulative net asset adjustment for the year ended March 31, 2010 expected to be recognized in expense in 2011 are as follows:

Unrecognized actuarial loss	\$ 27,000
Unrecognized prior service cost	5,400
	<u>\$ 32,400</u>

Amounts recognized as pension liability adjustment for the years ended March 31, 2010 and 2009 consist of:

	2010	2009
Unrecognized net asset	\$ -	\$ 17,734
Unrecognized actuarial (gain) loss	(336,337)	363,681
Unrecognized prior service cost	(5,357)	(5,357)
	<u>\$ (341,694)</u>	<u>\$ 376,058</u>

Pension expense	\$ 311,826	\$ 76,227
Employer contributions	-	-
Benefits paid	774,417	3,958

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

Discount rate	6.00%	6.00%
Expected future salary increase	2.00%	4.00%

Weighted average assumptions used to determine net periodic benefit cost:

Discount rate	6.00%	6.00%
Expected return on plan assets	8.00%	8.00%
Expected future salary increase	2.00%	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 6.96% - 9.03%.

No contributions are expected to be required by United Way for 2011.

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

2011	\$ 478,000
2012	143,000
2013	-
2014	69,000
2015	387,000
2016-2020	<u>1,550,000</u>
	<u>\$ 2,627,000</u>

United Way's pension plan weighted-average asset allocations at March 31, 2010 and 2009 are as follows:

Asset Category:	<u>2010</u>	<u>2009</u>
Equity securities	53%	46%
Debt securities	44%	45%
Other	3%	9%
	<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. The plan has a target asset allocation of 50% equity securities and 50% debt securities. Under terms, the plan essentially invests only in securities for which there is an active market.

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, 2010 and 2009 totaled \$9,200 and \$8,200.

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 31st of each year.

The status of the postretirement health benefit plan at and for the years ended March 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Accrued postretirement benefit obligation (benefit liability)	\$ 296,000	\$ 286,000
Benefit cost	40,500	37,000
Benefits paid	30,500	36,700
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:

2011	\$ 36,700
2012	31,600
2013	31,600
2014	30,400
2015	30,400
2016-2020	<u>147,300</u>
	<u>\$ 308,000</u>

6. Permanently Restricted Net Assets:

Permanently restricted net assets have been restricted by donors to be maintained by United Way in perpetuity. 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, 2010 and 2009.

7. Lease Commitments:

United Way leases various equipment under the terms of noncancelable operating leases. Future minimum lease payments due after March 31, 2010 are:

2011	\$ 44,300
2012	39,900
2013	5,400
	<u>\$ 89,600</u>

Rent expense totaled \$75,500 and \$79,400 in 2010 and 2009.