

**UNITED WAY OF VOLUSIA-FLAGLER  
COUNTIES, INC.**  
(a not-for-profit organization)

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Audited Financial Statements and Independent Auditors' Report

For the year ended June 30, 2010

## CONTENTS

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	<u>Pages</u>
<b>Independent Auditors' Report</b>	1
<b>Audited Financial Statements:</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 15

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
United Way of Volusia-Flagler Counties, Inc.  
Daytona Beach, Florida

We have audited the accompanying statement of financial position of United Way of Volusia-Flagler Counties, Inc. (a not-for-profit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 Volusia-Flagler Counties, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Weston & Gregory*

September 15, 2010



UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Statement of Financial Position  
June 30, 2010

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 603,611	\$ 485,684	\$ -	\$ 1,089,295
Annual campaign pledges receivable, net	860,023	-	-	860,023
Other receivables	22,105	-	-	22,105
Prepaid expenses	15,229	-	-	15,229
Investments	104,256	-	-	104,256
Contribution receivable - charitable lead trust	-	26,598	-	26,598
<b>Total current assets</b>	<u>1,605,224</u>	<u>512,282</u>	<u>-</u>	<u>2,117,506</u>
<b>Noncurrent Assets:</b>				
Pooled income fund	-	43,912	-	43,912
Life insurance cash surrender value	117,252	-	-	117,252
Investments	3,177,270	-	636,208	3,813,478
Property and equipment - net	247,386	-	-	247,386
Deposits	1,000	-	-	1,000
<b>Total noncurrent assets</b>	<u>3,542,908</u>	<u>43,912</u>	<u>636,208</u>	<u>4,223,028</u>
<b>Total assets</b>	<u>\$ 5,148,132</u>	<u>\$ 556,194</u>	<u>\$ 636,208</u>	<u>\$ 6,340,534</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 2,689	\$ -	\$ -	\$ 2,689
Accrued expenses	63,767	-	-	63,767
Allocations and designations payable	1,613,816	-	-	1,613,816
Deferred revenue	-	24,092	-	24,092
<b>Total current liabilities</b>	<u>1,680,272</u>	<u>24,092</u>	<u>-</u>	<u>1,704,364</u>
<b>Noncurrent Liabilities:</b>				
Gift annuity obligations	-	197,870	-	197,870
<b>Net Assets:</b>				
<b>Unrestricted:</b>				
Undesignated	3,379,573	-	-	3,379,573
Designated for Womens Initiative	48,287	-	-	48,287
Designated for Facility	40,000	-	-	40,000
Temporarily restricted	-	334,232	-	334,232
Permanently restricted	-	-	636,208	636,208
<b>Total net assets</b>	<u>3,467,860</u>	<u>334,232</u>	<u>636,208</u>	<u>4,438,300</u>
<b>Total liabilities and net assets</b>	<u>\$ 5,148,132</u>	<u>\$ 556,194</u>	<u>\$ 636,208</u>	<u>\$ 6,340,534</u>

The accompanying independent auditors' report and notes  
should be read with these financial statements.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Statement of Activities  
For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Public support and revenue</u>				
Public support:				
Gross annual campaign contributions and pledges	\$ 2,520,245	\$ -	\$ -	\$ 2,520,245
Less: Allowance for uncollectible pledges	(77,422)	-	-	(77,422)
Less: Donor designations	(171,649)	-	-	(171,649)
Total annual campaign contributions and pledges	2,271,174	-	-	2,271,174
Other contributions and support	218,099	132,236	-	350,335
Bequests and memorial gifts	5,675	-	-	5,675
Donated services and space rental	20,820	-	-	20,820
Total public support	2,515,768	132,236	-	2,648,004
Revenue:				
Grants, contracts and fees for service	202,930	20,893	-	223,823
Other income	7,014	-	-	7,014
Change in value of charitable lead trust	-	1,706	-	1,706
Change in value of charitable gift annuities	(19,461)	-	-	(19,461)
Change in value of pooled income fund	-	390	-	390
Investment income, net	414,141	30,397	-	444,538
Total revenue	604,624	53,386	-	658,010
Net assets released from restrictions:				
Scholarships funded	16,400	(16,400)	-	-
Satisfaction of purpose restrictions	153,373	(153,373)	-	-
Total net assets released from restriction	169,773	(169,773)	-	-
Total public support, revenue, and net assets released from restrictions	3,290,165	15,849	-	3,306,014
<u>Expenses</u>				
Agency allocations	1,615,346	-	-	1,615,346
Less: Donor designations	(171,649)	-	-	(171,649)
Net agency allocations	1,443,697	-	-	1,443,697
Scholarships, direct assistance and distributions	361,305	-	-	361,305
Total allocations and distributions	1,805,002	-	-	1,805,002
Operating expenses				
Program services	441,553	-	-	441,553
Community foundation	178,542	-	-	178,542
Fundraising	438,162	-	-	438,162
Management and general	162,862	-	-	162,862
Total operating expenses	1,221,119	-	-	1,221,119
Total expenses	3,026,121	-	-	3,026,121
Change in net assets	264,044	15,849	-	279,893
Net assets, beginning of year, as restated	3,203,816	318,383	636,208	4,158,407
Net assets, end of year	\$ 3,467,860	\$ 334,232	\$ 636,208	\$ 4,438,300

The accompanying independent auditors' report and notes should be read with these financial statements.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Statement of Functional Expenses  
For the year ended June 30, 2010

	Program Services			
	First Call For Help	Volunteer Center	Community Planning	Total Program Services
Compensation and related expenses				
Salaries	\$ 88,575	\$ 67,864	\$ 62,039	\$ 218,478
Employee benefits	21,856	14,048	12,213	48,117
Payroll taxes	6,404	4,814	4,427	15,645
	<u>116,835</u>	<u>86,726</u>	<u>78,679</u>	<u>282,240</u>
Other expenses				
Professional and consulting fees	5,444	46	32,749	38,239
Bank and trust management fees	-	-	-	-
Supplies	716	3,419	6,069	10,204
Telephone and other communication	8,138	2,526	2,633	13,297
Postage and shipping	68	53	445	566
Occupancy	9,038	3,721	4,933	17,692
Rental and maintenance of equipment	3,720	2,267	3,026	9,013
Printing and publications	4,197	2,439	1,329	7,965
Travel	3,219	1,563	4,193	8,975
Conferences, meetings and training	1,650	11,921	7,695	21,266
Dues	5,475	4,723	3,557	13,755
Recognition and awards	-	7,285	776	8,061
Insurance	432	300	312	1,044
Advertising	-	-	1,066	1,066
Miscellaneous	-	-	25	25
Depreciation	3,429	2,358	2,358	8,145
	<u>3,429</u>	<u>2,358</u>	<u>2,358</u>	<u>8,145</u>
Total operating expenses	<u>\$ 162,361</u>	<u>\$ 129,347</u>	<u>\$ 149,845</u>	<u>\$ 441,553</u>

The accompanying independent auditors' report and notes  
should be read with these financial statements

Support Services

Community Foundation	Fund Raising	Management and General	Total Support Services	Total Expenses
\$ 76,236	\$ 212,909	\$ 67,032	\$ 356,177	\$ 574,655
19,178	43,568	18,114	80,860	128,977
3,231	15,916	7,625	26,772	42,417
<u>98,645</u>	<u>272,393</u>	<u>92,771</u>	<u>463,809</u>	<u>746,049</u>
19,174	1,044	30,161	50,379	88,618
25,859	-	7,562	33,421	33,421
1,183	6,167	4,821	12,171	22,375
3,177	8,734	2,676	14,587	27,884
4,183	43,306	2,579	50,068	50,634
5,015	12,757	3,676	21,448	39,140
3,759	7,720	2,428	13,907	22,920
2,959	11,019	407	14,385	22,350
1,426	8,551	1,235	11,212	20,187
1,111	38,144	5,040	44,295	65,561
4,541	13,149	6,737	24,427	38,182
-	4,645	237	4,882	12,943
384	1,044	324	1,752	2,796
2,440	602	-	3,042	4,108
1,686	958	(150)	2,494	2,519
<u>3,000</u>	<u>7,929</u>	<u>2,358</u>	<u>13,287</u>	<u>21,432</u>
<u>\$ 178,542</u>	<u>\$ 438,162</u>	<u>\$ 162,862</u>	<u>\$ 779,566</u>	<u>\$ 1,221,119</u>

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Statement of Cash Flows  
For the year ended June 30, 2010

Cash flows from operating activities:	
Cash received from contributions and pledges	\$ 2,239,853
Cash received from other contributions and support	338,291
Cash received from bequests and memorial gifts	5,675
Cash received from grants, contracts and fees for service	223,823
Cash received from other income	7,014
Cash received from charitable lead trust	13,413
Cash received from investment income	90,005
Cash paid for allocations and distributions	(1,889,019)
Cash paid for operating expenses	(1,173,275)
Cash paid for charitable gift annuities	(32,763)
Net cash used in operating activities	<u>(176,983)</u>
 Cash flows from investing activities:	
Purchase of equipment	(16,699)
Proceeds from sale of investments	1,359,839
Purchase of investments	(1,788,673)
Net cash used in investing activities	<u>(445,533)</u>
 Net decrease in cash and cash equivalents	(622,516)
 Cash and cash equivalents, beginning of year	<u>1,711,811</u>
 Cash and cash equivalents, end of year	<u>\$ 1,089,295</u>
 Cash flows from operating activities:	
Change in net assets	\$ 279,893
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	21,432
Net realized loss on sale of investments	43,065
Net unrealized gain on investments	(392,606)
Increase in cash surrender value of life insurance	(4,992)
(Increase) Decrease in certain assets:	
Annual campaign pledges receivable	(31,321)
Other receivables	(12,044)
Prepaid expenses	(3,142)
Pooled income fund	(1,836)
Contributions receivable - charitable lead trust	11,707
Increase (Decrease) in certain liabilities:	
Accounts payable	(1,209)
Accrued expenses	9,943
Allocations and designations payable	(84,017)
Deferred revenue	1,446
Gift annuity obligations	(13,302)
Net cash used in operating activities	<u>\$ (176,983)</u>

The accompanying independent auditors' report and notes  
should be read with these financial statements.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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1. Organization:

The United Way of Volusia-Flagler Counties, Inc. (The Organization) is a not-for-profit organization incorporated under the laws of Florida. The mission of the Organization is to increase the organized capacity of the community to care for its people. The Organization brings its mission to life through an annual fund-raising campaign which results in the allocation of funds to its human service member agencies in Volusia and Flagler counties. All funds are allocated through a volunteer driven, citizen-review process. Distributions are reported as "agency allocations" in the accompanying statement of activities. The distribution of funds by trained and knowledgeable volunteers sets the Organization apart from other funding sources, with nearly 300 volunteers participating in these activities each year. In addition, the Organization provides funding for several community building programs and services directly managed by the Organization. Program service areas directly managed by the Organization are summarized as follows:

First Call for Help - This program is the only comprehensive information and referral program that is available to anyone seeking information about human service agencies in Volusia and Flagler Counties. Trained and certified information and referral specialists are available 24 hours per day 365 days per year by phone to provide information about human service agencies in Volusia and Flagler counties. A searchable index of services is available at the Organization's online website and First Call for Help operates several walk-in centers in area communities.

Volunteer Center - This program is Volusia and Flagler counties' only resource devoted solely to the promotion and nurturing of volunteerism and community service. The Volunteer Center recruits, develops, places and recognizes volunteers for hundreds of organizations and agencies community wide, trains and matches potential leadership-caliber volunteers for various boards and committees, and administers the Corrections Department's Community Service program through the court system.

Community Planning - The Organization engages in community planning through the Public Policy Committee, Partner Agency Council, and the Human Services Coordinating Council for the purposes of assessing community needs, coordinating public and private funding, and aiding in the development of other human services efficiencies and collaborations. In addition, the community planning function coordinates two community wide initiatives:

a) Success By Six - Success By Six is an early childhood initiative that brings together a community partnership of businesses, government, religious groups, educators and human service agencies that seeks to make early childhood development (prenatal through age 6) a top priority in Volusia and Flagler Counties by coordinating communities assets, supporting high standards for service, and measuring outcomes.

b) Campaign For Working Families (CFWF) - The CFWF is a coalition of community business, government, and non-profit partners whose mission is to help provide financial stability to low-and-moderate-income working families in Volusia and Flagler Counties by providing free tax return preparation, providing financial education classes to help individuals manage their money in a way that helps them build financial assets, providing outreach and education about the Earned Income Tax Credit, and promoting and encouraging savings.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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2. Summary of Significant Accounting Policies:

The following is a summary of the Organization's significant accounting policies:

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The Organization reports its financial information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - The unrestricted net asset class includes the general and board designated assets and liabilities of the Organization. Revenue and support received by the Organization without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted to the Organization. The Board of Directors established a fund to combine legacy gifts, using the growth and income of the corpus to ensure funding for changing community needs for many future years. Currently that fund is managed by the Community Foundation, a Division of the United Way of Volusia-Flagler Counties and \$3,243,385 is included within the unrestricted net asset class at June 30, 2010. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and the Board of Directors to support the Organization's purposes and operations.

Temporarily Restricted Net Assets - The temporarily restricted net asset class includes expendable assets and related liabilities of the Organization. These assets relate to gifts with explicit time or purpose restrictions that have not yet been met. When the time or purpose restriction is met these assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently Restricted Net Assets - The permanently restricted net asset class includes assets and related liabilities of the Organization related to contributions for which the donor has restricted the investment of the gift corpus in perpetuity. The income generated from the investment of corpus is available for the Organization's operations in accordance with the donor restrictions. Appreciation related to the permanently restricted net assets, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate unrestricted or temporarily restricted net asset class.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include checking and money market accounts.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. To calculate realized gain or loss on the disposition of investments and unrealized gains and losses, cost is determined by specific identification. All gains and losses and ordinary income from investments are accounted for as unrestricted revenue unless it is restricted for a specified purpose by the donor of the related investment.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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2. Summary of Significant Accounting Policies, continued:

Property and Equipment - Purchases of land, buildings and equipment having a unit cost of \$500 or more are capitalized at cost. Donated assets are capitalized at the estimated fair-market value at the time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 33 years.

Contributions - The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, 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. Donor restricted contributions whose restrictions are met in the same reporting period is reported as unrestricted support.

The Organization reports gifts of property, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service and/or construction expenses have been incurred.

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

No amounts have been included in the accompanying financial statements for services contributed by campaign volunteers since such services generally do not require specialized skills. Nevertheless, a substantial number of volunteers from the area donated their time to the Organization.

Promises to Give - Annual campaigns are conducted from July 1 through June 30 to raise funds for allocation to participating agencies in the subsequent calendar year. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. An allowance for uncollectible pledges is established by the Organization's management based on past collection experience and current economic conditions. Because of uncertainties in the estimation process it is at least reasonably possible that management's estimate of uncollectible pledges will change in the near term. It is the Organization's policy to write-off uncollectible pledges within two years after an annual campaign has ended. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donor Designations - The Organization offers contributors the opportunity to designate their contributions to specific agencies. Contributions over which the Organization has little or no discretion in determining how funds are to be used are considered an agency relationship and, therefore, not recorded as a contribution when received or an agency allocation when disbursed. Donor designations are shown as reductions in gross annual campaign and agency allocations in the accompanying statement of activities.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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2. Summary of Significant Accounting Policies, continued:

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on net income derived from unrelated business activities. Since the Organization had no taxable unrelated business income for the year ended June 30, 2010, no provision for income taxes is provided in the financial statements.

Agency Allocations - Allocations to agencies are distributed over the year from July 1 through June 30, based on the preceding year's campaign. The Organization follows professional standards for contributions received and contributions made. Professional standards require recognition of allocations pledged to agencies as an expense in the period the pledge or allocation is made at their fair values. Therefore, amounts pledged or allocated as of June 30 but unpaid have been recorded as allocations and designations payable as of June 30, 2010.

Impairment of Long-Lived Assets - Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Deferred Revenue - The Organization is beneficiary of donations maintained in the United Way of America pooled income fund. The fair value of the donation is included in temporarily restricted assets in the accompanying statement of financial position. Contribution revenue is recorded at the present value of the ultimate amount to be received upon the death of the donor on the date the donation is made to the pooled income fund. The difference between the fair value of the assets received and the contribution recognized is recorded as deferred revenue.

Estimates - The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - The Organization maintains demand deposit and money market account balances, which exceed the federally insured limits of up to \$250,000 under FDIC protection. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization also maintains investment accounts containing cash and securities with brokerage and investment firms. The Securities Investor Protection Corporation (SIPC) insures balances up to \$500,000 (\$250,000 for cash). Cash and investment accounts exceeded federally insured limits by \$26,501 at June 30, 2010.

Subsequent Events - The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 15, 2010, the date the financial statements were issued. No subsequent events have been recognized or disclosed.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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3. Investments:

Effective July 1, 2008, the Organization adopted a newly issued generally accepted financial accounting standard which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure about fair value measurements.

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Values measured using quoted prices in active markets for identical investments.

Level 2 - Values measured using observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in active markets that are not active; or other inputs that are observable by market data for substantially the full term of the assets or liabilities.

Level 3 - Values measured using unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At June 30, 2010, investments consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	\$ 851,068	\$ 851,073	\$ 5
Certificates of deposit	104,256	104,256	-
Equities	2,073,959	1,952,826	(121,133)
Bonds	1,226,067	1,329,770	103,703
Limited partnership	526,330	530,882	4,552
	<u>\$ 4,781,680</u>	<u>\$ 4,768,807</u>	<u>\$ (12,873)</u>

The certificates of deposit mature in less than one year.

Reflected in the statement of financial position as follows:

Cash and cash equivalents	\$ 851,073
Investments-current portion	104,256
Investments-noncurrent portion	3,813,478
	<u>\$ 4,768,807</u>

Investment income (loss) is summarized as follows:

Interest	\$ 2,471
Dividends	87,534
Net increase in cash surrender value of life insurance	4,992
Net realized losses	(43,065)
Net unrealized gains	392,606
Total unrestricted investment income (loss), net	<u>\$ 444,538</u>

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

3. Investments, continued:

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 851,073	\$ -	\$ -	\$ 851,073
Certificates of deposit	104,256	-	-	104,256
Equities	1,952,826	-	-	1,952,826
Bonds	1,329,770	-	-	1,329,770
Limited partnership	-	-	530,882	530,882
	<u>\$ 4,237,925</u>	<u>\$ -</u>	<u>\$ 530,882</u>	<u>\$ 4,768,807</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Balance as of June 30, 2009	\$ 457,600
Net gain on investments	73,282
Purchases, sales, issuances and settlements	-
Balance as of June 30, 2010	<u>\$ 530,882</u>

4. Annual Campaign Pledges Receivable:

At June 30, 2010, annual campaign pledges receivable consist of the following:

2009 - 2010 campaign	\$ 980,073
2008 - 2009 campaign	<u>130,720</u>
	1,110,793
2009 - 2010 allowance for uncollectible pledges	(120,050)
2008 - 2009 allowance for uncollectible pledges	<u>(130,720)</u>
Annual campaign pledges receivable, net	<u>\$ 860,023</u>

5. Property and Equipment:

Property and equipment as of June 30, 2010 consist of the following:

Land	\$ 92,056
Building and improvements	339,225
Furniture and equipment	<u>142,583</u>
	573,864
Less: Accumulated depreciation	<u>326,478</u>
	<u>\$ 247,386</u>

Depreciation expense was \$21,432 for the year ended June 30, 2010.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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6. Charitable Lead Trust:

During 2002, a donor established a trust with a local bank naming the Organization as the lead beneficiary of a charitable lead annuity trust. Under the terms of the trust split-interest agreement, the Organization is to receive 20% of the required payout from the trust for a period of ten years at an imputed discount rate of 5%. The present value of future benefits expected to be received on the date of donation was \$142,994, which was recorded in 2002 as a temporarily restricted contribution and as a contribution receivable – charitable lead trust. The Organization received \$13,413 from the trust during the current year, which was recorded as a reduction in the receivable. The Organization also recorded amortization of the discount on the estimated present value of future distributions of \$1,706 in the current period. Cash received from the trust is to only be used to provide scholarships for students meeting the criteria established by the trust. For the year ended June 30, 2010 \$16,400 was expended on scholarships for students.

7. Gift Annuities:

The Organization administers several charitable gift annuities. A charitable gift annuity is an arrangement between a donor and the Organization in which the donor contributes assets in exchange for a promise by the Organization to pay a fixed amount for a specified period of time (typically the life of the donor or a designated beneficiary). Subject to certain reserve and other regulatory requirements, the contributed assets are held as general assets of the Organization and the annuity liability is a general obligation of the Organization.

The assets received are recognized at fair market value when received, and an annuity payment liability is recognized at the present value of annuity payments expected to be paid. The annuity payment liability is based on life expectancies of the donors and discount rates ranging from 3.8% to 8.0% depending upon the year of the donation. Contribution revenue (gift value) is recognized as the difference between these two amounts. Payments to beneficiaries reduce the annuity liability. Adjustments are made to the annuity liability at the end of each subsequent year to reflect the current present value of future annuity payments. These adjustments are recognized in the statement of activities as changes in the value of gift annuities in unrestricted net assets. Reserve funds required by the State of Florida are maintained in a separate investment account at a local financial institution and amounted to \$247,336 as of June 30, 2010.

As of June 30, 2010, the present value of future annuity payments for all existing gift annuities was \$197,870.

8. Employee Benefit Plans:

The Organization maintains the following employee benefit plans:

Defined contribution plan – The defined contribution plan covers all salaried employees with at least one year of service and who are at least 21 years of age. The Organization contributes 10% of the participant's salary. Participant's account balance shall be 100% non-forfeitable after completion of 3 years of vesting services or at 55 years of age. Total expense for the year ended June 30, 2010 was \$56,654.

Tax-deferred annuity plan – The tax-deferred annuity plan qualifies under Section 403(b) of the Internal Revenue Code. The plan is available to full-time employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization had no expenses associated with this plan for the year ended June 30, 2010.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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9. Restrictions and Limitations on Net Assets:

Temporarily restricted net assets are available for the following purposes at June 30, 2010:

Pooled Income Funds directed by the United Way of America	\$ 43,912
Less: Pooled Income Fund deferred revenue	(24,092)
Charitable lead trust receivable - restricted for scholarships	26,598
Gift annuity reserves in excess of gift annuity obligations	49,466
Donor designated program funds	226,791
Families in need	871
Scholarships to local students	<u>10,686</u>
Total temporarily restricted net assets	<u>\$ 334,232</u>

Permanently restricted net assets consist of assets to be held indefinitely with the income from these assets supporting the Organization's general activities or specific designated agencies. As of June 30, 2010 permanently restricted net assets consist of the following:

Income expendable for grants and programs	\$ 511,832
Income expendable for specific agencies	<u>124,376</u>
	<u>\$ 636,208</u>

10. Donated Services and Facilities:

The Organization recognizes donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the current year, donated services were as follows:

Audit fees	\$ 5,000
Printing and communication services	8,800
Program materials and services	<u>7,020</u>
	<u>\$ 20,820</u>

11. Endowments:

The Organization's endowments consist of five funds established to support a variety of programs and specific agencies. Its endowments consist of only donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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11. Endowments, continued:

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's Board. In accordance with SPMIFA, the Organization considers the following factors in taking a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Organization. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies for the year ended June 30, 2010.

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and organizations supported by the endowments. The endowment assets are invested in a manner that is intended to produce positive results, while assuming a moderate level of investment risk.

*Strategies Employed for Achieving Objectives*

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to the Spending Policy*

The Organization has a policy of appropriating for distribution each year all of its endowment fund's earnings to the programs and organizations the donor has specified.

In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.  
Notes to Financial Statements  
June 30, 2010

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11. Endowments, continued:

Endowment net asset composition consisted of the following at June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 636,208	\$ 636,208

Changes in endowment net assets consist of the following for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ -	\$ -	\$ 636,208	\$ 636,208
Contributions	-	-	-	-
Endowment funds, end of year	\$ -	\$ -	\$ 636,208	\$ 636,208

12. Prior Period Adjustment:

Unrestricted net assets and temporarily restricted net assets at the beginning of the year have been restated to reflect temporarily restricted assets held by the Organization that were incorrectly reported as unrestricted donor-advised funds. Through legal counsel it has been determined that the funds did not meet all of the specific restrictions to be accounted for as donor-advised funds. Had the error not been made, temporarily restricted net assets would have been higher by \$158,385.

	Unrestricted	Temporarily Restricted	Permanently Restricted
Net Assets, as originally reported, June 30, 2009	\$ 3,362,201	\$ 159,998	\$ 636,208
Temporarily restricted net assets reclassified from unrestricted net assets	(158,385)	158,385	-
Net Assets, as restated, June 30, 2009	\$ 3,203,816	\$ 318,383	\$ 636,208