

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

FINANCIAL STATEMENTS

JUNE 30, 2010

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Monterey County

We have audited the accompanying statement of financial position of United Way of Monterey County (United Way), a nonprofit corporation, 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 United Way's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of United Way 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.

Bianchi, Kazavan & Pope, LLP
Salinas, California
December 7, 2010

FINANCIAL STATEMENTS

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,245,326	\$ 33,907	\$ -	\$ 1,279,233
Pledges receivable, net of allowance for doubtful accounts of \$437,000 - Note 2	1,328,281	1,451	-	1,329,732
Other receivables - Note 3	94,882	-	-	94,882
Prepaid expenses	23,554	-	-	23,554
TOTAL CURRENT ASSETS	2,692,043	35,358	-	2,727,401
PROPERTY AND EQUIPMENT - net - Note 4	72,137	-	-	72,137
OTHER ASSETS	4,709	-	-	4,709
ENDOWMENT ASSETS - Note 8	-	-	199,733	199,733
	\$ 2,768,889	\$ 35,358	\$ 199,733	\$ 3,003,980

LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 57,983	\$ -	\$ -	\$ 57,983
Accrued expenses	61,238	-	-	61,238
Designated pledges payable - Note 5	487,501	-	-	487,501
TOTAL CURRENT LIABILITIES	606,722	-	-	606,722
NET ASSETS				
Unrestricted and undesignated	2,162,167	-	-	2,162,167
Temporarily restricted - Note 7	-	35,358	-	35,358
Permanently restricted - Note 8	-	-	199,733	199,733
TOTAL NET ASSETS	2,162,167	35,358	199,733	2,397,258
	\$ 2,768,889	\$ 35,358	\$ 199,733	\$ 3,003,980

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Campaign Support:				
Pledges current campaign year	\$ 3,193,615	\$ -	\$ -	\$ 3,193,615
Donor designations to other organizations	(956,423)	-	-	(956,423)
Net Current Pledges	2,237,192	-	-	2,237,192
Pledges prior campaign year	1,199	-	-	1,199
Pledges next campaign year	-	23,476	-	23,476
Provision for uncollectible pledges	(198,945)	-	-	(198,945)
Net Campaign Support	2,039,446	23,476	-	2,062,922
Grants	297,660	-	-	297,660
Other support	70,960	964,950	-	1,035,910
Interest and dividends	24,059	56	-	24,115
Gain on investments	7,160	-	-	7,160
Administrative fees	237,212	-	-	237,212
Miscellaneous income	5,750	-	-	5,750
Net assets released from restrictions - Note 7	1,002,128	(1,002,128)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,684,375	(13,646)	-	3,670,729
EXPENSES				
Program Services:				
Allocations and designations - Note 9	2,156,423	-	-	2,156,423
Grants to others	7,785	-	-	7,785
Amounts designated by donors	(956,423)	-	-	(956,423)
Allocations and Grants	1,207,785	-	-	1,207,785
Funds distribution	3,490	-	-	3,490
Community services	1,590,455	-	-	1,590,455
Total Program Services	2,801,730	-	-	2,801,730
Support Services:				
Management and general	299,664	-	-	299,664
Fundraising	671,222	-	-	671,222
Total Support Services	970,886	-	-	970,886
TOTAL PROGRAM AND SUPPORT SERVICES	3,772,616	-	-	3,772,616
Unallocated payments to affiliated organizations:				
United Way of America	29,934	-	-	29,934
TOTAL EXPENSES	3,802,550	-	-	3,802,550
CHANGES IN NET ASSETS	(118,175)	(13,646)	-	(131,821)
NET ASSETS, BEGINNING OF YEAR	2,280,342	49,004	199,733	2,529,079
NET ASSETS, END OF YEAR	<u>\$ 2,162,167</u>	<u>\$ 35,358</u>	<u>\$ 199,733</u>	<u>\$ 2,397,258</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	PROGRAM SERVICES				SUPPORT SERVICES			TOTAL EXPENSES
	Allocations and Grants	Funds Distribution	Community Services	Program Services	Management and General	Fundraising	Support Services	
Allocations and designations - Note 9	\$ 2,156,423	\$ -	\$ -	\$ 2,156,423	\$ -	\$ -	\$ -	\$ 2,156,423
Amounts designated by donors	(956,423)	-	-	(956,423)	-	-	-	(956,423)
NET ALLOCATIONS	1,200,000	-	-	1,200,000	-	-	-	1,200,000
Grants to agencies	7,785	-	-	7,785	-	-	-	7,785
Special initiatives	-	-	500	500	-	-	-	500
Salaries and wages	-	-	446,509	446,509	183,839	234,130	417,969	864,478
Payroll taxes and benefits	-	-	142,671	142,671	58,741	74,810	133,551	276,222
Professional and other fees	-	-	110,930	110,930	9,347	17,270	26,617	137,547
Publicity materials, services and supplies	-	-	21,623	21,623	2,766	27,798	30,564	52,187
Occupancy expense	-	-	52,688	52,688	13,315	17,119	30,434	83,122
Conferences, travel and training	-	857	22,590	23,447	4,213	7,867	12,080	35,527
Office expenses	-	291	61,537	61,828	11,980	17,928	29,908	91,736
Special events	-	2,342	7,383	9,725	541	28,128	28,669	38,394
Insurance	-	-	10,012	10,012	4,043	5,199	9,242	19,254
Advertising	-	-	699,678	699,678	4,899	233,531	238,430	938,108
Depreciation	-	-	9,395	9,395	3,794	4,878	8,672	18,067
Interest	-	-	27	27	11	14	25	52
Miscellaneous expense	-	-	4,912	4,912	2,175	2,550	4,725	9,637
TOTAL EXPENSES	\$ 1,207,785	\$ 3,490	\$ 1,590,455	\$ 2,801,730	\$ 299,664	\$ 671,222	\$ 970,886	\$ 3,772,616

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (131,821)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	18,067
Changes in assets and liabilities:	
Pledges receivable - net	(45,999)
Other receivables	(38,498)
Prepaid expenses	(293)
Other assets	366
Accounts payable	(44,432)
Accrued expenses	28,243
Designated pledges payable	25,213
Net cash used in operating activities	<u>(189,154)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(57,369)</u>
Net cash used in investing activities	<u>(57,369)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(246,523)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,525,756</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,279,233</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Way of Monterey County (United Way) is an independent, locally managed nonprofit organization incorporated under the laws of the State of California. As a voluntary health and welfare organization, United Way develops and allocates resources, conducts an assessment of health and human care needs of Monterey County and allocates funds to agencies to meet those needs and facilitates the distribution of donor directed contributions. United Way also brings experts together to develop collaborative approaches in addressing human care issues.

Basis of Accounting

The net assets of United Way are reported in the following three categories:

- Unrestricted net assets have no donor-imposed restrictions. This category includes those revenues and expenses associated with the annual fundraising campaign and the corresponding programs and supporting services. Net assets that have been designated by the Board of Directors are included in unrestricted net assets.
- Temporarily restricted net assets are the portion of net assets for which use by United Way is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of United Way.
- Permanently restricted net assets are the portion of net assets for which use by United Way is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by action of United Way. Generally, the donors of such assets permit United Way to use all or part of the income earned on the assets.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

The allowance for uncollectible pledges is a significant estimate. The determination of the balance in this account is an estimate based on United Way's historical experience, review of significant account balances and expectations relative to current economic conditions. Uncollected pledges in excess of the allowance are written off in the following fiscal year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, United Way considers all cash accounts and all highly liquid investments to be cash equivalents. Highly liquid investments include Certificates of Deposit. These certificates have maturities ranging from three to twelve months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Property and Equipment

Land, building and equipment are recorded at cost, if purchased, or fair value, if donated, and depreciated on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Software	3
Computer equipment	5
Furniture and other equipment	7

Maintenance and repairs are charged against income; major renewals and betterments are capitalized and depreciated.

Recognition of Pledges from Fundraising Campaign and Allocations and Designations

Each year, from April 1 to March 31, United Way conducts campaigns in Monterey County to raise funds for allocation to participating health and human care agencies in Monterey County during the succeeding campaign year. Such public support is recorded at the fair value of the pledge in the year it is received.

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Pledges from Fundraising Campaign and Allocations and Designations (Continued)

Outstanding pledges, less a provision for uncollectible amounts, are recorded as pledges receivable. Included in these pledges are contributions designated for other not-for-profit organizations throughout the United States, and for other United Ways in California and other states, for which United Way serves as the primary fiscal agent in the solicitation and distribution of such pledges.

These pledges are included in total pledges from the fundraising campaign and are deducted from the total campaign results under donor designations in arriving at net campaign support.

Allocations to participating agencies are approved by the Board of Directors in July of each year for the succeeding twelve-month fiscal year provided that the agencies are in compliance with the agency agreement.

Expiration of Donor-Imposed Restrictions

The expiration of donor-imposed restrictions on contributions or endowment earnings are recognized in the fiscal year in which the restriction expires and are then reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled.

Other Support

United Way receives other public support outside the conduct of the annual fundraising campaigns. The other support includes both public and private grants, donor designated funds received in the course of other United Way annual campaigns outside of Monterey County, administrative fees, non-campaign bequests and gifts, and sponsorship revenue. Certain ceremonial, celebratory and special recognition events at United Way are underwritten by sponsorship or the costs are offset by contributions for specific event. Generally, the donating companies agree that their contributions may also be used for other costs related to the operation of the United Way.

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Volunteer Services

A substantial number of volunteers donate significant amounts of time to United Way's fundraising campaign, allocation functions and administrative oversight. Such services are not reflected in the financial statements, since they do not create or enhance non-financial assets or require specialized skills that would typically be purchased.

Functional Allocation of Expenses

Functional expenses have been charged to Program Services and Support Services based on direct expenditures incurred or allocated based on an analysis of personnel time.

Tax-Exempt Status

United Way has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board under Code Sections 501(c)(3) and 23701(d), respectively. Certain types of income are considered unrelated business taxable income which is taxed at regular corporate income tax rates. United Way had no unrelated business taxable income during the year ended June 30, 2010.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. United Way adopted this new guidance for the year ended June 30, 2009. Management evaluated United Way's tax positions and concluded that they took no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Fair Value of Financial Instruments

United Way's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

The provisions of Reporting Endowment Funds Topic of the FASB Accounting Standards Codification provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). There is no significant effect on net assets due to these provisions.

Advertising

Advertising costs are expensed as incurred.

Concentrations

Pledges receivable are unsecured and are due from various individuals and corporations primarily located in Monterey County, California.

United Way has deposits in a financial institution that at times reflect a total balance greater than the Federal Deposit Insurance Corporation's \$250,000 maximum insurable at each institution at June 30, 2010.

As of June 30, 2010, United Way's uninsured cash balance totaled \$990. United Way believes there is no significant risk with respect to these deposits.

Subsequent Events

Subsequent events were evaluated through December 7, 2010, the date the financial statements were available to be issued.

UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

2. PLEDGES RECEIVABLE

Pledges receivable and changes in the allowance for uncollectible amounts during the year ended June 30, 2010 are summarized as follows:

Total pledges receivable	<u>\$ 1,766,732</u>
Allowance for uncollectible amounts:	
Balance, beginning of year	(464,000)
Current year provision	(198,945)
Write-off of uncollectible pledges	<u>225,945</u>
Balance, end of year	<u>(437,000)</u>
Net pledges receivable	<u>\$ 1,329,732</u>

The provision for uncollectible pledges during the year ended June 30, 2010 is summarized as follows:

Current year provision	\$ 201,945
Portion attributable to unpayable designations	<u>(3,000)</u>
Provision for uncollectible pledges	<u>\$ 198,945</u>

The provision for uncollectible pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

Pledges receivable arising from the campaign year ending March 31, 2010 are recognized as support increasing temporarily restricted net assets.

These pledges are generally expected to be collected within the next fiscal year. The restrictions placed on this support will expire in the next fiscal year. As of June 30, 2010, such pledges receivable amounted to \$2,451 less an allowance for doubtful accounts of \$1,000.

UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

3. OTHER RECEIVABLES

Other receivables include County grants receivable. County grants receivable arise from grant contracts entered into with the County of Monterey. Grant income is billed to the County in relation to services performed by United Way.

Due to the collection history and United Way's experience with the County of Monterey, no allowance for doubtful accounts was considered necessary as management believes all amounts receivable are fully collectible.

4. PROPERTY AND EQUIPMENT

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

Computer equipment	\$ 32,626
Furniture and general equipment	85,085
Software	<u>15,904</u>
	133,615
Less accumulated depreciation	<u>(61,478)</u>
	<u>\$ 72,137</u>

5. DESIGNATED PLEDGES PAYABLE

Designated pledges payable consisted of the following at June 30, 2010:

From the Combined Federal Campaign:	
Gross designations payable	\$ 465,752
Allowance for unpayable designations	<u>(67,000)</u>
Net designations payable	<u>398,752</u>
From other designated gifts received:	
Gross designations payable	88,749
Allowance for unpayable designations	<u>-</u>
Net designations payable	<u>88,749</u>
	<u>\$ 487,501</u>

UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

6. BOARD DESIGNATED NET ASSETS

Included in unrestricted assets are Board designated funds which represent resources currently available for use, but expendable only for those operating purposes specified by the Board of Directors. As of June 30, 2010, there were no board designated net assets.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2010:

Pledges for next campaign year	\$ 23,476
Disaster fund	<u>11,882</u>
	<u>\$ 35,358</u>

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted purposes or by occurrences of other events specified by donors.

For the year ended June 30, 2010, temporarily restricted net assets were released as follows:

In-kind donations	\$ 964,950
Pledges for next campaign year	<u>37,178</u>
	<u>\$ 1,002,128</u>

8. PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT

Permanently restricted net assets are composed of various donor restricted contributions to United Way's endowment fund. Under the terms of these contributions, the original donation must be kept in perpetuity and, depending on the donors' wishes the earnings are available for unrestricted uses. The total of these permanently restricted contributions was \$199,733 at June 30, 2010.

In 1987, United Way established a "Restricted and Organized Purpose Fund" (Agreement) at the Community Foundation for Monterey County (Foundation) with an initial contribution of \$33,000 from the unrestricted net assets of United Way. All contributions made to the fund are irrevocable. Under the terms of the Agreement, the Foundation may substitute another beneficiary in place of United Way at the discretion of the Foundation's Board of Directors. Earnings net of

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

8. PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT (Continued)

administrative fees are distributed to United Way on an annual basis and in accordance with the Foundation's policy on the distribution of earnings.

Additionally, in 1990, the General Endowment Fund was established at Morgan Stanley Dean Witter with an initial contribution of \$166,558.

United Way's endowment consists of two individual funds, one established to support general operations and the second to support and provide community resources. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

At June 30, 2010, United Way is subject to the Uniform Management of Institutional Funds Act (UMIFA). This Act requires the preservation of the historical dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Historic dollar value is "the aggregate fair value in dollars (1) an endowment fund at the time it became an endowment fund, (2) each subsequent donation to the endowment fund at the time it is made, and (3) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the endowment fund." United Way classifies the historic dollar value as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets depending upon donor-imposed restrictions on the use of the income from the endowment fund.

Spending Policy

Each year, the entire earnings of each fund shall be distributed according to written criteria and no earnings are provided to increase principal. The Board of Directors periodically reviews this policy for changes. The total amount appropriated from the Funds for fiscal year ending June 30, 2010 was \$-0-

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

8. PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT (Continued)

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ -	\$ -	\$ 199,733	\$ 199,733
Contributions	-	-	-	-
Investment income	3,676	-	-	3,676
Expenditures	<u>(3,676)</u>	<u>-</u>	<u>-</u>	<u>(3,676)</u>
Endowment net assets, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,733</u>	<u>\$ 199,733</u>

9. ALLOCATIONS AND DESIGNATIONS

United Way's various fundraising campaigns and activities resulted in the following distributions to United Way member agencies and other benefiting organizations for the year ended June 30, 2010:

Allocations determined by the Board of Directors to member agencies	\$ 1,200,000
Designations directed by donor	<u>956,423</u>
Gross allocations and designations	<u>\$ 2,156,423</u>

10. PENSION PLANS

United Way maintains a Simplified Employee Pension (SEP) Plan for eligible staff members. Employees are eligible to participate in the plan on January 1st of their second calendar year of employment. United Way has adopted a non-binding contribution range of 6-10% of employee earnings. The exact contribution percentage each year shall be the same for all covered employees. For 2010, the United Way Board has determined a retirement contribution of 10% of earnings for covered employees. Plan expenses incurred by United Way during 2010 were \$0.

During the year ended June 30, 2010, United Way contributed \$75,820 to the plan.

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

11. IN-KIND GIFTS AND JOINT ACTIVITIES

The financial statements for the year ended June 30, 2010 includes \$919,450 in donated advertising.

The advertising constitutes a joint activity and the costs related to this activity were allocated as follows:

Community services	\$	689,588
Fundraising		<u>229,862</u>
		<u>\$ 919,450</u>

12. GRANTS FROM COUNTY OF MONTEREY

United Way receives several grants from the County of Monterey. For the specific County of Monterey Grants listed below, certain procedures were applied to the expense reported under these grants.

<u>Grant Award</u>	<u>Term of Grant</u>	<u>Expenditures</u>
County of Monterey 211 Telephone Information	January 1, 2009 – June 30, 2010	\$ 30,000
County of Monterey Volunteer Income Tax Assistance	October 1, 2009 – September 30, 2010	\$ 15,371
County of Monterey Volunteer Income Tax Assistance-Coordinator	July 1, 2009 – June 30, 2010	\$ 52,746
County of Monterey Cal Works	July 1, 2009 – June 30, 2010	\$ 92,470
First 5 Monterey County	July 1, 2009 – June 30, 2010	\$ 50,000

UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

13. OPERATING LEASES

The existing lease for the United Way's primary facility expired June 30, 2008. United Way continued to lease this facility on a month-to-month basis from July 1, 2008 through August 31, 2009. In August 2009, United Way moved its primary operations to a new facility. This facility was leased under a month-to-month agreement, effective for the period August 1, 2009 through April 30, 2010.

Effective May 1, 2010, a new five-year lease for the primary facility commenced. The lease requires monthly payments of \$4,709, and does not provide for an annual increase in the base rent.

Effective January 2008, United Way leased a secondary facility on a month-to-month basis. This month-to-month lease was in effect from January 2008 through November 2009.

On November 4, 2009, United Way entered into an agreement to lease its secondary premises. The term of the lease is for three years, commencing on December 1, 2009, and ending on November 30, 2012. The lease requires monthly payments of \$1,815 and provides for an annual increase in the base rent.

Total rent expense incurred under all operating leases described for the year ended June 30, 2010 totaled \$69,036.

The future minimum rental payments required under these leases as of June 30, 2010 are as follows:

Fiscal Year <u>Ended June 30,</u>	
2011	\$ 78,285
2012	78,285
2013	<u>65,580</u>
	<u>\$ 222,150</u>

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

14. INVESTMENTS

United Way applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that United Way has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

At June 30, 2010, all of United Way's cash and cash equivalents were considered Level 1 inputs, and its pledges receivable were considered Level 3 inputs.

15. MERGER OF VOLUNTEER CENTER OF MONTEREY COUNTY

On July 1, 2009, the Volunteer Center of Monterey County (VCMC), a nonprofit corporation merged with United Way. VCMC ceased to exist, and all its assets, debts, liabilities, and trust obligations were transferred to United at no cost. In addition, VCMC's corporate identity, existence, purposes, powers, rights, and immunities were merged into and vested in United Way.