



**United Way of the
Columbia-Willamette**

FINANCIAL STATEMENTS

Year Ended June 30, 2012

with

Independent Auditors' Report

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

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Independent Auditors' Report

The Board of Directors
United Way of the Columbia-Willamette

We have audited the accompanying statement of financial position of United Way of the Columbia-Willamette (UWCW) (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of UWCW's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from UWCW's June 30, 2011, financial statements and, in our report dated January 25, 2012, we expressed an unqualified opinion on those financial statements.

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 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 the Columbia-Willamette as of June 30, 2012, 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.

Hoffman, Stewart & Schmidt, P.C.

January 16, 2013

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Statement of Financial Position

June 30, 2012 (With Comparative Amounts for 2011)

| | ASSETS | | | | |
|---|----------------------|---------------------------|---------------------------|----------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
| | | | | 2012 | 2011 |
| Cash and cash equivalents | \$ 2,781,202 | \$ 228,627 | \$ - | \$ 3,009,829 | \$ 3,382,030 |
| Pledges receivable - net (Note 3) | 5,498,121 | 452,455 | - | 5,950,576 | 5,425,962 |
| Grants and bequests receivable (Note 4) | - | 525,000 | - | 525,000 | 90,000 |
| Accounts and other receivables | 93,851 | - | - | 93,851 | 113,265 |
| Prepaid expenses, deposits and other assets | 219,776 | - | - | 219,776 | 232,875 |
| Investments (Notes 5 and 17) | 3,452,307 | 166,988 | 207,868 | 3,827,163 | 3,152,301 |
| Interest in charitable remainder trust (Note 6) | - | - | - | - | 3,952 |
| Interest in perpetual trusts (Notes 6 and 17) | - | - | 889,357 | 889,357 | 929,636 |
| Property and equipment - net (Note 7) | 2,607,329 | - | - | 2,607,329 | 2,807,916 |
| Total assets | \$ 14,652,586 | \$ 1,373,070 | \$ 1,097,225 | \$ 17,122,881 | \$ 16,137,937 |
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities (Note 18) | \$ 399,149 | \$ - | \$ - | \$ 399,149 | \$ 367,684 |
| Grants to programs | 4,305,158 | - | - | 4,305,158 | 4,901,640 |
| Donor-designated contributions payable | 4,071,385 | - | - | 4,071,385 | 4,078,435 |
| Note payable (Note 8) | - | - | - | - | 57,858 |
| Commitment (Note 2) | | | | | |
| Total liabilities | 8,775,692 | - | - | 8,775,692 | 9,405,617 |
| Net assets: | | | | | |
| Unrestricted: | | | | | |
| Board-designated (Note 9) | 3,359,395 | - | - | 3,359,395 | 3,099,984 |
| Undesignated (Note 10) | 2,517,499 | - | - | 2,517,499 | 2,111,276 |
| Temporarily restricted (Note 11) | - | 1,373,070 | - | 1,373,070 | 383,556 |
| Permanently restricted (Notes 12 and 13) | - | - | 1,097,225 | 1,097,225 | 1,137,504 |
| Total net assets | 5,876,894 | 1,373,070 | 1,097,225 | 8,347,189 | 6,732,320 |
| Total liabilities and net assets | \$ 14,652,586 | \$ 1,373,070 | \$ 1,097,225 | \$ 17,122,881 | \$ 16,137,937 |

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

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Statement of Activities

Year Ended June 30, 2012 (With Comparative Totals for 2011)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
|---|-------------------|---------------------------|---------------------------|-------------------|-------------------|
| | | | | 2012 | 2011 |
| Public support and revenue: | | | | | |
| Gross campaign revenue, including amounts raised for others (Note 1) | \$ 22,033,763 | \$ 880,308 | \$ - | \$ 22,914,071 | \$ 22,292,994 |
| Less amounts designated to others | (11,515,141) | (200,000) | - | (11,715,141) | (11,049,454) |
| Campaign revenue | 10,518,622 | 680,308 | - | 11,198,930 | 11,243,540 |
| Less provision for uncollectible pledges | (600,000) | - | - | (600,000) | (550,000) |
| Net campaign revenue | 9,918,622 | 680,308 | - | 10,598,930 | 10,693,540 |
| Revenue: | | | | | |
| Grants, bequests and other public support | 300,950 | 525,000 | - | 825,950 | 145,816 |
| In-kind contributions | 191,959 | - | - | 191,959 | 199,162 |
| Service fees | 96,718 | - | - | 96,718 | 120,328 |
| Rental income | 228,202 | - | - | 228,202 | 195,024 |
| Other | 41,535 | - | - | 41,535 | 57,769 |
| Total revenue | 859,364 | 525,000 | - | 1,384,364 | 718,099 |
| Net assets released from restrictions (Note 14) | 232,826 | (232,826) | - | - | - |
| Total public support and revenue | 11,010,812 | 972,482 | - | 11,983,294 | 11,411,639 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Program grants | 4,923,442 | - | - | 4,923,442 | 5,241,458 |
| Community investment | 2,009,814 | - | - | 2,009,814 | 2,023,207 |
| Total program services | 6,933,256 | - | - | 6,933,256 | 7,264,665 |
| Supporting services: | | | | | |
| Fund-raising campaign | 2,063,029 | - | - | 2,063,029 | 1,915,697 |
| Management and general | 1,416,419 | - | - | 1,416,419 | 1,422,382 |
| Total supporting services | 3,479,448 | - | - | 3,479,448 | 3,338,079 |
| Total expenses | 10,412,704 | - | - | 10,412,704 | 10,602,744 |
| Increase in net assets from operating activities (carried forward) | 598,108 | 972,482 | - | 1,570,590 | 808,895 |

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

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Statement of Activities - Continued

Year Ended June 30, 2012 *(With Comparative Totals for 2011)*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | | | | 2012 | 2011 |
| Increase in net assets from operating activities (brought forward) | \$ 598,108 | \$ 972,482 | \$ - | \$ 1,570,590 | \$ 808,895 |
| Non-operating activities: | | | | | |
| Interest and dividends | 9,154 | 5,432 | - | 14,586 | 24,964 |
| Gain on investments | 20,113 | 11,450 | - | 31,563 | 41,655 |
| Distributions from perpetual trusts | 38,259 | - | - | 38,259 | 37,399 |
| Change in value of interest in charitable remainder trust <i>(Note 6)</i> | - | 150 | - | 150 | 490 |
| Change in value of perpetual trusts <i>(Note 6)</i> | - | - | (40,279) | (40,279) | 119,230 |
| Total non-operating activities | 67,526 | 17,032 | (40,279) | 44,279 | 223,738 |
| Increase (decrease) in net assets | 665,634 | 989,514 | (40,279) | 1,614,869 | 1,032,633 |
| Net assets, beginning of year | 5,211,260 | 383,556 | 1,137,504 | 6,732,320 | 5,699,687 |
| Net assets, end of year | \$ 5,876,894 | \$ 1,373,070 | \$ 1,097,225 | \$ 8,347,189 | \$ 6,732,320 |

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

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Statement of Functional Expenses

Year Ended June 30, 2012 *(With Comparative Totals for 2011)*

| | Program Services | | | Supporting Services | | | Total | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| | Program | Community | Total Program | Fund- | Management | Total | | |
| | Grants | Investment | Services | raising | and | Supporting | 2012 | 2011 |
| | | | Campaign | General | Services | | | |
| Program grants | \$ 4,923,442 | \$ - | \$ 4,923,442 | \$ - | \$ - | \$ - | \$ 4,923,442 | \$ 5,241,458 |
| Salaries and wages | - | 856,551 | 856,551 | 1,036,416 | 811,775 | 1,848,191 | 2,704,742 | 2,676,494 |
| Employee benefits and payroll taxes | - | 217,957 | 217,957 | 255,908 | 242,064 | 497,972 | 715,929 | 663,951 |
| Professional services | - | 62,438 | 62,438 | 39,886 | 30,011 | 69,897 | 132,335 | 136,419 |
| Telephone and postage | - | 23,298 | 23,298 | 23,189 | 22,520 | 45,709 | 69,007 | 67,933 |
| Occupancy | - | 201,279 | 201,279 | 33,434 | 53,636 | 87,070 | 288,349 | 291,275 |
| Equipment rental and maintenance | - | 10,570 | 10,570 | 12,449 | 22,073 | 34,522 | 45,092 | 47,855 |
| Supplies and subscriptions | - | 7,838 | 7,838 | 11,029 | 10,313 | 21,342 | 29,180 | 32,186 |
| Advertising | - | 110,621 | 110,621 | 355,379 | 69 | 355,448 | 466,069 | 475,149 |
| Printing and supplies | - | 63,351 | 63,351 | 72,663 | 4,893 | 77,556 | 140,907 | 119,586 |
| Travel, conferences and meetings | - | 65,137 | 65,137 | 78,660 | 28,434 | 107,094 | 172,231 | 201,308 |
| Interest | - | 486 | 486 | 81 | 98 | 179 | 665 | 8,571 |
| Miscellaneous | - | 17,343 | 17,343 | 48,554 | 103,453 | 152,007 | 169,350 | 134,590 |
| United Way Worldwide dues | - | 164,168 | 164,168 | 19,805 | 12,158 | 31,963 | 196,131 | 184,565 |
| Total before depreciation and amortization | 4,923,442 | 1,801,037 | 6,724,479 | 1,987,453 | 1,341,497 | 3,328,950 | 10,053,429 | 10,281,340 |
| Depreciation and amortization | - | 208,777 | 208,777 | 75,576 | 74,922 | 150,498 | 359,275 | 321,404 |
| | \$ 4,923,442 | \$ 2,009,814 | \$ 6,933,256 | \$ 2,063,029 | \$ 1,416,419 | \$ 3,479,448 | \$ 10,412,704 | \$ 10,602,744 |

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

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Statement of Cash Flows

| Year Ended June 30, 2012 <i>(With Comparative Totals for 2011)</i> | 2012 | 2011 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash receipts: | | |
| Campaign revenue | \$ 21,152,508 | \$ 20,988,290 |
| Service fees | 116,132 | 164,096 |
| Grants, bequests and other support | 395,052 | 111,823 |
| Interest and dividends | 14,586 | 24,964 |
| Other | 307,996 | 290,192 |
| Cash paid: | | |
| Allocations to agencies | (5,519,924) | (5,274,859) |
| Donor designated contributions to agencies | (11,722,191) | (10,653,289) |
| Employees and suppliers | (4,703,767) | (4,642,796) |
| Interest | (665) | (8,571) |
| Payments to affiliated organizations | (189,032) | (283,402) |
| Net cash provided (used) by operating activities | (149,305) | 716,448 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (158,688) | (354,931) |
| Purchase of investments | (11,755) | (11,942) |
| Proceeds from sale of investments | 5,405 | 340,519 |
| Net cash used by investing activities | (165,038) | (26,354) |
| Cash flows from financing activities: | | |
| Payments on note payable | (57,858) | (224,696) |
| Net cash used by financing activities | (57,858) | (224,696) |
| Net increase (decrease) in cash and cash equivalents | (372,201) | 465,398 |
| Cash and cash equivalents, beginning of year | 3,382,030 | 2,916,632 |
| Cash and cash equivalents, end of year | \$ 3,009,829 | \$ 3,382,030 |

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

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Statement of Cash Flows - Continued

| Year Ended June 30, 2012 <i>(With Comparative Totals for 2011)</i> | 2012 | 2011 |
|--|----------------------------|--------------------------|
| Reconciliation of increase in net assets to net cash provided (used) by operating activities: | | |
| Increase in net assets | \$ 1,614,869 | \$ 1,032,633 |
| Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 359,275 | 321,404 |
| Gain on investments | (31,563) | (41,655) |
| Change in value of interest in charitable remainder trusts | (150) | (490) |
| Change in value of perpetual trusts | 40,279 | (119,230) |
| Donated investments | (636,949) | (327,586) |
| (Increase) decrease in: | | |
| Pledges receivable - net | (524,614) | (427,118) |
| Grants and bequests receivable | (435,000) | (34,000) |
| Accounts and other receivables | 19,414 | 43,768 |
| Prepaid expenses, deposits and other assets | 13,099 | (4,350) |
| Interest in charitable remainder trust | 4,102 | 7 |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 31,465 | (89,699) |
| Grants to programs | (596,482) | (33,401) |
| Donor-designated contributions payable | (7,050) | 396,165 |
| Net cash provided (used) by operating activities | <u>\$ (149,305)</u> | <u>\$ 716,448</u> |

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

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Organization - The Community Chest which later became United Way of the Columbia-Willamette (UWCW) started in 1920 and is one of the Portland/Vancouver metro region's leading and oldest health and human service support organizations. There have been several name changes over the years. UWCW joined United Way Worldwide (previously United Way of America) and was incorporated under United Way of the Columbia-Willamette in 1952. One thing that has remained consistent over the years is UWCW's role in helping the community. UWCW's mission is: Helping people, changing lives, making every contribution count. UWCW advances the common good for everyone in the community by focusing on the building blocks for a better life: education, income, and health.

UWCW conducts annual workplace and community fund-raising campaigns dedicated to support of the area's health and human services; organizes community leaders and experts to identify the needs of the community; and uses a volunteer driven grant funding model to invest in programs and partners who are committed to collaboration and measurable results. UWCW also funds strategic partnerships and initiatives that include Hands On Greater Portland (volunteer recruitment), Earned Income Tax Credit Assistance, Born Learning (early childhood education), Project Access NOW (health access and services, 211info (resource hotline), and the Community Relief Fund (food, rent, and utility assistance).

Program Services - Dollars raised in an annual fund-raising campaign each year are returned to the community to address needs in the following ways:

Program Grants - The Board of Directors approves annual grants to agencies. Funds are distributed to local health and human service non-profit organizations through a rigorous volunteer driven evaluation process where applicants apply for funds to meet identified community needs consistent with established priorities. Non-profits receiving funds are also required to create strategic partnerships with other health and social service agencies to maximize community impact. Dollars are also awarded to programs with creative, cutting-edge service delivery approaches to responding to the needs of under-represented and diverse populations of people.

Community Investment - Community investment activities include regional and community needs assessment, data collection and analysis, community education presentations, production of documents designed to highlight regional needs, funding trends, and emerging issues. Additional activities include advocacy, public policy involvement, development and support of strategic initiatives, and community leadership.

Designations - Dollars are directed towards specific 501(c)(3) agencies as specified by the donor.

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued
Program Services - Continued

Combined Federal Campaign - The Combined Federal Campaign (CFC) was established by the Federal government in 1961. The CFC is the only authorized charitable fund-raising campaign for Federal employees, both civilian and military. A Local Federal Coordinating Committee (LFCC) comprised of local Federal employees, authorized by CFC regulations, organizes the CFC. UWCW was appointed by the LFCC as the Principal Combined Fund Organization (PCFO) to administer the local campaign under the direction and control of the LFCC and the U.S. Office of Personnel Management. In addition to administering the campaign as the PCFO, UWCW also applies annually to the CFC as a federation. As a CFC federation, UWCW honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member.

Supporting Services - Local volunteers and staff lead efforts in these key support areas of the organization:

Fund-raising:

Resource Development - Responsible for the annual fund-raising campaign, resource development also develops long-term relationships with key customers and facilitates the involvement of local organizations, corporations, and businesses in community service.

Branding and Communication - Responsible for building strong programs in communications, advertising, media relations and special events, this area of UWCW is also key in increasing community awareness, visibility, and education about UWCW.

Management and General - Responsible for providing support for all areas of UWCW, including campaign pledge processing, accounting, finance, facilities management, information systems and human resources management. Responsible for ensuring the financial integrity of UWCW, this area manages the financial controls and reporting of financial data to the volunteers, the donors, and the community.

Significant Accounting Policies - The significant accounting policies followed by UWCW are described below to enhance the usefulness of the financial statements to the reader.

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

Significant estimates for which it is at least reasonably possible a change in estimate will occur in the near term include the allowance for uncollectible pledge receivables and depreciation and amortization.

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued
Significant Accounting Policies - Continued

Cash and Cash Equivalents - UWCW considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. At June 30, 2012 and 2011, and on occasion throughout the respective years, UWCW's cash and cash equivalents exceeded Federally insured limits.

Accounts Receivable - Accounts receivable are recognized as services are provided. UWCW does not assess finance charges on delinquent accounts. UWCW uses the allowance method to account for uncollectible accounts receivable. The allowance is estimated by management based on various factors, including past history and current economic conditions. UWCW will write-off any balance that remains after it has exhausted all reasonable collection efforts. Management believes all accounts receivable at June 30, 2012 and 2011, are fully collectible, and an allowance for uncollectible accounts is not necessary.

Pledges Receivable - Pledges receivable are shown net of an allowance for uncollectible pledges. The provision for pledges estimated to be uncollectible is based on, among other things, UWCW's past collection experience and an estimate of the impact of current economic conditions. It is reasonably possible the amount of uncollectible pledges could be materially different upon final settlement of each campaign. Pledges receivable for the current annual campaign are available for unrestricted use unless specifically restricted by the donor. Pledges receivable for future annual campaigns are considered restricted for use in the campaign year specified by the donor.

Investments - UWCW carries investments in marketable securities with readily determinable fair values and all debt securities at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Certificates of deposit and money market accounts are stated at amortized cost plus accrued interest, which approximates fair value.

Interest in Charitable Remainder Trust - UWCW had an interest in a charitable remainder trust that was recorded as a temporarily restricted net asset measured at the present value of future cash receipts from the trust's assets, which was estimated to be UWCW's percentage of the fair value of the trust's assets.

Changes in the value of UWCW's interest in the trust was recorded as an increase or decrease to temporarily restricted net assets.

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued
Significant Accounting Policies - Continued

Interest in Perpetual Trusts - UWCW has a beneficial interest in certain perpetual trusts. The assets in the trusts are held and managed by third-party administrators. Under the terms of the trusts, UWCW has the irrevocable right to receive a percentage of the income earned on the trusts' assets in perpetuity, but never receives the assets held in the trusts.

UWCW's interest in the trusts has been recorded as a permanently restricted net asset measured at the present value of future cash receipts from the trusts' assets, which is estimated to be UWCW's percentage of the fair value of the trusts' assets.

Distributions from the trusts are recorded as unrestricted revenue when received. Changes in the amount reported as an asset are recorded as an increase or decrease to permanently restricted net assets.

Property and Equipment - UWCW follows the policy of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Property and equipment received through donation are recorded at estimated fair value at date of donation. Depreciation and amortization have been computed using the straight-line method over the following estimated useful lives:

| | |
|---------------------------------------|---------------|
| Building | 20 - 30 years |
| Furniture, equipment and improvements | 3 - 15 years |

Grants to Programs - Grants to programs and other unconditional promises to give are recorded as a liability and expense on approval by the Board of Directors. Generally, grants to programs are paid over the fiscal year following approval.

Net Assets - The accompanying financial statements have been prepared to focus on UWCW as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of UWCW's net assets in three classes: unrestricted, temporarily restricted, and permanently restricted, as follows:

Unrestricted net assets represent net assets not subject to donor-imposed stipulations. The Board has designated certain major bequests for Board-designated financial reserve. It is the intention of the Board that such monies be maintained to provide a financial reserve that is available for expenditure at the discretion of the Board.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of UWCW and/or the passage of time.

Permanently restricted net assets represent net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently, but generally permit UWCW to use the income.

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued
Significant Accounting Policies - Continued

Revenue Recognition - UWCW reports gifts 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.

UWCW reports gifts of property 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, UWCW reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Temporarily restricted contributions are classified as unrestricted where the restriction is met in the same fiscal year the contribution is received.

Gross Campaign Revenue - During the Fall of 2011 and 2010 annual campaigns, UWCW raised \$1,638,741 and \$1,735,516, respectively, for the Combined Federal Campaign administered by UWCW. UWCW has included these amounts in both gross campaign revenue and amounts designated to others in the accompanying statement of activities.

Premises Furnished to Agencies - Certain non-profit agencies use space in UWCW's office building. Rent is charged at below market rates and is included in rental income in the accompanying statement of activities.

In-Kind Contributions - UWCW receives advertising services from various newspapers, radio stations, and television stations free of charge. Donated advertising services recorded at estimated fair value were recognized in the amount of \$191,959 and \$199,162 for the years ended June 30, 2012 and 2011, respectively. These services have been recorded as in-kind contributions in the accompanying statement of activities at their estimated fair value, and as a component of advertising in the accompanying statement of functional expenses.

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

1. Nature of Operations and Significant Accounting Policies - Continued
Significant Accounting Policies - Continued

Donor-Designated Contributions - UWCW receives certain contributions designated by the donors for distribution to organizations both affiliated and unaffiliated with UWCW. Such designations are accepted if the ultimate recipient is another United Way chapter or meets certain criteria established by UWCW. These criteria include being a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. These contributions are distributed to the designated agencies based on collections and are recorded in the statement of activities as amounts designated to others. Amounts remaining to be paid at the fiscal year end are reflected in the statement of financial position as donor-designated contributions payable.

Advertising - UWCW expenses all indirect advertising costs incurred.

Income Taxes - Income taxes are not provided for in the financial statements since UWCW is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. UWCW is not classified as a private foundation.

Accounting principles generally accepted in the United States of America prescribe a recognition threshold and a measurement process for accounting for uncertain tax positions, and also provide guidance on various related matters such as interest, penalties, and required disclosures. Management believes UWCW does not have any uncertain tax positions. UWCW files informational returns. Generally, these returns filed by UWCW are subject to examination by Federal or state tax authorities for a period of three years from the filing of the return. As such, the returns for the 2008, 2009, and 2010 tax years are currently subject to examination. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

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

Summarized Financial Information for 2011 - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UWCW's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

2. Defined Contribution Plan and Severance Pay Plan

Defined Contribution Plan - Effective April 1, 2000, UWCW established a defined contribution plan covering substantially all employees who have completed one year of service with UWCW. The plan was established under Section 401(k) of the Internal Revenue Code. Employee contributions to the plan are in the form of salary deferrals, and are immediately 100 percent vested.

Employer contributions to the plan vary between 10 and 15 percent of eligible employee salaries, depending on employees' date of hire and other factors. Employer contributions become vested in 20 percent increments and are 100 percent vested once an employee completes six years of service.

Total employer contributions to the plan for the years ended June 30, 2012 and 2011, were \$195,571 and \$180,822, respectively.

Severance Pay Plan - In conjunction with the termination of a formerly maintained defined benefit pension plan, the Board of Directors created a severance pay plan to provide a lump-sum benefit to certain employees whose employment terminates at a time when their retirement benefit is less than the benefit that would have been payable under the former plan. In order to be eligible for this plan, employees must be at least 40 years old, and have completed ten years of service with UWCW. In addition, the individual must have been actively employed by UWCW on April 1, 2000.

No additional liability for the severance pay plan has been recorded for remaining eligible employees in these financial statements, as the amount of the future payments, if any, is dependent on several factors, including retirement dates of the eligible employees.

3. Pledges Receivable - Net

Pledges receivable are expected to be received as follows at June 30:

| | 2012 | 2011 |
|--|----------------------------|----------------------------|
| Within one year | \$ 6,250,576 | \$ 5,976,880 |
| Between one and five years | <u>300,000</u> | <u>-</u> |
| | 6,550,576 | 5,976,880 |
| Less allowance for uncollectible pledges | <u>(600,000)</u> | <u>(550,918)</u> |
| Pledges receivable - net | <u><u>\$ 5,950,576</u></u> | <u><u>\$ 5,425,962</u></u> |

Management has elected not to record any discount to present value on pledges receivable due within one to five years as they believe any discount would have an immaterial effect on the financial statements taken as a whole.

**UNITED WAY OF THE
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Notes to Financial Statements - Continued

4. Grants and Bequests Receivable

Grants and bequests receivable are expected to be received as follows at June 30:

| | 2012 | 2011 |
|----------------------------|-------------------|------------------|
| Within one year | \$ 175,000 | \$ 90,000 |
| Between one and five years | 350,000 | - |
| | <u>\$ 525,000</u> | <u>\$ 90,000</u> |

Management has elected not to record any discount to present value on grants and bequests receivable due within one to five years as they believe any discount would have an immaterial effect on the financial statements taken as a whole.

5. Investments

The composition of investments at June 30, 2012 and 2011, is as follows:

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Investments carried at fair value: | | |
| Bond funds | \$ 221,969 | \$ 217,498 |
| Equity mutual funds | 375,813 | 72,191 |
| Common stock | 12,489 | 14,264 |
| Cash surrender value of life insurance policies | 391,508 | 23,249 |
| Investments held at Oregon Community Foundation | 89,674 | 97,822 |
| | <u>1,091,453</u> | <u>425,024</u> |
| Total investments carried at fair value | | |
| Investments carried at cost plus accrued interest: | | |
| Money market accounts | 2,224,762 | 2,217,605 |
| Certificates of deposit | 510,948 | 509,672 |
| | <u>2,735,710</u> | <u>2,727,277</u> |
| Total investments carried at cost plus accrued interest | | |
| Total investments | <u>\$ 3,827,163</u> | <u>\$ 3,152,301</u> |

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

5. Investments - Continued

During the year ended June 30, 1997, UWCW entered into an agreement with the Oregon Community Foundation (OCF) to transfer \$50,000 to OCF in order to achieve improved performance results and enhanced long-term planned giving goals. The investments are to be held by OCF in perpetuity. Under the terms of the agreement, OCF will distribute annually a percentage of the fair market value of the fund to UWCW based on the expected total return on the investments of the permanent funds of OCF and other factors. The agreement specifies that such percentage shall not be less than a reasonable rate of return. Additional distributions may be made on a resolution of both UWCW's and OCF's Boards of Directors. Distributions of \$4,133 and \$4,363 were received from OCF during the years ended June 30, 2012 and 2011, respectively. The change in the value of the investments held at OCF has been reflected in the gain on investments in the accompanying statement of activities.

UWCW previously carried an investment in stock of a privately held company. In 2010, management determined the likelihood of receiving any future benefit in this stock was less than probable, and recorded an impairment loss of \$220,000 related to this investment. UWCW continues to own this investment.

During the year ended June 30, 2012, under a gift agreement from a donor, life insurance policies with a combined death benefit of approximately \$4.4 million were transferred to UWCW. The death benefit values are not recognized in the financial statements of UWCW for the year ended June 30, 2012, but will be recognized when proceeds are actually received. Once the proceeds are received, the gift agreement stipulates approximately \$3.4 million is to be designated for other nonprofit organizations. At June 30, 2012, the cash surrender values of these policies totaled \$377,423.

6. Interest in Charitable Remainder Trusts and Perpetual Trusts

Interest in Charitable Remainder Trusts - At June 30, 2011 and 2010, UWCW had a 1.579 percent remainder interest in a charitable remainder trust. During the year ended June 30, 2012, UWCW received a final distribution from the charitable remainder trust it previously had an interest in. A summary of the change in UWCW's interest in the charitable remainder trust is as follows:

| | 2012 | 2011 |
|----------------------------|-------------|-------------|
| Balance, beginning of year | \$ 3,952 | \$ 3,469 |
| Distribution | (4,102) | (7) |
| Change in value | 150 | 490 |
| Balance, end of year | \$ - | \$ 3,952 |

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

6. Interest in Charitable Remainder Trusts and Perpetual Trusts - Continued

Interest in Perpetual Trusts - UWCW has a beneficial interest in certain perpetual trusts. The present value of future distributions from trust assets is as follows:

| | 2012 | 2011 |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 929,636 | \$ 810,406 |
| Change in value | (40,279) | 119,230 |
| | <u>\$ 889,357</u> | <u>\$ 929,636</u> |

7. Property and Equipment

| | 2012 | 2011 |
|--|---------------------|---------------------|
| Land | \$ 886,000 | \$ 886,000 |
| Building | 3,694,262 | 3,648,219 |
| Furniture, equipment and improvements | 1,718,670 | 1,606,025 |
| | 6,298,932 | 6,140,244 |
| Less accumulated depreciation and amortization | (3,691,603) | (3,332,328) |
| | <u>\$ 2,607,329</u> | <u>\$ 2,807,916</u> |

8. Note Payable

| | 2012 | 2011 |
|--|-------------|------------------|
| Note payable to Union Central Life Insurance Company. Principal balance paid in full during September, 2011. | \$ - | \$ 57,858 |
| | <u>\$ -</u> | <u>\$ 57,858</u> |

**UNITED WAY OF THE
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Notes to Financial Statements - Continued

9. Unrestricted Net Assets Designated by Board of Directors

Certain unrestricted net assets have been designated by the Board of Directors for special purposes. Designated unrestricted net assets consist of the following:

| | 2012 | 2011 |
|--|----------------------------|----------------------------|
| Board-designated financial reserve | \$ 3,234,638 | \$ 2,976,965 |
| Board-designated for future retirement plan expenses | <u>124,757</u> | <u>123,019</u> |
| | <u><u>\$ 3,359,395</u></u> | <u><u>\$ 3,099,984</u></u> |

10. Unrestricted Undesignated Net Assets

Unrestricted undesignated net assets consist of the following:

| | 2012 | 2011 |
|--|----------------------------|----------------------------|
| Net investment in property and equipment | \$ 2,607,329 | \$ 2,750,058 |
| Unrestricted for operations | <u>(89,830)</u> | <u>(638,782)</u> |
| | <u><u>\$ 2,517,499</u></u> | <u><u>\$ 2,111,276</u></u> |

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| | 2012 | 2011 |
|---|----------------------------|--------------------------|
| Time restriction - charitable remainder trust (<i>Note 6</i>) | \$ - | \$ 3,952 |
| Time restriction - future campaigns | 662,950 | 176,530 |
| Time restriction - grants and bequests receivable | 525,000 | 40,000 |
| Gas assistance program | 121,627 | 92,723 |
| Other purpose restrictions | - | 3,424 |
| Unexpended endowment income (<i>Note 13</i>) | <u>63,493</u> | <u>66,927</u> |
| | <u><u>\$ 1,373,070</u></u> | <u><u>\$ 383,556</u></u> |

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

12. Permanently Restricted Net Assets

Permanently restricted net assets are composed of the following:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| Pricket Endowment Fund | \$ 84,331 | \$ 84,331 |
| Amanada Reed Endowment Fund | 3,338 | 3,338 |
| General Endowment Fund | 120,199 | 120,199 |
| Interest in perpetual trusts (<i>Note 6</i>) | 889,357 | 929,636 |
| | <u>\$ 1,097,225</u> | <u>\$ 1,137,504</u> |

13. Endowment Funds

Accounting Policy: UWCW's endowment consists of five individual funds comprised solely of donor restricted net assets (*Note 12*). No unrestricted or temporarily restricted net assets were functioning as an endowment for the years ended June 30, 2012 or 2011 (other than unexpended endowment earnings in the temporarily restricted net asset class). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of UWCW has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UWCW classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UWCW in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UWCW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of UWCW, and (7) UWCW's investment policies.

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

13. Endowment Funds - Continued

Investment and Spending Policies: UWCW has an investment policy that provides for investment objectives of (a) providing stable cash payout, preferably growing in real terms after inflation and (b) growing the principal in real terms after inflation. The spending of endowment assets is approved by the Board of Directors of UWCW. Currently, UWCW's spending rate is 5 percent of a three-year rolling average of the fair market value of endowment assets.

Funds held at OCF follow investment and spending policies determined by the Board of Directors of OCF. OCF's investment policy is intended to provide for long-term growth. Currently, the spending rate ranges from 4.5 to 5.0 percent (per annum) of the average fair market value of UWCW's funds based on a 13-quarter trailing average. Funds held with OCF are invested in a mixture of equities, fixed-income instruments, alternative investment classes such as hedge funds, private investments, and cash. UWCW believes the investment and spending policy is consistent with UWCW's objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

UWCW's interest in perpetual trusts, described in *Note 6*, is included in UWCW's endowment funds. The investment of these funds is determined by the trustees of the trusts rather than UWCW.

Composition of and changes in endowment net assets for the year ended June 30, 2012, were as follows:

| | Temporarily Restricted | Permanently Restricted | Total |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment assets, beginning of year | \$ 66,927 | \$ 1,137,504 | \$ 1,204,431 |
| Interest and dividends | 5,432 | - | 5,432 |
| Net loss on investments | (96) | - | (96) |
| Change in value of perpetual trusts | - | (40,279) | (40,279) |
| Investment management fees | (3,364) | - | (3,364) |
| Distributions | (5,406) | - | (5,406) |
| Endowment assets, end of year | <u>\$ 63,493</u> | <u>\$ 1,097,225</u> | <u>\$ 1,160,718</u> |

**UNITED WAY OF THE
COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

14. Net Assets Released from Restrictions

During the year ended June 30, 2012, net assets were released from restrictions as follows:

| | |
|---|-------------------|
| Early campaign contributions for use in current period - net of recoveries | \$ 176,530 |
| Collection of bequest receivable | 40,000 |
| Satisfaction of donor purpose restriction | 3,424 |
| Distribution and management fees from endowments | 8,770 |
| Distribution from charitable remainder trust | 4,102 |
| | <hr/> |
| | <u>\$ 232,826</u> |

15. Joint Costs

UWCW conducts certain activities that could be considered joint cost activities, including the publication of a quarterly newsletter and development of a web page. Management feels the costs of conducting these activities is immaterial to the financial statements and has used the same cost allocation methods that are used for non-joint cost activities in the accompanying statement of functional expenses.

16. Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject UWCW to concentrations of credit risk consist principally of cash and cash equivalents, pledges receivable, which are described in *Note 3*, and investments, which are described in *Note 5*.

UWCW's investments, including those held related to split-interest agreements (*Note 6*), are exposed to various risks, such as interest rate, market and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Substantially all of UWCW's investments in money market accounts are in excess of FDIC insurable limits.

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COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

17. Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. UWCW uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, UWCW measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets UWCW has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

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COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

17. Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, UWCW's assets at fair value as of June 30, 2012:

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|-------------------|-------------------|---------------------|
| Bond funds: | | | | |
| Short term | \$ 55,400 | \$ - | \$ - | \$ 55,400 |
| High yield | 7,990 | - | - | 7,990 |
| Intermediate term | 158,579 | - | - | 158,579 |
| Equity mutual funds: | | | | |
| Large cap growth | 19,105 | - | - | 19,105 |
| Mid cap growth | 1,324 | - | - | 1,324 |
| Small cap growth | 309,423 | - | - | 309,423 |
| Large cap blend | 8,447 | - | - | 8,447 |
| Large cap value | 19,251 | - | - | 19,251 |
| Mid cap value | 1,105 | - | - | 1,105 |
| Small cap value | 3,359 | - | - | 3,359 |
| Foreign large cap growth | 6,962 | - | - | 6,962 |
| Foreign large cap value | 803 | - | - | 803 |
| Foreign large cap blend | 4,562 | - | - | 4,562 |
| Foreign diversified emerging markets | 1,472 | - | - | 1,472 |
| Common stock - domestic | 12,489 | - | - | 12,489 |
| Cash surrender value of life insurance policies | - | 391,508 | - | 391,508 |
| Investments held at OCF | - | - | 89,674 | 89,674 |
| | <u>\$ 610,271</u> | <u>\$ 391,508</u> | <u>\$ 89,674</u> | <u>\$ 1,091,453</u> |
| Investments, at fair value | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 889,357</u> | <u>\$ 889,357</u> |

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COLUMBIA-WILLAMETTE**

Notes to Financial Statements - Continued

17. Fair Value Measurements - Continued

Level 1 Measurements: Fair value of Level 1 assets described above is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker.

Level 2 Measurements: Fair value for cash surrender value of life insurance policies is based on pricing models or other relevant economic measures provided by the insurance companies.

Level 3 Measurements: Investments held at OCF represents UWCW's share of a pooled investment portfolio managed by OCF. UWCW's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs.

Market data is unavailable for charitable remainder trusts and perpetual trusts; however, UWCW carries its interest in a charitable remainder trust and perpetual trusts at fair value based on UWCW's proportionate share of the underlying investments.

The following table provides a summary of changes in UWCW's Level 3 assets for the year ended June 30, 2012:

| | Investments Held at OCF | Interest in Charitable Remainder Trust | Interest in Perpetual Trusts | Total |
|--------------------------------------|------------------------------------|---|---|--------------------------|
| Balance, beginning of year | \$ 97,822 | \$ 3,952 | \$ 929,636 | \$ 1,031,410 |
| Interest and dividends | 1,312 | - | - | 1,312 |
| Loss on investment | (4,523) | - | - | (4,523) |
| Change in value | - | 150 | (40,279) | (40,129) |
| Management fees and distributions | <u>(4,937)</u> | <u>(4,102)</u> | <u>-</u> | <u>(9,039)</u> |
| Balance, end of year | <u><u>\$ 89,674</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 889,357</u></u> | <u><u>\$ 979,031</u></u> |

**UNITED WAY OF THE
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Notes to Financial Statements - Continued

18. Related-Party Transactions

UWCW receives staff and volunteer training, national advertising services, and national campaign coordination and supplies from United Way Worldwide. As a result, UWCW elected to remit to United Way Worldwide \$196,130 and \$184,565 for the Fall 2011 and 2010 campaigns, respectively, which are recorded for the years ended June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, amounts payable to United Way Worldwide for these services and supplies totaled \$98,045 and 90,946, respectively, and are included as a component of accounts payable and accrued liabilities in the accompanying statement of financial position.

Certain members of the Board of Directors hold executive positions in agencies that receive funding from UWCW. The Board of Directors has adopted a conflict of interest policy, and these Board members abstain from voting on any and all matters related to funding provided by UWCW.

UWCW maintains banking relationships with certain banks where members of the Board of Directors of UWCW hold key positions.

A member of the Board of Directors of UWCW is employed by the firm that provides legal counsel to UWCW.

19. Concentration

During the Fall 2011 and 2010 annual campaigns, one corporate donor accounted for approximately 26 percent of net campaign revenue. There were no amounts outstanding from this corporate donor at June 30, 2012 and 2011.

20. Subsequent Events

Management has evaluated subsequent events through, January 16, 2013, the date the financial statements were available to be issued.

In October, 2012, UWCW acquired the assets and assumed the liabilities of Hands on Greater Portland, a nonprofit organization in Portland, Oregon. The effect of this acquisition resulted in an increase in UWCW's net assets of approximately \$159,000, which will be reflected in UWCW's financial statements for the year ending June 30, 2013.