



Report of Independent Auditors and
Financial Statements



United Way of the Bay Area

June 30, 2011 and 2010

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
United Way of the Bay Area

We have audited the accompanying statements of financial position of United Way of the Bay Area (UWBA) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of UWBA. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UWBA as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



San Francisco, California
December 2, 2011

FINANCIAL STATEMENTS

UNITED WAY OF THE BAY AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 2,105,215	\$ 1,801,807
Pledges receivable, net of provision for uncollectible pledges of \$862,000 and \$1,023,000, in 2011 and 2010, respectively	5,098,613	6,717,211
Grants receivable, net of discount	922,056	1,662,797
Investments	14,825,449	15,956,249
Prepays and other receivables	186,450	256,502
Property and equipment, net	<u>157,147</u>	<u>199,482</u>
Total assets	<u>\$ 23,294,930</u>	<u>\$ 26,594,048</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Donor designations payable	\$ 3,023,989	\$ 4,087,201
Allocations payable	42,500	530,538
Operating payables and accruals	788,265	1,600,692
Accrued vacation and related costs	512,293	617,683
Deferred rent	179,466	282,018
Accrued pension costs	<u>3,682,683</u>	<u>5,745,844</u>
Total liabilities	<u>8,229,196</u>	<u>12,863,976</u>
NET ASSETS		
Unrestricted		
Undesignated	9,037,423	10,840,701
Board designated	4,946,559	2,757,624
Pension liability in excess of intangible pension assets	<u>(3,881,468)</u>	<u>(5,447,027)</u>
Total unrestricted net assets	10,102,514	8,151,298
Temporarily restricted	1,074,245	1,703,143
Permanently restricted	<u>3,888,975</u>	<u>3,875,631</u>
Total net assets	<u>15,065,734</u>	<u>13,730,072</u>
Total liabilities and net assets	<u>\$ 23,294,930</u>	<u>\$ 26,594,048</u>

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF ACTIVITIES
Year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Gross campaign results	\$ 26,830,360	\$ 2,750,519	\$ 4,000	\$ 29,584,879
Less donor designations	(18,984,209)	-	-	(18,984,209)
Less provision for uncollectible pledges (net)	(608,249)	-	-	(608,249)
Campaign revenue, net	7,237,902	2,750,519	4,000	9,992,421
Service fees	440,233	-	-	440,233
Grants	315,500	2,080,761	-	2,396,261
Investment income, net	466,396	1,400	-	467,796
Net realized and unrealized gains on investments	1,630,174	-	-	1,630,174
Planned giving	258,245	(2,808)	-	255,437
Other income	434,209	105,094	9,344	548,647
Net assets released from restrictions	5,563,864	(5,563,864)	-	-
Total public support and revenue	16,346,523	(628,898)	13,344	15,730,969
ALLOCATIONS AND EXPENSES				
Program services				
Gross funds awarded/allocated to agencies	18,424,501	-	-	18,424,501
Less donor designations	(18,984,209)	-	-	(18,984,209)
Net funds awarded/allocated to agencies	(559,708)	-	-	(559,708)
211 initiative	1,928,742	-	-	1,928,742
SparkPoint initiative	3,745,747	-	-	3,745,747
Other community services	3,039,339	-	-	3,039,339
Community capacity building	1,075,498	-	-	1,075,498
Labor community services	392,167	-	-	392,167
Total program services	9,621,785	-	-	9,621,785
Support services				
Management and general	3,052,033	-	-	3,052,033
Fundraising	3,287,048	-	-	3,287,048
Total support services	6,339,081	-	-	6,339,081
Total allocations and expenses	15,960,866	-	-	15,960,866
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	385,657	(628,898)	13,344	(229,897)
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	1,565,559	-	-	1,565,559
CHANGE IN NET ASSETS	1,951,216	(628,898)	13,344	1,335,662
NET ASSETS, beginning of year	8,151,298	1,703,143	3,875,631	13,730,072
NET ASSETS, end of year	<u>\$ 10,102,514</u>	<u>\$ 1,074,245</u>	<u>\$ 3,888,975</u>	<u>\$ 15,065,734</u>

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF ACTIVITIES
Year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Gross campaign results	\$ 27,620,838	\$ 1,659,931	\$ -	\$ 29,280,769
Less donor designations	(18,737,307)	-	-	(18,737,307)
Less provision for uncollectible pledges	(833,812)	-	-	(833,812)
Campaign revenue, net	8,049,719	1,659,931	-	9,709,650
Service fees	567,878	-	-	567,878
Grants	600,000	3,603,861	-	4,203,861
Investment income, net	230,599	2,402	-	233,001
Net realized and unrealized gains (losses) on investments	1,257,008	114,567	-	1,371,575
Planned giving	132,944	1,443	-	134,387
Other income	1,063,913	974,437	-	2,038,350
Net assets released from restrictions	6,548,475	(6,548,475)	-	-
Total public support and revenue	18,450,536	(191,834)	-	18,258,702
ALLOCATIONS AND EXPENSES				
Program services				
Gross funds awarded/allocated to agencies	18,539,289	-	-	18,539,289
Less donor designations	(18,737,307)	-	-	(18,737,307)
Net funds awarded/allocated to agencies	(198,018)	-	-	(198,018)
211 initiative	1,663,872	-	-	1,663,872
SparkPoint initiative	2,787,427	-	-	2,787,427
Other community services	4,421,908	-	-	4,421,908
Community capacity building	1,193,925	-	-	1,193,925
Labor community services	393,477	-	-	393,477
Total program services	10,262,591	-	-	10,262,591
Support services				
Management and general	3,321,427	-	-	3,321,427
Fundraising	3,778,875	-	-	3,778,875
Total support services	7,100,302	-	-	7,100,302
Total allocations and expenses	17,362,893	-	-	17,362,893
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	1,087,643	(191,834)	-	895,809
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(838,667)	-	-	(838,667)
CHANGE IN NET ASSETS	248,976	(191,834)	-	57,142
NET ASSETS, beginning of year	7,902,322	1,894,977	3,875,631	13,672,930
NET ASSETS, end of year	\$ 8,151,298	\$ 1,703,143	\$ 3,875,631	\$ 13,730,072

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2011

	Program Services						Support Services			Total	
	Funds Awarded/ Allocated to Agencies	211 Initiative	SparkPoint Initiative	Other Community Services	Community Capacity Building	Labor Community Services	Total Program Services	Management and General	Fundraising		Total Support Services
ALLOCATIONS AND EXPENSES											
Salaries	\$ -	\$ 835,065	\$ 511,488	\$ 1,512,518	\$ 546,160	\$ 275,184	\$ 3,680,415	\$ 1,247,777	\$ 1,884,703	\$ 3,132,480	\$ 6,812,895
Payroll taxes and employee benefits	-	282,562	145,957	393,858	181,731	90,727	1,094,835	844,968	539,411	1,384,379	2,479,214
Subtotal	-	1,117,627	657,445	1,906,376	727,891	365,911	4,775,250	2,092,745	2,424,114	4,516,859	9,292,109
Professional services	-	234,794	318,577	315,613	40,685	-	909,669	359,446	272,984	632,430	1,542,099
Supplies	-	7,677	31,890	21,411	12,262	14	73,254	17,515	38,344	55,859	129,113
Telephone	-	50,259	8,041	34,852	26,933	3,485	123,570	36,889	40,713	77,602	201,172
Postage, warehouse, and delivery	-	1,434	534	7,724	3,178	181	13,051	7,247	13,979	21,226	34,277
Occupancy	-	84,940	39,800	226,919	157,214	15,048	523,921	228,742	195,338	424,080	948,001
Property and equipment	-	6,345	437	29,620	23,088	-	59,490	34,103	28,772	62,875	122,365
Media and printing	-	17,366	88,072	82,127	29,258	3,391	220,214	19,512	101,685	121,197	341,411
Travel	-	12,454	21,523	42,292	9,837	2,685	88,791	31,627	39,765	71,392	160,183
Conference, training, and meetings	-	20,153	40,722	48,308	9,511	1,452	120,146	33,015	54,770	87,785	207,931
Bank, interest, merchant, and other fees	-	1,862	-	4,859	3,574	-	10,295	59,697	1,492	61,189	71,484
Miscellaneous	-	223	490	2,215	1,023	-	3,951	3,184	3,338	6,522	10,473
United Way Worldwide dues	-	-	-	112,616	25,988	-	138,604	75,078	75,078	150,156	288,760
Depreciation and amortization expense, loss on sale/abandonment of property and equipment	-	7,608	2,981	9,705	5,056	-	25,350	79,699	2,276	81,975	107,325
Cost recovery reimbursements	-	-	-	-	-	-	-	(26,466)	(6,600)	(33,066)	(33,066)
Total	-	1,562,742	1,210,512	2,844,637	1,075,498	392,167	7,085,556	3,052,033	3,286,048	6,338,081	13,423,637
Allocations/awards	18,424,501	366,000	2,535,235	194,702	-	-	21,520,438	-	1,000	1,000	21,521,438
Less donor designations	(18,984,209)	-	-	-	-	-	(18,984,209)	-	-	-	(18,984,209)
TOTAL ALLOCATIONS AND EXPENSES	\$ (559,708)	\$ 1,928,742	\$ 3,745,747	\$ 3,039,339	\$ 1,075,498	\$ 392,167	\$ 9,621,785	\$ 3,052,033	\$ 3,287,048	\$ 6,339,081	\$ 15,960,866

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2010

	Program Services						Support Services				Total
	Funds Awarded/ Allocated to Agencies	211 Initiative	SparkPoint Initiative	Other Community Services	Community Capacity Building	Labor Community Services	Total Program Services	Management and General	Fundraising	Total Support Services	
ALLOCATIONS AND EXPENSES											
Salaries	\$ -	\$ 700,534	\$ 507,071	\$ 1,940,285	\$ 581,261	\$ 281,999	\$ 4,011,150	\$ 1,144,603	\$ 2,049,060	\$ 3,193,663	\$ 7,204,813
Payroll taxes and employee benefits	-	241,497	132,568	563,445	220,244	85,790	1,243,544	1,123,454	560,628	1,684,082	2,927,626
Subtotal	-	942,031	639,639	2,503,730	801,505	367,789	5,254,694	2,268,057	2,609,688	4,877,745	10,132,439
Professional services	-	10,680	82,729	281,360	54,683	-	429,452	401,886	512,384	914,270	1,343,722
Program service support	-	55,629	364,061	104,309	-	-	523,999	-	16,399	16,399	540,398
Supplies	-	7,131	37,366	17,693	7,410	292	69,892	11,490	24,180	35,670	105,562
Telephone	-	48,269	7,252	49,458	35,595	3,563	144,137	48,681	52,077	100,758	244,895
Postage, warehouse, and delivery	-	1,380	2,690	12,891	5,153	157	22,271	9,817	16,466	26,283	48,554
Occupancy	-	79,183	32,935	221,466	142,140	15,048	490,772	241,405	138,934	380,339	871,111
Property and equipment	-	3,173	-	26,136	22,665	-	51,974	34,451	25,954	60,405	112,379
Media and printing	-	69,467	124,883	98,344	33,287	1,264	327,245	37,683	145,202	182,885	510,130
Travel	-	10,626	27,043	51,469	15,185	3,921	108,244	22,642	48,411	71,053	179,297
Conference, training, and meetings	-	18,942	28,377	44,470	9,869	1,443	103,101	27,262	70,476	97,738	200,839
Bank, interest, merchant, and other fees	-	972	-	10,455	7,024	-	18,451	41,823	10,944	52,767	71,218
Miscellaneous	-	265	505	2,965	1,075	-	4,810	2,907	4,223	7,130	11,940
United Way Worldwide dues	-	-	-	120,697	39,145	-	159,842	84,814	81,552	166,366	326,208
Depreciation and amortization expense, loss on sale/abandonment of property and equipment	-	16,124	4,810	33,047	19,189	-	73,170	109,756	28,335	138,091	211,261
Cost recovery reimbursements	-	-	-	-	-	-	-	(21,247)	(6,350)	(27,597)	(27,597)
Total	-	1,263,872	1,352,290	3,578,490	1,193,925	393,477	7,782,054	3,321,427	3,778,875	7,100,302	14,882,356
Allocations/awards	18,539,289	400,000	1,435,137	843,418	-	-	21,217,844	-	-	-	21,217,844
Less donor designations	(18,737,307)	-	-	-	-	-	(18,737,307)	-	-	-	(18,737,307)
TOTAL ALLOCATIONS AND EXPENSES	\$ (198,018)	\$ 1,663,872	\$ 2,787,427	\$ 4,421,908	\$ 1,193,925	\$ 393,477	\$ 10,262,591	\$ 3,321,427	\$ 3,778,875	\$ 7,100,302	\$ 17,362,893

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENTS OF CASH FLOWS
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,335,662	\$ 57,142
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for uncollectible pledges (net)	608,250	833,812
Change in discount on grants receivable	(17,162)	(22,959)
Depreciation and amortization	107,325	207,992
Loss on abandonment/sale of property and equipment, net	-	3,269
Net realized and unrealized gains on investments	(1,630,174)	(1,371,575)
Pension related changes other than net periodic pension costs	(1,565,559)	838,667
Changes in assets and liabilities		
Pledges receivable	1,010,348	(926,783)
Grants receivable	757,903	(75,514)
Prepays and other receivables	70,052	85,312
Donor designations and allocations payable	(1,551,250)	(1,078,662)
Operating payables and accruals	(812,427)	537,085
Accrued vacation and related costs	(105,390)	(35,143)
Deferred rent	(102,552)	(102,552)
Accrued pension costs	(497,602)	(342,768)
	<u>(2,392,576)</u>	<u>(1,392,677)</u>
Net cash from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,364,087)	(13,500,305)
Proceeds from sale of investments	4,125,062	14,767,545
Purchases of property and equipment	(64,991)	(57,557)
	<u>2,695,984</u>	<u>1,209,683</u>
Net cash from investing activities		
CHANGE IN CASH AND CASH EQUIVALENTS	303,408	(182,994)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,801,807</u>	<u>1,984,801</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,105,215</u>	<u>\$ 1,801,807</u>

See accompanying notes.

NOTE 1 – ORGANIZATION AND PURPOSE

United Way of the Bay Area (UWBA), incorporated in California in 1955, is an independent, locally managed nonprofit organization. It has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements.

Since its inception 85 years ago, UWBA has been a leader in the local nonprofit community encouraging philanthropy and investing those dollars in programs to serve the health and human services needs of Bay Area residents. UWBA currently serves Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Solano Counties.

The Bay Area Community Fund (BACF) is comprised of the unrestricted funds donated to UWBA to support the achievement of its Community Impact goals. UWBA is committed to creating community change by positioning itself as an inclusive community leader in the seven Bay Area counties served, while honoring donors' philanthropic interests. UWBA's five-year Community Impact goals were identified in 2008 through a process of staff and partner research, community input sessions, and board and constituent discussion.

In response to the needs of the community, UWBA continues to focus its goals and use of resources and in doing so may, from time to time, discontinue the management of specific programs. This may include closing, merging, or establishing independence, depending on the stage of the work. During the year ending June 30, 2011, three programs exited UWBA's portfolio. Working for Quality Child Care discontinued operations; Honoring Emancipated Youth (HEY) merged with Transitional Age Youth (TAY-SF); and Raising A Reader, San Francisco and Alameda obtained independent 501(c)(3) status. Expenses relating to these programs are included in the *Other Programs* category on the Statement of Functional Expenses. The transition of these programs further allows UWBA to concentrate its efforts on helping cut the number of families living in poverty. The organization does this by pursuing programs and strategies in three areas: survival, stability, and prosperity.

Survival

UWBA undertakes prevention and intervention strategies to help people meet their basic needs, like food, shelter, health care, and child care. Initiatives and programs offered in this category include the 211 information and referral system, the Earn It! Keep It! Save It! Program, and the Emergency Food and Shelter Program.

Stability

UWBA seeks to help every individual and household achieve financial stability in order to get beyond just trying to survive. Initiatives and programs offered in this category include the SparkPoint Initiative and Bank on California.

Prosperity

UWBA believes that every member of the community served deserves economic success. Initiatives and programs supported by UWBA in this category include Raising a Reader, San Francisco and Alameda, MatchBridge, and Impact Grant-Making.

Impact Grant-Making - UWBA has learned that, in certain situations, the best way to help people improve their lives is to make grants to outstanding organizations providing high-impact services. In the last year UWBA's grants have focused on education, the needs of children and youth, volunteerism, and disaster preparedness.

Grant proposals are evaluated on the basis of their alignment with UWBA's strategic plan as well as the agency's ability to demonstrate high standards in fiscal and programmatic operations, and overall organizational strength. Grants are subject to approval by UWBA's Board of Directors.

The following are specific programs and strategies managed by United Way of the Bay Area:

211 Initiative – 211 Bay Area strengthens the community by addressing the challenges people face obtaining needed health and human services in everyday life and in times of personal crisis. In times of disaster, 211 becomes an essential part of our response and recovery. As an easy-to-remember phone number, 211 provides callers with information about and referrals to essential services. Trained staff answers calls 24 hours-a-day, seven days a week, with the ability to respond in the caller's language through bilingual staff and tele-interpreting services.

UNITED WAY OF THE BAY AREA NOTES TO FINANCIAL STATEMENTS

SparkPoint initiative – For decades UWBA has partnered and convened across sectors, contributed to policy, and managed programs. Through the Bay Area Community Fund, UWBA has identified and invested – both financially and through technical assistance - in more than 250 high-performing local programs that create, promote, or protect financial stability by supporting children and youth, working families, and communities. The relationships, experience, and synergy stemming from this work have created the fertile ground on which UWBA is building the SparkPoint Initiative.

United Way of the Bay Area is opening at least one SparkPoint Center in each of the seven counties it serves. The SparkPoint Center offers multiple services in one location for a person or family trying to move out of poverty. Examples of services include job placement, workforce development, credit repair, financial education and counseling, and access to public benefits like health coverage or child care.

As of September 2011, UWBA had launched eight SparkPoint Centers with one more in the planning stage. The SparkPoint Oakland Center (Alameda County) opened in spring 2009. The SparkPoint American Canyon Center (Napa County) opened in fall 2009. The SparkPoint Marin Center (in San Rafael in Marin County) and the SparkPoint San Mateo Center (at Skyline College in San Bruno, San Mateo County) opened in early 2010. SparkPoint Centers opened in Vallejo, Fairfield, Richmond, and BayPoint in the spring of 2011. Each SparkPoint Center is developed organically accordingly to local needs and assets. Partner organizations at each SparkPoint provide services and share a commitment to seven central concepts: (1) to offer an array of services in three areas – credit, income, and assets; (2) to seamlessly integrate service delivery, appropriately “bundled” and sequenced; (3) to provide financial counseling for all clients and motivate and support them with culturally competent staff; (4) to promote and provide access to public and private benefits and mainstream financial services; (5) to commit to continued engagement with clients over two-three years; (6) to evaluate, learn from and share data, supported by a user-friendly IT system that demonstrates results; and (7) to promote SparkPoint through the power of a common brand and marketing. The partners have also committed to pursue common goals and develop new indicators to measure success.

The Earn it! Keep It! Save it! (EKS) program is available at each SparkPoint Center, and strives to enroll EKS participants in the other services offered by the Centers. In addition UWBA and partners offer EKS around the Bay Area at more than 180 free tax sites. IRS-certified volunteer tax preparers help individuals and families claim their maximum benefit and refund. EKS partners with hundreds of community organizations and other free tax preparation providers such as Tax-Aid and AARP Tax-Aide to process over 50,000 tax returns each year. EKS provides low to moderate income households with free, quality tax return preparation and access to asset building or income support resources such as public benefits, low or no cost bank accounts or financial education. EKS also ensures eligible taxpayers claim the Earned Income Tax Credit (EITC) which can amount to as much as \$5,600 per family.

Other community services – Community services represent the costs of fifteen UWBA community projects whose individual expenses do not exceed more than 20% of the total for this category. These projects target and support Bay Area communities to meet their needs across the stated issue areas. Expenses include the costs of program-dedicated staff, consultants, and grants to nonprofit organizations that provide services to the community pursuant to the programs’ criteria and objectives. One example is MatchBridge. MatchBridge contributes to the development of San Francisco’s workforce by connecting qualified young people aged 16 to 21 to entry level jobs and internships in business. MatchBridge focuses on employment opportunities in the private/public sector and partners with schools and local youth-serving community based organizations to help achieve the goal of creating a workforce for the 21st century that is prepared, educated and ready to work. In 2010-2011, the program placed 137 youth in jobs with dozens of businesses. UWBA intends to grow the program to serve more youth.

Community capacity building – Community capacity building represents UWBA staff and other operating costs in developing and managing UWBA programs, conducting appropriate and legal public policy advocacy, and engaging in other community activities in partnership with nonprofit and public sector organizations and labor councils.

Labor community services – Labor community services primarily represent the cost of UWBA staff, who are also members of Bay Area Labor Councils, and who provide assistance to union members and other people in need of basic welfare support. Historically, the Labor community service program provides direct assistance to between 30,000 and 40,000 individuals each year.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and with the financial statement standards of United Way Worldwide. United Way Worldwide standards are required for membership and fully comply with U.S. Statements of Financial Accounting Standards applicable for not-for-profit organizations.

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

Use of estimates – Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management’s estimates. Significant estimates include the provision for uncollectible pledges, useful lives of property and equipment, allocation of functional expenses, and the unfunded pension liabilities. The fair value of investments and pension assets are subject to material volatility based on market conditions. This could have a significant effect on these financial statements.

Classes of net assets – The accompanying financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets include resources available to support UWBA operations and temporarily restricted resources which become available for use by UWBA in accordance with the intentions of the donors. Unrestricted net assets are designated by UWBA’s Board of Directors for specified purposes as follows:

	<u>2011</u>	<u>2010</u>
Future grants and programs	\$ 4,500,000	\$ 2,580,000
General use	<u>446,559</u>	<u>177,624</u>
	<u>\$ 4,946,559</u>	<u>\$ 2,757,624</u>

As of June 30, 2011, the Board of Directors approved a full year’s grants allocation as had been the practice in years prior to FY2010. As of June 30, 2010, only one-quarter year of the subsequent year’s allocations for grant making were approved by the Board. The remainder of the allocations for FY2010 were approved on September 22, 2010 by the Board of Directors at the regular September board meeting.

Temporarily restricted net assets – Temporarily restricted net assets include resources with donor-imposed restrictions that will be fulfilled by actions of UWBA and/or become unrestricted by the passage of time. UWBA’s temporarily restricted net assets include multi-year pledges as well as grants restricted for specific UWBA community projects. When the donor or time restriction is fulfilled, temporarily restricted net assets are released to unrestricted net assets and are reported in the accompanying statements of activities as net assets released from restrictions. Temporarily restricted contributions received in the same period as the restrictions are met are reported as temporarily restricted support and net assets released from restrictions in that period.

Permanently restricted net assets – Permanently restricted net assets are comprised of the historical dollar value of contributions that were received with donor restrictions requiring the assets be maintained in perpetuity and that only the income generated from these assets is made available for grants, programs or support services in accordance with the donor restrictions.

Cash and cash equivalents – All highly liquid investments, with an original maturity of three months or less when purchased and not held through the investment account, are considered to be cash equivalents. Substantially all of the cash equivalent balances held in financial institutions at June 30, 2011 and 2010, exceeded federal depository insurance coverage. UWBA has not experienced any losses in such accounts.

Pledges receivable – Pledges receivable consist of unconditional promises to give by donors and are recorded at fair value. Pledges receivable are net of provisions for uncollectible pledges.

Provisions for uncollectible pledges – The provision for uncollectible pledges is computed based upon historical averages and management’s consideration of current economic factors that could affect pledge collections. Using this criteria, the provision as of June 30, 2011 and 2010, was determined to be 8% of gross campaign pledges for both years. For fiscal years ended June 30, 2011 and 2010 there are bad debt recoveries of \$253,751 and \$189,188, respectively, as a result of closing out the prior year campaigns. These recoveries are netted against the gross provision for uncollectible pledges on the statements of activities.

Grants receivable – Grants receivable consist of unconditional promises to give by granting organizations. Unconditional promises to give that are expected to be collected during the following fiscal year are recorded at the amount contributed. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. The discount rates range from 0.22% to 4.91%. Grants receivable are net of discounts of \$6,261 and \$23,423 at June 30, 2011 and 2010, respectively.

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

Investments – UWBA’s investments are stated at estimated fair value based on quoted market prices at fiscal year end. Investments include money market funds and marketable securities held principally for investment purposes. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur in the statements of activities. Realized gains and losses that result from sales or maturities of securities during the year are calculated on an adjusted cost basis and are reflected in the statements of activities. Marketable securities received as donations are recorded at estimated fair value at the date of the donation, and are generally sold as soon as practical after receipt.

Fair value of assets and liabilities – Fair Value Measurements define 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. It also establishes a fair value 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 input that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities.

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

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

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents, fixed income securities, and exchange traded equities. Level 2 securities include investments held in pooled income funds and are valued at market price as provided by the custodian of the funds.

Property and equipment – Property and equipment are stated at cost, if purchased, or if donated, at fair value at the date of the donation for items exceeding \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years. Total depreciation expense amounted to \$107,325 and \$207,992 for the years ended June 30, 2011 and 2010, respectively.

Deferred rent – Certain leases of UWBA contain lease incentives and fixed escalations. UWBA recognizes the related rent expense on a straight-line basis over the life of the lease and records the difference between the expense included in the statements of activities and the amount recorded as deferred rent. For the years ended June 30, 2011 and 2010, deferred rent relates only to the current San Francisco office lease.

Gross campaign results – Gross campaign results consist of cash and unconditional promises to give to UWBA during the annual fundraising campaigns and include contributions processed by third-party processors. Donor designations and the provision for uncollectible pledges are deducted from gross campaign results to arrive at campaign revenue.

Donor designations and service fee revenue – Donor designations, contributions that are designated by the donor to nonprofit organizations other than UWBA including contributions processed by third-party processors, are deducted from gross campaign results to arrive at net campaign revenue. Donor designations are paid to the designated organizations on a monthly basis, by electronic funds transfer (EFT) as information allows and on a quarterly basis by check for all others, as pledges are collected. Proportionate shares of the receipts are distributed out to the agencies net of service fees. Service fee revenue is reported in the statement of activities. This designation processing is inclusive of pledges and payments processed as part of UWBA’s role as a federation for the Combined Federal Campaign as well as other state and local government-sponsored fundraising campaigns.

Planned gifts – Planned gifts that are irrevocable are recognized as a receivable when amounts due to UWBA can be reasonably estimated. As of June 30, 2011 and 2010, UWBA has only one type of planned gift – pooled income funds. Assets associated with these gifts total \$155,382 and \$157,501 for 2011 and 2010, respectively, at fair value and are included in investments. Liabilities associated with these gifts total \$30,794 and \$33,453 as of June 30, 2011 and 2010, respectively, at fair value and are included in operating payables and accruals.

Donated goods and services – UWBA recognizes the value of donated equipment and/or supplies at the fair value for similar items. Donated goods and services for the years ended June 30, 2011 and 2010, of \$218,588 and \$307,167, respectively, were reflected as “Other Income” in the accompanying statements of activities. UWBA will recognize the fair value of donated services if the services meet the recognition criteria which include a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. Although UWBA receives a significant amount of contributed time from volunteers, this time does not meet the recognition criteria. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Gross funds awarded/allocated to agencies – The amount shown on the statements of activities includes grants to fund local community partners, UWBA initiatives and programs which amounted to \$3,350,000 and \$4,195,161 during the years ended June 30, 2011 and 2010, respectively. These grants have been recommended by staff working with a sub-committee of the Board of Directors and have been approved by the Board. However, to comply with financial statement presentation requirements, these grants are shown net of an offset amount to prevent revenue duplication between unrestricted and temporarily restricted accounts.

Functional allocation of expenses – The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services classification based on the average number of full-time employees, the time study allocation method, and on a direct cost basis. This is consistent with the standards for allocation of functional expenses in accordance with accounting principles generally accepted in the United States of America and United Way Worldwide.

Concentrations of risk – UWBA receives approximately 44% of its gross campaign revenue from five employers. All these employers are nationally aligned through United Way Worldwide; therefore, the risk of loss of these employers by UWBA is remote.

Income taxes – UWBA adopted the provisions of FASB Accounting Standards Codification (ASC) 740-10, Income Taxes, relating to accounting for uncertain tax positions on July 1, 2009. UWBA evaluates uncertain tax positions in accordance with *Accounting for Contingencies* whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. UWBA had no unrecognized tax benefits at June 30, 2011 or 2010. UWBA files exempt organization returns in the U.S. federal and California jurisdictions.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. UWBA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. UWBA’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

UWBA has evaluated subsequent events through December 2, 2011, which is the date the financial statements are available to be issued.

NOTE 3 – GRANTS RECEIVABLE

UWBA expects to receive grants receivable as follows:

	2011	2010
Amount due:		
In the next year	\$ 530,731	\$ 1,081,220
Between two and five years	397,585	605,000
	928,316	1,686,220
Discount	(6,260)	(23,423)
Grants receivable, net	\$ 922,056	\$ 1,662,797

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

Investments at June 30, 2011 and 2010, consist of the following:

	<u>2011</u>
Balanced fund	\$ 879,201
Domestic equities	3,300,972
Commodities/Natural resources fund	550,959
International equity	2,210,645
Low duration and intermediate bonds	7,724,379
Cash and cash equivalents	4,031
Pooled income funds	<u>155,262</u>
Total	<u>\$ 14,825,449</u>
	<u>2010</u>
Equities	\$ 5,964,629
Fixed income securities	9,502,158
Cash and cash equivalents	331,961
Pooled income funds	<u>157,501</u>
Total	<u>\$ 15,956,249</u>

Net unrealized and realized gains for the years ended June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Unrealized gains	\$ 1,269,219	\$ 1,453,722
Realized gains (losses)	<u>360,955</u>	<u>(82,147)</u>
	<u>\$ 1,630,174</u>	<u>\$ 1,371,575</u>

Investment income for the years ended June 30, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 484,409	\$ 262,795
Less investment management fees	<u>(16,613)</u>	<u>(29,794)</u>
Total investment income, net	<u>\$ 467,796</u>	<u>\$ 233,001</u>

UWBA's long term asset allocation policy was developed by staff and approved by the Board to manage market fluctuations over time. UWBA is aware there are challenges in the current financial markets and continues to monitor related volatility.

The following tables present the investments carried at fair value on the accompanying Statement of Financial Position as of June 30, 2011 and 2010, by valuation hierarchy:

Fair Value Measurement Inputs	<u>June 30, 2011</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 6,808,439	\$ -	\$ 6,808,439
Fixed income securities	7,729,299	-	7,729,299
Cash and cash equivalents (held for investment)	132,329	-	132,329
Pooled income funds	<u>-</u>	<u>155,382</u>	<u>155,382</u>
Total	<u>\$ 14,670,067</u>	<u>\$ 155,382</u>	<u>\$ 14,825,449</u>

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

Fair Value Measurement Inputs	June 30, 2010		
	Level 1	Level 2	Total
Equities	\$ 5,964,629	\$ -	\$ 5,964,629
Fixed income securities	9,502,158	-	9,502,158
Cash and cash equivalents (held for investment)	331,961	-	331,961
Pooled income funds	-	157,501	157,501
Total	<u>\$ 15,798,748</u>	<u>\$ 157,501</u>	<u>\$ 15,956,249</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 and 2010, consisted of the following:

	2011	2010
Leasehold improvements	\$ 36,584	\$ 36,584
Equipment	159,657	164,326
Office furniture	470,634	470,634
Computer software and equipment	772,586	750,615
Vehicles	24,240	24,240
Total	<u>1,463,701</u>	<u>1,446,399</u>
Less accumulated depreciation and amortization	<u>(1,306,554)</u>	<u>(1,246,917)</u>
Total property and equipment, net	<u>\$ 157,147</u>	<u>\$ 199,482</u>

NOTE 6 - OTHER INCOME

Other income is comprised of the following:

	2011	2010
Unrestricted		
Donated goods and services	\$ 168,588	\$ 186,168
Non-campaign donations & miscellaneous income	135,541	732,729
Special events income	-	9,938
Membership/Sponsorship fees	25,000	-
Revenue - other United Way agencies	90,413	120,727
Prior year campaign revenue	14,667	14,351
	<u>434,209</u>	<u>1,063,913</u>
Temporarily restricted		
Donated goods and services	50,000	120,999
Non-campaign donations & miscellaneous income	1,776	730,363
Special events income	-	92,235
Membership/partner fees	53,318	30,840
	<u>105,094</u>	<u>974,437</u>
Permanently restricted		
Non-campaign donations	9,344	-
	<u>9,344</u>	<u>-</u>
Total other income	<u>\$ 548,647</u>	<u>\$ 2,038,350</u>

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - COMMITMENTS

UWBA leases office space under noncancelable operating leases expiring at various dates through March 31, 2013. Lease agreements generally provide for both renewal options and escalation clauses for increased operating expenses and real estate taxes. UWBA subleases a portion of its San Francisco office space to other nonprofit organizations on a month-to-month basis. Sublease income for the years ended June 30, 2011 and 2010, was \$16,050 and \$12,000, respectively. UWBA is also committed under noncancelable operating leases for various office equipment.

Future minimum commitments under noncancelable operating leases having lease terms in excess of one year as of June 30, 2011, are as follows:

Years Ending June 30,

2012	\$	859,220
2013		703,885
2014		108,132
2015		110,295
2016		112,500
Thereafter		<u>172,126</u>
Total	\$	<u><u>2,066,158</u></u>

Rent expense for the years ended June 30, 2011 and 2010, was \$964,511 and \$899,560, respectively.

NOTE 8 - PENSION PLAN

The Pension Plan of United Way of the Bay Area (the Plan) is a single employer defined benefit pension plan with UWBA as plan sponsor.

The Plan was amended to freeze participation and benefit accruals under the Plan effective December 31, 2006. Accordingly, no employees will become participants after the December 1, 2006 entry date, and participants' Plan benefits will not increase after December 31, 2006. In no event will the accrued benefit of any participant be less than that calculated as of December 31, 2006.

Accrued pension costs at June 30, 2011 and 2010, consist of the following:

	<u>2011</u>	<u>2010</u>
Defined benefit pension plan liabilities	\$ 3,566,669	\$ 5,630,506
Defined early retirement medical benefits plan	<u>116,014</u>	<u>115,338</u>
Total accrued pension costs	<u><u>\$ 3,682,683</u></u>	<u><u>\$ 5,745,844</u></u>

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

The following information sets forth as of June 30, 2011 and 2010, the Plan's projected benefit obligation, fair value of plan assets, unfunded status and accumulated benefit obligation:

	<u>2011</u>	<u>2010</u>
Projected benefit obligation		
Beginning of year	\$ 14,365,544	\$ 12,413,961
Service cost	205,335	199,750
Interest costs	748,118	761,837
Actuarial (gain) loss	(218,891)	1,572,938
Benefits paid	(459,763)	(388,031)
Administrative expenses paid	(170,079)	(194,911)
End of year	<u>\$ 14,470,264</u>	<u>\$ 14,365,544</u>
Fair value of plan assets		
Beginning of year	\$ 8,735,038	\$ 7,291,651
Actual return on plan assets	1,797,697	893,803
Employer contributions	1,000,702	1,132,526
Benefits paid	(459,763)	(388,031)
Administrative expenses paid	(170,079)	(194,911)
End of year	<u>\$ 10,903,595</u>	<u>\$ 8,735,038</u>
Funded status of the Plan at year-end (underfunded)	<u>\$ (3,566,669)</u>	<u>\$ (5,630,506)</u>

Amounts recognized for the defined pension plan only in the accompanying statements of financial position as of June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Prepaid benefit cost	\$ 314,799	\$ (183,479)
Additional accrued pension liability for pension plans with a benefit obligation in excess of plan assets	<u>(3,881,468)</u>	<u>(5,447,027)</u>
Defined benefit pension liabilities	<u>\$ (3,566,669)</u>	<u>\$ (5,630,506)</u>
Unrestricted net assets, pension liability in excess of intangible pension assets	<u>\$ 3,881,468</u>	<u>\$ 5,447,027</u>

Amounts reflected in the accompanying statements of activities for the years ended June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 205,335	\$ 199,750
Interest cost	748,118	761,837
Expected return on assets	(701,684)	(589,540)
Amortization loss	<u>250,655</u>	<u>430,008</u>
Net periodic pension cost	<u>\$ 502,424</u>	<u>\$ 802,055</u>

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

The projected unit credit cost method was utilized for measuring net periodic pension cost over the employee's estimated service life. The following table summarizes the assumptions used in computing the present value of projected benefit obligations and net periodic cost as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assumptions used in computing benefit obligation		
Discount rate	5.40%	5.30%
Rate of compensation increase	N/A	N/A
Assumptions used in computing the net periodic pension costs		
Discount rate	5.30%	6.25%
Expected return on assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

The investment objective for the Plan is to maximize total return within reasonable and prudent levels of risk. The Plan's weighted-average asset allocations as of June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Asset category		
Common and collective trusts		
Equity	60.8%	57.7%
Debt	35.9%	39.1%
Cash and cash equivalents	<u>3.3%</u>	<u>3.2%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The fair values of the UWBA's defined benefit plan assets at June 30, 2011 by asset category are as follows:

<u>Fair Value Measurement Inputs</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 358,696	\$ -	\$ 358,696
Large cap equities fund	-	3,970,032	3,970,032
Small cap equities fund	-	992,227	992,227
International equities fund	-	1,668,250	1,668,250
Bond fund	-	3,914,391	3,914,391
Total	<u>\$ 358,696</u>	<u>\$ 10,544,899</u>	<u>\$ 10,903,595</u>

The fair values of the UWBA's defined benefit plan assets at June 30, 2010 by asset class are as follows:

<u>Fair Value Measurement Inputs</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 279,752	\$ -	\$ 279,752
Equity securities	-	5,043,817	5,043,817
Fixed income securities	-	3,411,469	3,411,469
Total	<u>\$ 279,752</u>	<u>\$ 8,455,286</u>	<u>\$ 8,735,038</u>

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

The estimated minimum benefit payments which reflect expected future service, as appropriate, to be paid by UWBA are as follows:

Year Ending June 30,

2012	\$	506,162
2013		633,428
2014		680,086
2015		779,705
2016		791,731
2017 - 2020		<u>4,512,667</u>
	\$	<u><u>7,903,779</u></u>

UWBA contributed \$1,000,702 and \$1,132,526 to the Plan during the years ended June 30, 2011 and 2010, respectively.

Effective January 1, 2007, UWBA established the UWBA 401(k) Plan. Eligible employees become 401(k) Plan participants on the first day of the calendar quarter following date of hire. 401(k) Plan participants may elect to reduce their compensation by a specific percentage or dollar amount and have that amount contributed to the 401(k) Plan on a pre-tax basis as a salary deferral. UWBA matches 100% of participants' salary deferral contributions, up to a maximum of 2% of compensation (temporarily suspended during the period January 1 – December 31, 2010, according to the Collective Bargaining Agreement dated April 1, 2009 to March 31, 2012). In addition, UWBA makes an employer “nonelective” contribution according to a formula that is based on a participant's age plus service. For employees hired before January 1, 2010, matching and employer nonelective contributions will be 100% vested after two years of service (or age 65, if earlier). Employees hired after January 1, 2010 will be 50% vested after two years of service and 100% vested after four years of service (or age 65, if earlier).

UWBA had a defined benefit early retirement medical benefits plan that covered certain full-time employees who retired as of June 30, 1993. UWBA does not contribute to this plan except to reimburse certain medical and other costs submitted by the Plan's retirees as defined within the agreement. The estimated cost of future medical and other payments as of June 30, 2011 and 2010, is \$116,014 and \$115,338, respectively, and is included in accrued pension costs.

UWBA also has a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code (the “Code”) available to those employees who are not eligible to participate in the 401(k). UWBA does not provide any matching contributions to this plan.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as of June 30, 2011 and 2010, for the following purposes:

	2011	2010
UWBA community projects		
Prosperity	\$ 254,563	\$ 804,930
Stability	230,476	653,433
Survival	<u>589,206</u>	<u>244,780</u>
Total	<u><u>\$ 1,074,245</u></u>	<u><u>\$ 1,703,143</u></u>

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from restrictions by the incurrence of expenses satisfying the restricted purposes specified by the donors or by the passage of time during the years ended June 30, 2011 and 2010, are as follows:

	2011	2010
UWBA community projects		
Prosperity	\$ 873,942	\$ 1,241,076
Stability	3,865,826	3,129,429
Survival	824,096	2,177,970
Total	<u>\$ 5,563,864</u>	<u>\$ 6,548,475</u>

NOTE 11 – ENDOWMENT DISCLOSURES

Interpretation of relevant law – The Board of Directors of UWBA has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) 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, UWBA classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the 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 the UWBA Board of Directors in a manner consistent with the standard prudence prescribed by CPMIFA. In accordance with CPMIFA, UWBA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of UWBA and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of UWBA
- g. The investment policies of UWBA

Spending policy and how the investment objectives relate to spending policy – The endowment fund has a spending policy of appropriating all of the net income earned on the investment of these funds for distribution according to the instructions of the donor at the time the gift is made. The original value of the gifts donated to the permanent endowment is to be classified as permanently restricted and any earnings are classified as temporarily restricted until appropriated for expenditure.

Aggregate amount of deficiencies for donor-restricted endowments – From time to time, the fair value for assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires UWBA to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$68,631 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during the period.

**UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS**

The composition and changes in the endowment net assets as of June 30, 2011 and 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment net assets, July 1, 2009	\$ (239,739)	\$ 127,824	\$ 3,875,631	\$ 3,763,716
Investment income	17,534	10,341	-	27,875
Net appreciation	251,636	173,811	-	425,447
Reclassification	(98,062)	(69,586)	-	(167,648)
Endowment net assets, June 30, 2010	(68,631)	242,390	3,875,631	4,049,390
Contributions	-	-	13,344	13,344
Investment income	68,631	85,458	-	154,089
Net appreciation	-	634,725	-	634,725
Amounts appropriated for expenditure	-	(163,982)	-	(163,982)
Endowment net assets, June 30, 2011	<u>\$ -</u>	<u>\$ 798,591</u>	<u>\$ 3,888,975</u>	<u>\$ 4,687,566</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

UWBA's volunteer members of the Board of Directors participate in fundraising events, activities and by making private contributions. UWBA may also have board members that have other direct transactions with the organization. All related parties of UWBA are annually required to read and sign a conflict of interest policy which covers any relationship with board members, volunteers, and staff.