

MOSSES ADAMS



United Way of the Bay Area

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of United Way of the Bay Area ("UWBA") as of June 30, 2009 and 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UWBA as of June 30, 2009 and 2008, 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.

Moss Adams LLP

San Francisco, California
November 18, 2009

FINANCIAL STATEMENTS

UNITED WAY OF THE BAY AREA
STATEMENT OF FINANCIAL POSITION
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 1,984,801	\$ 12,473,231
Pledges receivable, net of provision for uncollectible pledges of \$1,033,000 and \$905,000, respectively	6,624,240	8,098,147
Grants receivable, net of discount	1,564,324	1,840,078
Investments	15,851,914	17,263,239
Prepays and other receivables	341,814	248,753
Property and equipment, net	<u>353,186</u>	<u>529,734</u>
Total assets	<u>\$ 26,720,279</u>	<u>\$ 40,453,182</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Donor designations payable	\$ 4,276,902	\$ 4,769,671
Allocations payable	1,419,499	2,909,505
Operating payables and accruals	1,063,607	1,149,541
Accrued vacation and related costs	652,826	689,365
Deferred rent	384,570	487,122
Accrued pension costs	5,249,945	2,503,240
Settlement payable	<u>-</u>	<u>4,450,000</u>
Total liabilities	<u>13,047,349</u>	<u>16,958,444</u>
NET ASSETS		
Unrestricted		
Undesignated	7,231,920	11,332,524
Board designated	5,278,762	8,626,012
Pension liability in excess of intangible pension assets	<u>(4,608,360)</u>	<u>(2,492,897)</u>
Total unrestricted net assets	7,902,322	17,465,639
Temporarily restricted	1,894,977	2,153,468
Permanently restricted	<u>3,875,631</u>	<u>3,875,631</u>
Total net assets	<u>13,672,930</u>	<u>23,494,738</u>
Total liabilities and net assets	<u>\$ 26,720,279</u>	<u>\$ 40,453,182</u>

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Gross campaign results	\$ 31,163,166	\$ 1,457,730	\$ -	\$ 32,620,896
Less donor designations	(20,897,409)	-	-	(20,897,409)
Less provision for uncollectible pledges	(1,033,000)	-	-	(1,033,000)
Campaign revenue, net	9,232,757	1,457,730	-	10,690,487
Service fees	593,919	-	-	593,919
Grants	150,000	3,016,165	-	3,166,165
Investment income, net	341,635	75,351	-	416,986
Net realized and unrealized gains (losses) on investments	(2,059,924)	(331,252)	-	(2,391,176)
Planned giving	84,427	122,605	-	207,032
Other income	249,530	764,704	-	1,014,234
Net assets released from restrictions	5,454,093	(5,454,093)	-	-
Total public support and revenue	14,046,437	(348,790)	-	13,697,647
ALLOCATIONS AND EXPENSES				
Program services				
Gross funds awarded/allocated to agencies	22,403,228	-	-	22,403,228
Less donor designations	(20,897,409)	-	-	(20,897,409)
Net funds awarded/allocated to agencies	1,505,819	-	-	1,505,819
2-1-1 initiative	1,490,761	-	-	1,490,761
SparkPoint initiative	2,266,804	-	-	2,266,804
Other community services	5,565,736	-	-	5,565,736
Community capacity building	1,129,255	-	-	1,129,255
Labor community services	376,715	-	-	376,715
Total program services	12,335,090	-	-	12,335,090
Support services				
Management and general	4,222,416	-	-	4,222,416
Fundraising	4,846,486	-	-	4,846,486
Total support services	9,068,902	-	-	9,068,902
Total allocations and expenses	21,403,992	-	-	21,403,992
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	(7,357,555)	(348,790)	-	(7,706,345)
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(2,115,463)	-	-	(2,115,463)
CHANGE IN NET ASSETS	(9,473,018)	(348,790)	-	(9,821,808)
NET ASSETS, beginning of year	17,465,639	2,153,468	3,875,631	23,494,738
UPMIFA Reclassification	(90,299)	90,299	-	-
NET ASSETS, end of year	\$ 7,902,322	\$ 1,894,977	\$ 3,875,631	\$ 13,672,930

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Gross campaign results	\$ 35,102,172	\$ 1,149,762	\$ -	\$ 36,251,934
Less donor designations	(22,904,608)	-	-	(22,904,608)
Less provision for uncollectible pledges	(309,874)	-	-	(309,874)
Campaign revenue, net	11,887,690	1,149,762	-	13,037,452
Service fees	675,452	-	-	675,452
Grants	228,865	2,957,811	-	3,186,676
Investment income, net	782,211	84,205	-	866,416
Net realized and unrealized gains (losses) on investments	(2,716,259)	(143,451)	-	(2,859,710)
Planned giving	665,752	-	-	665,752
Other income	781,329	1,223,589	-	2,004,918
Net assets released from restrictions	5,333,643	(5,333,643)	-	-
Total public support and revenue	17,638,683	(61,727)	-	17,576,956
ALLOCATIONS AND EXPENSES				
Program services				
Gross funds awarded/allocated to agencies	25,971,047	-	-	25,971,047
Less donor designations	(22,904,608)	-	-	(22,904,608)
Net funds awarded/allocated to agencies	3,066,439	-	-	3,066,439
Community services, including 2-1-1 initiative	7,738,342	-	-	7,738,342
Community capacity building	2,038,886	-	-	2,038,886
Labor community services	343,798	-	-	343,798
Total program services	13,187,465	-	-	13,187,465
Support services				
Management and general	2,566,440	-	-	2,566,440
Fundraising	4,712,334	-	-	4,712,334
United Way of America dues	319,683	-	-	319,683
Total support services	7,598,457	-	-	7,598,457
Total allocations and expenses	20,785,922	-	-	20,785,922
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES AND LEGAL SETTLEMENT	(3,147,239)	(61,727)	-	(3,208,966)
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(674,868)	-	-	(674,868)
LEGAL SETTLEMENT EXPENSE	(4,450,000)	-	-	(4,450,000)
CHANGE IN NET ASSETS	(8,272,107)	(61,727)	-	(8,333,834)
NET ASSETS, beginning of year	25,737,746	2,215,195	3,875,631	31,828,572
NET ASSETS, end of year	\$ 17,465,639	\$ 2,153,468	\$ 3,875,631	\$ 23,494,738

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	Program Services						Support Services			Total	
	Funds Awarded/ Allocated to Agencies	2-1-1 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	\$ -	\$ 694,498	\$ 375,980	\$ 2,202,849	\$ 693,097	\$ 267,850	\$ 4,234,274	\$ 1,380,048	\$ 2,876,194	\$ 4,256,242	\$ 8,490,516
Payroll taxes and employee benefits	-	193,926	92,492	580,479	196,304	82,880	1,146,081	1,639,437	736,597	2,376,034	3,522,115
Subtotal	-	888,424	468,472	2,783,328	889,401	350,730	5,380,355	3,019,485	3,612,791	6,632,276	12,012,631
Professional services	-	16	153,570	299,554	30,518	-	483,658	243,526	386,530	630,056	1,113,714
Program service support	-	134,779	755,661	207,534	-	-	1,097,974	-	-	-	1,097,974
Supplies	-	5,530	18,819	71,592	13,698	1,093	110,732	21,725	27,679	49,404	160,136
Telephone	-	31,657	3,017	47,153	33,343	3,454	118,624	46,219	51,701	97,920	216,544
Postage, warehouse, and delivery	-	890	1,051	22,394	11,554	234	36,123	23,060	28,647	51,707	87,830
Occupancy	-	451	1,903	174,805	174,310	15,048	366,517	304,247	170,143	474,390	840,907
Property and equipment	-	5,993	-	21,829	19,447	-	47,269	29,419	22,046	51,465	98,734
Media and printing	-	36,993	223,712	157,914	30,734	684	450,037	45,352	171,037	216,389	666,426
Travel	-	8,160	22,237	72,900	17,609	4,731	125,637	18,892	54,553	73,445	199,082
Conference, training, and meetings	-	23,828	33,604	76,196	12,702	741	147,071	32,124	181,427	213,551	360,622
Bank, interest, merchant, and other fees	-	53	-	8,073	7,181	-	15,307	52,639	12,550	65,189	80,496
Miscellaneous	-	85	235	2,467	983	-	3,770	2,782	4,860	7,642	11,412
United Way of America dues	-	-	-	123,257	50,753	-	174,010	90,630	97,881	188,511	362,521
Bad debt expense	-	-	-	-	-	-	-	195,676	-	195,676	195,676
Depreciation and amortization expense, loss on sale/abandonment of property and equipment	-	16,652	4,273	25,571	19,028	-	65,524	132,362	32,041	164,403	229,927
Cost recovery reimbursements	-	(12,750)	-	-	(182,006)	-	(194,756)	(35,722)	(7,400)	(43,122)	(237,878)
Total	-	1,140,761	1,686,554	4,094,567	1,129,255	376,715	8,427,852	4,222,416	4,846,486	9,068,902	17,496,754
Allocations/awards	22,403,228	350,000	580,250	1,471,169	-	-	24,804,647	-	-	-	24,804,647
Less donor designations	(20,897,409)	-	-	-	-	-	(20,897,409)	-	-	-	(20,897,409)
TOTAL ALLOCATIONS AND EXPENSES	\$ 1,505,819	\$ 1,490,761	\$ 2,266,804	\$ 5,565,736	\$ 1,129,255	\$ 376,715	\$ 12,335,090	\$ 4,222,416	\$ 4,846,486	\$ 9,068,902	\$ 21,403,992

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008

	Program Services					Support Services				Total
	Funds Awarded/ Allocated to Agencies	Community Services	Community Capacity Building	Labor Community Services	Total Program Services	Management and General	Fundraising	United Way of America Dues	Total Support Services	
ALLOCATIONS AND EXPENSES										
Salaries	\$ -	\$ 2,799,800	\$ 1,262,589	\$ 242,851	\$ 4,305,240	\$ 1,334,358	\$ 2,632,786	\$ -	\$ 3,967,144	\$ 8,272,384
Payroll taxes and employee benefits	-	748,073	340,161	78,165	1,166,399	398,456	673,689	-	1,072,145	2,238,544
Subtotal	-	3,547,873	1,602,750	321,016	5,471,639	1,732,814	3,306,475	-	5,039,289	10,510,928
Professional services	-	619,462	173,566	-	793,028	356,492	607,447	-	963,939	1,756,967
Program service support	-	869,757	-	-	869,757	-	-	-	-	869,757
Supplies	-	66,580	17,854	37	84,471	23,032	33,313	-	56,345	140,816
Telephone	-	72,638	26,764	2,794	102,196	44,663	56,219	-	100,882	203,078
Postage, warehouse, and delivery	-	25,296	5,016	303	30,615	14,025	24,609	-	38,634	69,249
Occupancy	-	225,688	112,844	15,048	353,580	225,688	241,809	-	467,497	821,077
Property and equipment	-	24,849	8,899	-	33,748	17,799	19,070	-	36,869	70,617
Media and printing	-	564,839	58,866	1,331	625,036	27,558	162,923	-	190,481	815,517
Travel	-	117,740	42,881	2,855	163,476	21,678	76,878	-	98,556	262,032
Conference, training, and meetings	-	186,537	39,814	414	226,765	27,647	73,040	-	100,687	327,452
Bank, interest, merchant, and other fees	-	7,690	6,539	-	14,229	47,952	10,898	-	58,850	73,079
United Way of America dues	-	-	-	-	-	-	-	319,683	319,683	319,683
Miscellaneous	-	10,012	1,623	-	11,635	2,118	4,036	-	6,154	17,789
Depreciation and amortization expense, loss on sale/abandonment of property and equipment	-	131,186	47,701	-	178,887	95,403	102,217	-	197,620	376,507
Cost recovery reimbursements	-	-	(106,231)	-	(106,231)	(70,429)	(6,600)	-	(77,029)	(183,260)
Total	-	6,470,147	2,038,886	343,798	8,852,831	2,566,440	4,712,334	319,683	7,598,457	16,451,288
Allocations/awards	25,971,047	1,268,195	-	-	27,239,242	-	-	-	-	27,239,242
Less donor designations	(22,904,608)	-	-	-	(22,904,608)	-	-	-	-	(22,904,608)
TOTAL ALLOCATIONS AND EXPENSES	\$ 3,066,439	\$ 7,738,342	\$ 2,038,886	\$ 343,798	\$ 13,187,465	\$ 2,566,440	\$ 4,712,334	\$ 319,683	\$ 7,598,457	\$ 20,785,922

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (9,821,808)	\$ (8,333,834)
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for uncollectible pledges	1,033,000	309,874
Change in discount on grants receivable	(47,657)	(17,452)
Depreciation and amortization	230,623	372,782
Loss (gain) on abandonment/sale of property and equipment, net	(696)	3,025
Net realized and unrealized losses on investments	2,391,176	2,859,710
Pension related changes other than net periodic pension costs	2,115,463	(290,917)
Changes in assets and liabilities		
Pledges receivable	440,907	(752,416)
Grants receivable	323,411	(608,398)
Prepays and other receivables	(93,061)	(39,678)
Donor designations and allocations payable	(1,982,775)	(718,030)
Operating payables and accruals	(85,934)	(274,103)
Accrued vacation and related costs	(36,539)	87,356
Accrued pension costs	631,242	176,875
Deferred rent	(102,552)	(3,324)
Settlement payable	(4,450,000)	4,450,000
Net cash from operating activities	<u>(9,455,200)</u>	<u>(2,778,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,639,898)	(4,056,069)
Proceeds from sale of investments	660,047	16,068,849
Proceeds from sale of computers, equipment, and land	-	13,693
Purchases of property and equipment	<u>(53,379)</u>	<u>(395,542)</u>
Net cash from investing activities	<u>(1,033,230)</u>	<u>11,630,931</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(10,488,430)	8,852,401
CASH AND CASH EQUIVALENTS, beginning of year	<u>12,473,231</u>	<u>3,620,830</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,984,801</u>	<u>\$ 12,473,231</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. Management has elected to defer the application of *Accounting for Uncertainty in Income Taxes* to fiscal years beginning after December 15, 2008. 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. As of June 30, 2009 and 2008, UWBA had no uncertain tax positions requiring accrual.

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 the Community Impact goals. 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.

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 is focused on achieving community impact in the areas of Education, Income, and Resilient Communities.

Impact Area Grant Making

Education and Income: UWBA makes strategic investments to create greater opportunities for low income individuals and families in the Bay Area. To that end, UWBA’s investments focus on helping individuals and families achieve financial self-sufficiency, helping children and youth achieve their potential, and helping all people become healthy and resilient in the face of crisis. UWBA proactively seeks to engage other funders (e.g., foundations, corporations, leadership givers, public sector, etc.) in making collaborative investments to leverage financial resources to create the greatest community change. Grant proposals are evaluated on the basis of their alignment with UWBA’s Community Impact Agenda as well as the agency’s ability to demonstrate high standards in fiscal and programmatic operations, and overall organizational strength. All grants are subject to approval by UWBA’s Board of Directors.

Resilient Communities – Crisis Preparation and Response and Community Information and Referral: UWBA makes investments to increase the resources, collaboration, and common standards necessary to ensure non-profit crisis preparedness and to bolster response and recovery capacity. UWBA invests in the volunteerism infrastructure across the Bay Area to support the non-profit sector and in programs to provide individuals (and the non-profit and public sectors that serve them) with the information they need to move toward successful adulthood and financial stability. Through 2-1-1, Data Central, and Labor Community Services, UWBA sits at the hub of the community, connecting people with information to drive change. Additionally, UWBA raises awareness of, and leverages resources for, organizations aligned with its agenda through sponsorships.

Community Projects and Initiatives

UWBA has a long history of incubating small non-profit projects, and supporting them with seed funding, fiscal sponsorship, and operational support. UWBA’s Community Projects are integral to the Community Impact Agenda, putting UWBA at the lever points for lasting community change. Current projects include: Earn It! Keep It! Save It!, Bank on California, the Emergency Food and Shelter Program, Honoring Emancipated Youth, MatchBridge, Raising a Reader, and Working for Quality Childcare. 2-1-1, the flagship initiative, positions UWBA to both operate the information and referral phone lines locally, and to advocate for state-wide coverage. UWBA’s new SparkPoint initiative, builds upon the Earn It! Keep It! Save It! and financial self sufficiency agendas to foster community collaboratives to build local “SparkPoint Centers,” where low income families can get multiple services including credit enhancement, income building and asset development support.

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

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 of America. United Way of America standards are required for membership and fully comply with Statements of Financial Accounting Standards applicable for not for profit organizations.

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 are unrestricted resources available to support UWBA’s activities 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:

	2009	2008
Future occupancy needs	\$ -	\$ 1,535,201
Future grants and programs	5,204,000	4,668,000
General use	74,762	2,422,811
	<u>\$ 5,278,762</u>	<u>\$ 8,626,012</u>

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, 2009 and 2008, 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. Unconditional promises to give that are expected to be collected during the following fiscal year 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 average and management’s consideration of current economic factors that could affect pledge collections. Using this criteria, the provision as of June 30, 2009 and 2008, was determined to be 8% and 6%, respectively, of gross campaign pledges.

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. Grants receivable are net of discounts of \$46,382 and \$94,039 at June 30, 2009 and 2008, respectively.

Fair Value of Assets and Liabilities – Effective July 1, 2008, UWBA adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 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 Statement 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 highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include untrusted charitable remainder trusts. In certain cases where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include privately held stock.

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.

Property and Equipment – Property and equipment are stated at cost, if purchased, or if donated, at fair value at the date of the donation. 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 \$230,623 and \$372,782 for the years ended June 30, 2009 and 2008, 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, 2009 and 2008, 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.

UNITED WAY OF THE BAY AREA NOTES TO FINANCIAL STATEMENTS

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 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, 2009, UWBA has only one type of planned gift – pooled income funds. Assets associated with these gifts total \$157,501 at fair value and are included in investments. Liabilities associated with these gifts total \$34,896 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, 2009 and 2008, of \$329,719 and \$837,750, respectively, were reflected as “Other Income” in the accompanying financial statements. 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 which amounted to \$6,338,058 and \$6,540,712 during the years ended June 30, 2009 and 2008, 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. For financial statement presentation purposes 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 established by Financial Accounting Standards Board (FASB) and United Way of America. Additional information about the functional allocation is as follows:

2-1-1 Initiative – 2-1-1 Bay Area strengthens our 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, 2-1-1 becomes an essential part of our response and recovery. As an easy-to-remember phone number, 2-1-1 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.

SparkPoint Initiative – Since 1922, UWBA has been a leader in building collaborations and partnerships to further financial stability in the San Francisco Bay Area. These efforts have evolved and matured into the SparkPoint initiative, bundling several approaches to meet the unique needs of the populations across our region. Earn It!Keep It!Save It!, a free tax preparation assistance program that has developed county-based coalitions of over 200 nonprofit, banking, and government partners; the program has provided a significant return on investment for local families and the community. Over the past year, UWBA has launched both the Bank on Oakland program, an effort to increase the numbers and effectiveness of low-income residents using mainstream financial services, and the first SparkPoint Center. The goal of the SparkPoint Center model is to help families achieve financial stability through accessible and integrated service delivery. SparkPoint Centers are in development in each of the Bay Area counties UWBA serves.

Other Community Services – Community services represent the costs of over twenty UWBA community projects whose individual expenses do not exceed more than 10% of the total for this category. These projects target and support Bay Area education, income and resilient communities, which includes crisis preparedness. 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.

**UNITED WAY OF THE BAY AREA
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Community Capacity Building – Community capacity building represents UWBA staff and other operating costs in developing and managing UWBA projects under community services as well as 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.

Concentrations of Risk – UWBA receives approximately 50% to 60% of their gross campaign revenue from five employers. All these employers are nationally based through United Way of America, therefore, the risk of loss of these employers by UWBA is remote.

NOTE 3 – INVESTMENTS

Investments at June 30, 2009 and 2008, consist of the following:

	<u>2009</u>	<u>2008</u>
Equities	\$ 5,724,126	\$ 8,583,575
Fixed income securities	5,813,838	6,293,913
Cash and cash equivalents	4,156,449	2,385,751
Pooled income funds	157,501	-
Total	<u>\$ 15,851,914</u>	<u>\$ 17,263,239</u>

Net unrealized and realized gains for the years ended June 30, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Unrealized gains (losses)	\$ (2,032,518)	\$ (4,230,651)
Realized gains (losses)	(358,658)	1,370,941
	<u>\$ (2,391,176)</u>	<u>\$ (2,859,710)</u>

Investment income for the years ended June 30, 2009 and 2008, is as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 452,717	\$ 921,001
Less investment management fees	(35,731)	(54,585)
Total investment income, net	<u>\$ 416,986</u>	<u>\$ 866,416</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.

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

The following table presents the investments carried at fair value on the accompanying Statement of Financial Position as June 30, 2009, by SFAS 157 valuation hierarchy:

<u>Fair Value Measurement Inputs</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 5,724,126	\$ -	\$ 5,724,126
Fixed income securities	5,813,838	-	5,813,838
Cash and cash equivalents (held for investment)	4,156,449	-	4,156,449
Pooled income funds	-	157,501	157,501
Total	<u>\$ 15,694,413</u>	<u>\$ 157,501</u>	<u>\$ 15,851,914</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 and 2008, consisted of the following:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 27,766	\$ 25,830
Equipment	170,618	605,774
Office furniture	517,950	517,950
Computer software and equipment	761,441	908,804
Vehicles	24,240	24,240
Total	<u>1,502,015</u>	<u>2,082,598</u>
Less accumulated depreciation and amortization	<u>(1,148,829)</u>	<u>(1,552,864)</u>
Total property and equipment, net	<u>\$ 353,186</u>	<u>\$ 529,734</u>

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

NOTE 5 – OTHER INCOME

Other income is comprised of the following:

	2009	2008
Unrestricted		
Donated goods and services	\$ 42,371	\$ 550,600
Non-campaign donations	835	-
Special events income	27,000	-
Revenue - other United Ways	121,582	142,536
Prior year campaign revenue	34,605	87,940
Gain on disposal of assets	-	700
Miscellaneous income (expense)	23,137	(447)
	249,530	781,329
Temporarily Restricted		
Donated goods and services	287,348	287,150
Non-campaign donations	476,367	851,786
Special events income	(1,949)	82,628
Membership/partner fees	839	-
Miscellaneous income	2,099	2,025
	764,704	1,223,589
Total other income	\$ 1,014,234	\$ 2,004,918

NOTE 6 – 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, 2009 and 2008, was \$18,000 and \$19,500, 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, 2009, are as follows:

Years Ending June 30,	
2010	\$ 893,861
2011	850,473
2012	826,752
2013	592,432
Total	\$ 3,163,518

Rent expense for the years ended June 30, 2009 and 2008, was \$853,623 and \$824,190, respectively.

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

NOTE 7 – PENSION PLAN

Effective June 11, 2008, the Pension Plan of the United Way of the Bay Area (the “Plan”) is a single employer defined benefit pension plan with UWBA as plan sponsor. Prior to that effective date, this Plan was a multiple employer plan, with UWBA and PipeVine, Inc. (“PipeVine”) serving as participating employers in the Plan. UWBA has accepted responsibility for Plan assets and liabilities previously attributable to PipeVine, and the Plan has been combined into a single employer plan.

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, 2009 and 2008, consist of the following:

	<u>2009</u>	<u>2008</u>
Defined benefit pension plan liabilities	\$ 5,122,310	\$ 2,485,611
Defined early retirement medical benefits plan	127,635	17,629
Total accrued pension costs	<u>\$ 5,249,945</u>	<u>\$ 2,503,240</u>

The change in the benefit pension plan liability for the fiscal year ended June 30, 2009 was a significant driver of the increase to management and general expenses reflected on the Statement of Activities.

The following information sets forth as of June 30, 2009 and 2008, the Plan’s projected benefit obligation, fair value of plan assets, unfunded status and accumulated benefit obligation:

	<u>2009</u>	<u>2008</u>
Projected benefit obligation		
Beginning of year	\$ 10,895,564	\$ 10,986,423
Service cost	-	79,438
Interest costs	728,776	681,163
Actuarial (gain) loss	1,305,453	(501,336)
Benefits paid	(328,090)	(194,340)
Administrative expenses paid	(187,742)	(155,784)
End of year	<u>\$ 12,413,961</u>	<u>\$ 10,895,564</u>
Fair value of plan assets		
Beginning of year	\$ 8,409,953	\$ 8,400,905
Actual return on plan assets	(1,174,975)	(437,812)
Employer contributions	572,505	796,984
Benefits paid	(328,090)	(194,340)
Administrative expenses paid	(187,742)	(155,784)
End of year	<u>\$ 7,291,651</u>	<u>\$ 8,409,953</u>
Funded status of the Plan at year-end (underfunded)	<u>\$ (5,122,310)</u>	<u>\$ (2,485,611)</u>

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

Amounts recognized for the defined pension plan only in the accompanying statements of financial position as of June 30, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Accrued benefit cost	\$ (513,950)	\$ (991,097)
Additional accrued pension liability for pension plans with a benefit obligation in excess of plan assets	<u>(4,608,360)</u>	<u>(1,494,514)</u>
Defined benefit pension liabilities	<u>\$ (5,122,310)</u>	<u>\$ (2,485,611)</u>
Unrestricted net assets, pension liability in excess of intangible pension assets	<u>\$ 4,608,360</u>	<u>\$ 2,492,897</u>

Amounts reflected in the accompanying statements of activities for the years ended June 30, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Service cost	\$ -	\$ 58,438
Interest cost	728,776	533,406
Expected return on assets	(688,431)	(584,635)
Amortization (Gain)/loss	<u>55,013</u>	<u>-</u>
Net periodic pension cost	<u>\$ 95,358</u>	<u>\$ 7,209</u>

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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assumptions used in computing benefit obligation		
Discount rate	6.25%	6.75%
Rate of compensation increase	N/A	N/A
Assumptions used in computing the net periodic pension costs		
Discount rate	6.75%	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, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Asset category		
Common and collective trusts		
Equity	61.1%	58.5%
Debt	38.2%	38.7%
Cash and cash equivalents	<u>0.7%</u>	<u>2.8%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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

Year Ending June 30.

2010	\$	449,135
2011		462,281
2012		468,924
2013		649,617
2014		694,127
2015 - 2019		4,228,010
	<u>\$</u>	<u>6,952,094</u>

UWBA contributed \$572,505 and \$796,984 to the Plan during the years ended June 30, 2009 and 2008, respectively. The unfunded status of the Plan attributable to UWBA required UWBA to make increased contributions under ERISA regulations.

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. In addition, UWBA makes an employer "nonelective" contribution according to a formula that is based on a participant's age plus service. Matching and employer nonelective contributions will be 100% vested after two years of service (or age 65, if earlier).

UWBA had a defined 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, 2009 and 2008, is \$127,635 and \$17,629, 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") which is optional for all full-time employees of UWBA. UWBA does not provide any matching contributions to this plan.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as of June 30, 2009 and 2008, for the following purposes or periods:

	<u>2009</u>	<u>2008</u>
UWBA community projects		
Income	\$ 1,003,550	\$ 846,846
Education	230,084	532,486
Resilient communities	661,343	774,136
Total	<u>\$ 1,894,977</u>	<u>\$ 2,153,468</u>

NOTE 9 – 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, 2009 and 2008, are as follows:

	2009	2008
UWBA community projects		
Income	\$ 2,099,348	\$ 943,752
Education	1,737,148	1,927,594
Resilient communities	1,617,597	2,462,297
Total	\$ 5,454,093	\$ 5,333,643

NOTE 10 – RELATED-PARTY TRANSACTIONS

UWBA utilized the services of the law firm of Heller Ehrman, LLP (dissolved September 2008). A board member of UWBA was also a shareholder of the firm. The firm was paid \$0 and \$10,933 for the years ended June 30, 2009 and 2008, respectively. The firm also provided contributed services of \$0 and \$96,333 during the years ended June 30, 2009 and 2008, respectively, which is referenced previously under “Donated Goods and Services.”

NOTE 11 – LEGAL SETTLEMENT

UWBA was party to a legal action by a former customer of PipeVine and engaged outside legal counsel to represent it in the action. On November 3, 2008, a confidential final settlement was reached in this matter. UWBA’s liability carrier has remunerated UWBA for its legal expenses, but has disputed its responsibility to indemnify UWBA for the settlement amount. The settlement amount is reflected on UWBA’s June 30, 2008, financial statements and payment was made subsequent to the final settlement date noted above. In November 2009, UWBA reached a final settlement with the liability carrier.

NOTE 12 – 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

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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 \$239,738 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred during the period.

NOTE 13 – 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 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 financial position but arose after the financial position date and before financial statements are available to be issued.

UWBA has evaluated subsequent events through November 18, 2009 which is the date the financial statements are available to be issued.