

UNITED WAY CAPITAL AREA
(a nonprofit organization)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
June 30, 2010 and 2009

UNITED WAY CAPITAL AREA
June 30, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way Capital Area

We have audited the statements of financial position of United Way Capital Area (a nonprofit organization) (United Way) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of United Way's management. Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our 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 United Way Capital Area as of June 30, 2010 and 2009 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.

Atchley & Associates, LLP

Austin, Texas
October 21, 2010

UNITED WAY CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 960,934	\$ 1,072,405
Investments	1,448,127	1,473,649
Accounts and grants receivable	361,340	293,899
Employee advances	84	3,122
Pledges receivable, net of allowance for uncollectible pledges of \$2,269,758 and \$2,360,233	2,047,382	2,911,847
Prepaid expense and other assets	19,373	9,052
Total current assets	4,837,240	5,763,974
Property and equipment, net of accumulated depreciation of \$2,638,179 and \$2,524,668	1,089,903	1,128,197
Other assets:		
Temporarily restricted - cash and cash equivalents	57,766	61,973
Permanently restricted - cash, cash equivalents and investments	496,630	496,630
Total assets	\$ 6,481,539	\$ 7,450,774

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

UNITED WAY CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION (Continued)
JUNE 30, 2010 and 2009

	2010	2009
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 34,517	\$ 2,340
Accrued expenses and other	169,989	164,707
Due to affiliated organizations	60,352	-
Note payable - current portion	72,621	66,874
Community funds commitment	3,444,388	3,843,700
Support for community programs	436	436
Deferred revenue	149,590	12,940
Designations due to others	653,037	1,251,979
Total current liabilities	4,584,930	5,342,976
Long-term obligations	496,870	569,391
Total liabilities	5,081,800	5,912,367
Net assets:		
Unrestricted net assets:	645,469	599,636
Temporarily restricted net assets	257,640	442,141
Permanently restricted net assets	496,630	496,630
Total net assets	1,399,739	1,538,407
Total liabilities and net assets	\$ 6,481,539	\$ 7,450,774

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

UNITED WAY CAPITAL AREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Total amounts raised	\$ 13,375,209	\$ 417,214	\$ -	\$13,792,423
Less: amounts designated by contributors for specific organizations	(8,339,381)	-	-	(8,339,381)
Less: allowance for uncollectible pledges	(246,924)	-	-	(246,924)
Grants and contracts	1,202,613	-	-	1,202,613
Corporate and other contributions	-	-	-	-
In-kind contributions/contributed services	142,146	-	-	142,146
Total contributions	6,133,663	417,214	-	6,550,877
Dividends and interest, net of expenses	22,411	15,541	-	37,952
Gain (loss) on investments	33,166	21,608	-	54,774
Service fee income	422,432	-	-	422,432
Other income	20,791	-	-	20,791
Total unrestricted public support and revenue	6,632,463	454,363	-	7,086,826
Net assets released from restrictions:				
Restrictions satisfied by payments	638,864	(638,864)	-	-
Total unrestricted public support, revenue and net assets released from restrictions	7,271,327	(184,501)	-	7,086,826
ALLOCATIONS, EXPENSES AND LOSSES				
Allocations to agencies and other United Ways	11,722,310	-	-	11,722,310
Less: allocations funded through contributor designations	(8,339,381)	-	-	(8,339,381)
Allocations to partner agencies	3,382,929	-	-	3,382,929
Other program services	2,243,647	-	-	2,243,647
Total allocations and program services	5,626,576	-	-	5,626,576
Supporting Services				
Management and general	418,911	-	-	418,911
Fund raising	1,070,509	-	-	1,070,509
Payments to UWW	109,498	-	-	109,498
Total supporting services	1,598,918	-	-	1,598,918
Total allocations, expenses and losses	7,225,494	-	-	7,225,494
INCREASE (DECREASE) IN NET ASSETS	45,833	(184,501)	-	(138,668)
Net assets at beginning of year	599,636	442,141	496,630	1,538,407
Net assets at end of year	\$ 645,469	\$ 257,640	\$ 496,630	\$ 1,399,739

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

UNITED WAY CAPITAL AREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Total amounts raised	\$ 14,958,173	\$ 186,180	\$ -	\$ 15,144,353
Less: amounts designated by contributors for specific organizations	(8,839,036)	-	-	(8,839,036)
Less: allowance for uncollectible pledges	(310,070)	-	-	(310,070)
Grants and contracts	1,111,178	-	-	1,111,178
Corporate and other contributions	11,277	-	-	11,277
In-kind contributions/contributed services	192,538	-	-	192,538
Total contributions	7,124,060	186,180	-	7,310,240
Dividends and interest, net of expenses	48,349	34,180	-	82,529
Gain (loss) on investments	(144,727)	-	-	(144,727)
Service fee income	320,353	-	-	320,353
Total unrestricted public support and revenue	7,348,035	220,360	-	7,568,395
Net assets released from restrictions:				
Restrictions satisfied by payments	48,001	(48,001)	-	-
Total unrestricted public support, revenue and net assets released from restrictions	7,396,036	172,359	-	7,568,395
ALLOCATIONS, EXPENSES AND LOSSES				
Allocations to agencies and other United Ways	12,604,236	-	-	12,604,236
Less: allocations funded through contributor designations	(8,839,036)	-	-	(8,839,036)
Allocations to partner agencies	3,765,200	-	-	3,765,200
Other program services	3,017,498	-	-	3,017,498
Total allocations and program services	6,782,698	-	-	6,782,698
Supporting Services				
Management and general	525,287	-	-	525,287
Fund raising	1,549,705	-	-	1,549,705
Payments to UWW	145,150	-	-	145,150
Total supporting services	2,220,142	-	-	2,220,142
Total allocations, expenses and losses	9,002,840	-	-	9,002,840
INCREASE (DECREASE) IN NET ASSETS	(1,606,804)	172,359	-	(1,434,445)
Net assets at beginning of year	2,206,440	269,782	496,630	2,972,852
Net assets at end of year	\$ 599,636	\$ 442,141	\$ 496,630	\$ 1,538,407

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

UNITED WAY CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	2010				Total
	Program Services	Management & General	Fund Raising	Payments to UWW	
Support allocated to agencies	\$ 3,382,929	\$ -	\$ -	\$ -	\$ 3,382,929
Support for community programs	-	-	-	-	-
Program expenses	28,746	-	-	-	28,746
Professional personnel costs	1,296,808	255,978	644,449	-	2,197,235
Employee benefits	143,471	24,701	58,231	-	226,403
Payroll taxes	107,740	19,886	53,815	-	181,441
Professional fees & contracts	410,212	87,420	64,918	-	562,550
Office expenses	30,142	3,349	33,491	-	66,982
Occupancy	44,087	3,900	30,015	-	78,002
Rental and maintenance of equipment	50,136	5,571	55,706	-	111,413
Printing and publications	35,234	1,281	27,547	-	64,062
Training/Travel	22,878	2,542	25,420	-	50,840
Food and beverage	28,345	1,134	27,211	-	56,690
Insurance	5,323	592	5,914	-	11,829
Interest expense	22,572	2,508	25,080	-	50,160
Marketing	34,005	-	41,663	-	75,668
Bad debts expense (recoveries)	(155,517)	(17,280)	(172,796)	-	(345,593)
Payments to UWW	-	-	-	109,498	109,498
Payments to affiliates	6,646	13,290	6,646	-	26,582
Photography and video	3,434	382	3,814	-	7,630
In-kind expenses	63,966	7,107	71,073	-	142,146
Other expense	14,339	874	11,556	-	26,769
Total expenses before depreciation	5,575,496	413,235	1,013,753	109,498	7,111,982
Depreciation	51,080	5,676	56,756	-	113,512
Total allocations, expenses and losses	<u>\$ 5,626,576</u>	<u>\$ 418,911</u>	<u>\$ 1,070,509</u>	<u>\$ 109,498</u>	<u>\$ 7,225,494</u>

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

UNITED WAY CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	2009				Total
	Program Services	Management & General	Fund Raising	Payments to UWW	
Support allocated to agencies	\$ 3,765,200	\$ -	\$ -	\$ -	\$ 3,765,200
Support for community programs	37,756	-	-	-	37,756
Program expenses	113,486	-	-	-	113,486
Professional personnel costs	1,860,751	367,295	924,700	-	3,152,746
Employee benefits	206,204	35,501	83,693	-	325,398
Payroll taxes	96,821	17,871	48,361	-	163,053
Professional fees & contracts	224,313	47,803	35,499	-	307,615
Office expenses	21,423	2,381	23,803	-	47,607
Occupancy	87,575	7,748	59,622	-	154,945
Rental and maintenance of equipment	52,875	5,874	58,748	-	117,497
Printing and publications	30,802	1,120	24,082	-	56,004
Training/Travel	9,445	1,049	10,494	-	20,988
Food and beverage	22,168	887	21,281	-	44,336
Insurance	5,931	659	6,592	-	13,182
Interest expense	27,299	3,033	30,333	-	60,665
Marketing	29,952	-	36,698	-	66,650
Bad debts expense (recoveries)	-	-	-	-	-
Payments to UWW	-	-	-	145,150	145,150
Payments to affiliates	9,000	18,000	9,000	-	36,000
Photography and video	275	31	305	-	611
In-kind expenses	86,803	9,645	96,448	-	192,896
Other expense	38,207	122	17,366	-	55,695
Total expenses before depreciation	6,726,286	519,019	1,487,025	145,150	8,877,480
Depreciation	56,412	6,268	62,680	-	125,360
Total allocations, expenses and losses	\$ 6,782,698	\$ 525,287	\$ 1,549,705	\$ 145,150	\$ 9,002,840

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

UNITED WAY CAPITAL AREA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Decrease in net assets	\$ (138,668)	\$(1,434,445)
Adjustments to reconcile increase in net assets to net cash provided (used) in operating activities:		
Depreciation	113,511	125,360
Unrealized (gain) loss on investments	(233,344)	142,437
Realized (gain) loss and reinvestment of dividends	178,570	(64,113)
Changes in assets and liabilities:		
(Increase) decrease in accounts and grants receivable	(67,441)	(4,788)
(Increase) decrease in employee advances	3,038	1,385
(Increase) decrease in pledges receivable	864,465	696,957
(Increase) decrease in prepaid expenses	(10,321)	26,726
Increase (decrease) in accounts payable	32,177	(101,080)
Increase (decrease) in accrued expenses	5,282	(31,035)
Increase (decrease) in due to affiliated organizations	60,352	-
Increase (decrease) in deferred revenue	136,650	(103,576)
Increase (decrease) in community funds commitment	(399,312)	(146,300)
Increase (decrease) in support for community programs	-	436
Increase (decrease) in designations due to others	(598,942)	(351,344)
Net cash provided (used) by operating activities	(53,983)	(1,243,380)
Cash flows from investing activities:		
Purchase of securities	(2,201,960)	(2,175,098)
Proceeds from sales of securities	2,282,257	2,175,098
Increase (decrease) in temporarily restricted cash and cash equivalents	4,207	(22,358)
Purchase of depreciable assets	(75,218)	(28,025)
Net cash provided (used) by investing activities	9,286	(50,383)
Cash flows from financing activities:		
Payments on note payable	(66,774)	(92,484)
Net cash used by financing activities	(66,774)	(92,484)

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

UNITED WAY CAPITAL AREA
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net increase (decrease) in cash and cash equivalents	\$ (111,471)	\$(1,386,247)
Beginning of year cash and cash equivalents	<u>1,072,405</u>	<u>2,458,652</u>
End of year cash and cash equivalents	<u>\$ 960,934</u>	<u>\$ 1,072,405</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	<u>\$ 50,160</u>	<u>\$ 60,665</u>

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

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE A - NATURE OF OPERATIONS

The United Way Capital Area (United Way) was organized for the following purposes:

Support benevolent, charitable, educational, character-building, and health and public welfare organizations and agencies that meet standards determined by the United Way;

Unite charitable campaigns of qualified organizations, whether local or national in scope, into one annual cooperative fund raising appeal;

Distribute the net funds obtained to qualified organizations based on the needs of this community for such organizations' services in the manner and amounts directed by the Board of Directors or as directed by the contributor;

Plan with other public and private bodies for the rational development of public and voluntary resources;

Promote volunteerism in community services; and

Enhance cooperation between the public and voluntary sectors of the delivery of efficient and effective services to meet human needs.

NOTE B - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies of United Way applied in the preparation of the accompanying statements follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The statements of financial position and of activities focuses on the organization as a whole and report total assets, liabilities, net assets and changes in net assets in accordance with the FASB ASC 958-205, formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE B - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. The earnings from permanently restricted net assets are to be used for emergency needs, new health programs and human service programs and are included in temporarily restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, United Way considers all deposits held at financial institutions or investment companies, which are subject to withdrawal, and money market mutual funds to be cash equivalents except restricted cash and cash equivalents are not included as cash and cash equivalents for this statement.

Investments

Investments are recorded at fair value at year end (see Note E). Realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statements of activities.

Accounts and Grants Receivable

United Way considers the accounts and grants receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Pledges Receivable

United Way conducts its annual campaign in the last quarter of each calendar year to raise support for allocations to participating agencies in the subsequent fiscal year. All contributions are considered to be available for unrestricted use unless specifically restricted by the contributor. Receivables from contributions are recorded as revenue when the pledge is received, and an allowance is provided for amounts estimated to be uncollectible based upon prior history. Pledges are primarily from contributors in the Central Texas area and all pledges are generally due within one year.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE B - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Expenditures for land, building, and equipment are recorded at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation expense is calculated using the straight-line method and the following estimated useful lives:

Buildings	25 years
Property improvements	25 years
Furniture & Equipment	3 years

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. United Way capitalizes all fixed assets with a cost greater than or equal to \$2,000 and a useful life greater than one year.

Community Funds Commitment

United Way annually determines the amounts to be allocated to its partner agencies as part of its Community Investment Program and records the amounts to be paid to these partner agencies as a liability at year end. As of June 30, 2010 and 2009, an amount of \$3,382,929 and \$3,765,200, respectively, was allocated to partner agencies; an additional amount of \$37,756 was allocated for support for community programs at June 30, 2009.

Designations Due to Others

United Way, as part of its annual campaign, raises and therefore collects amounts which contributors have designated to be distributed to various partner agencies, non-partner agencies, and other United Ways. These designations do not represent income to United Way but are recorded net of administrative fees as a liability at year end. In-kind contributions that are designated to be distributed to specific agencies are not recorded as revenue in these financial statements.

Recognition of Contributor Restrictions

Support that is not restricted by the contributor is reported as an increase in unrestricted net assets in the reporting period in which the support is recognized. All contributor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction, in the reporting period in which the support is recognized. Temporarily restricted net assets are reclassified to unrestricted net assets in the period in which the use restriction has been met or the time restriction lapses.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE B - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Contributed Services

Contributed services are recognized as contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, if the services (a) create or enhance non-financial assets, (b) require specialized skills, (c) the services are performed by people with those skills, and (d) United Way would otherwise have to pay for such services.

A substantial number of volunteers contribute significant amounts of time to United Way Capital Area in the allocation process, campaign efforts, and community program efforts. The financial statements do not reflect the value of these services as contributions in the financial statements since such services do not meet the criteria for FASB ASC 958-605.

Revenue Recognition

In accordance with the AICPA Audit and Accounting Guide for Not-for-Profit Organizations, contributions (grants) received from federal, state, and local governments that are conditioned upon United Way incurring certain qualifying costs, are considered to be exchange transactions and therefore are recognized as unrestricted revenue as those costs are incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include those made in computing the allowance for uncollectible pledges receivable. Actual results could differ from those estimates.

Income Taxes

United Way is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. United Way is considered to be a tax-exempt organization other than a private foundation.

UNITED WAY CAPITAL AREA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE B - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Allocation of Common Costs

United Way allocates common costs among program services, management and general, and fund raising as shown in the statements of functional expenses. The allocation methods are reviewed periodically and revised, if necessary, to ensure that costs are allocated to the functions that benefit from the costs.

Program expenses are incurred for the following programs:

1. Support allocated to agencies - involves providing funding to United Way agencies for their continuing community assistance programs,
2. 211 Texas - provides people in need with resources available in Central Texas,
3. Volunteer Center - involves the matching of skills, abilities, and interests of prospective volunteers with the needs of non-profit agencies, and
4. Success by Six - involves convening and collaborating with child advocates, parents, and care givers to build early childhood initiatives.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2010 and 2009, consisted of:

	2010	2009
Land	\$ 126,240	\$ 126,240
Buildings and improvements	2,442,765	2,380,517
Furniture and equipment	1,159,077	1,146,108
	3,728,082	3,652,865
Less accumulated depreciation	2,638,179	2,524,668
	\$ 1,089,903	\$ 1,128,197

Depreciation expense for the years ended June 30, 2010 and 2009 was \$113,511 and \$125,360, respectively.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE D - INVESTMENTS

United Way adopted FASB ASC 958-320, *Not-for-Profit Entities: Investments - Debt and Equity Securities*, in 1997. This statement requires United Way to report investments in the statement of financial position at fair value and report realized and unrealized gains and losses in the statement of activities. Investment income is summarized as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 37,952	\$ 82,529
Realized gain/(loss) on investments	(178,570)	(2,290)
Unrealized gain/(loss) on investments	<u>233,344</u>	<u>(142,437)</u>
Total investment income	<u>\$ 92,726</u>	<u>\$ (62,198)</u>

Investments are recorded at fair value. Market values and unrealized appreciation (depreciation) at June 30, 2010, are summarized:

	<u>Cost</u>	<u>Quoted Market Value</u>	<u>Unrealized Gain (Loss)</u>
Short-term Investments			
Mutual funds	<u>\$ 2,015,886</u>	<u>\$ 1,944,757</u>	<u>\$ (71,129)</u>

Investments are recorded at fair value. Market values and unrealized appreciation (depreciation) at June 30, 2009, are summarized:

	<u>Cost</u>	<u>Quoted Market Value</u>	<u>Unrealized Gain (Loss)</u>
Short-term Investments			
Mutual funds	<u>\$ 2,218,958</u>	<u>\$ 1,970,279</u>	<u>\$ (248,679)</u>

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE E - FAIR VALUE MEASUREMENTS

During the year ended June 30, 2009, United Way implemented Financial Accounting Standards Board (FASB) ASC 820-10, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that United Way has the ability to access.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010.

Mutual funds: Valued at the net asset value (NAV) of shares held at year end.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while United Way believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, United Way's assets at fair value as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 1,944,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,944,757</u>
	<u>\$ 1,944,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,944,757</u>

The following table sets forth by level, within the fair value hierarchy, United Way's assets at fair value as of June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 1,970,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,970,279</u>
	<u>\$ 1,970,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,970,279</u>

NOTE F - ENDOWMENT FUNDS

United Way's endowment consists of donor-restricted funds, which are restricted for the purpose of furthering United Way's mission. As required by GAAP, net assets associated with endowment funds, which may include funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

UNITED WAY CAPITAL AREA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE F - ENDOWMENT FUNDS - CONTINUED

Interpretation of Relevant Law

The Board of Directors of United Way has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, United Way classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund, and (4) the portion of investment return added to the permanent endowment to maintain its purchasing power. For purposes of determining that portion, each year United Way adjusts permanently restricted net assets by an amount determined to be reasonable for use in the operations but also provide for the change in the average Consumer Price Index (CPI). If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is maintained as endowment assets in temporarily restricted net assets until appropriated by the Board for expenditure. In accordance with TUPMIFA, United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- 1) The duration and preservation of the fund;
- 2) The purposes of the organization and the donor-restricted endowment fund;
- 3) The general economic conditions;
- 4) The possible effect of inflation or deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the organization;
- 7) The investment policies of the organization.

Endowment Net Asset Classification by Type of Fund as of June 30, 2010

<u>Endowment Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 71,329	\$ 496,630	\$ 567,959

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE F - ENDOWMENT FUNDS - CONTINUED

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

<u>Endowment Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ -	\$ 34,180	\$ 496,630	\$ 530,810
Investment return				
Investment return	-	15,541	-	15,541
Net appreciation				
Realized and unrealized	-	21,608	-	21,608
Total investment return	-	37,149	-	37,149
Contributions	-	-	-	-
Appropriations of endowment assets for expenditure	-	-	-	-
Ending balance	<u>\$ -</u>	<u>\$ 71,329</u>	<u>\$ 496,630</u>	<u>\$ 567,959</u>

Endowment Net Asset Classification by Type of Fund as of June 30, 2009

<u>Endowment Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	<u>\$ -</u>	<u>\$ 34,180</u>	<u>\$ 496,630</u>	<u>\$ 530,810</u>

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE F - ENDOWMENT FUNDS - CONTINUED

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

<u>Endowment Type</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ -	\$ -	\$ 496,630	\$ 496,630
Investment return				
Investment return	-	34,180	-	34,180
Net appreciation				
Realized and unrealized	-	-	-	-
Total investment return	-	34,180	-	34,180
Contributions	-	-	-	-
Appropriations of endowment assets for expenditure	-	-	-	-
Ending balance	<u>\$ -</u>	<u>\$ 34,180</u>	<u>\$ 496,630</u>	<u>\$ 530,810</u>

Return Objectives and Risk Parameters

United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to result in high yields while assuming a moderate level of investment risk. United Way expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE G - RESTRICTIONS ON NET ASSETS

At June 30, 2010, the total amount of temporarily restricted net assets were:

	Beginning Balance	Restricted Contributions	Restrictions Satisfied*	Ending Balance
1Hr4Kids	\$ 3,000	\$ -	\$ (3,000)	\$ -
Bank on Central Texas	29,232	97,500	(93,519)	33,213
CCFIP	7,063	-	(7,063)	-
Days of Service	9,143	6,704	(15,847)	-
Endowment Earnings	34,180	37,149	-	71,329
Family Financial Stability	27,746	15,000	(19,544)	23,202
Information Services	-	10,000	-	10,000
Neighboring	3,864	-	(3,864)	-
Play-n-Learn	7,500	-	(7,500)	-
Ready by 21	83,023	-	(83,023)	-
Success By Six (SB6)	149,028	200,000	(320,819)	28,209
SB6 - Social Emotional	-	50,000	(16,284)	33,716
Teacher Scholarship	1,908	-	(1,908)	-
Texas 2-1-1	51,336	12,000	(44,136)	19,200
Volunteer Project Mgmt	6,774	-	(6,774)	-
Women's Giving Network	12,364	3,340	(4,361)	11,343
Young Leaders Society	15,980	19,005	(9,729)	25,256
YPQ	-	3,665	(1,493)	2,172
	<u>\$ 442,141</u>	<u>\$ 454,363</u>	<u>\$ (638,864)</u>	<u>\$ 257,640</u>

* All restrictions were satisfied by payment of expenses related to these programs.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE G - RESTRICTIONS ON NET ASSETS - CONTINUED

At June 30, 2009, the total amount of temporarily restricted net assets were:

	Beginning Balance	Restricted Contributions	Restrictions Satisfied*	Ending Balance
1Hr4Kids	\$ -	\$ 3,000	\$ -	\$ 3,000
Bank on Central Texas	-	40,000	(10,768)	29,232
CCFIP	-	10,000	(2,937)	7,063
Days of Service	-	10,000	(857)	9,143
Endowment Earnings	-	34,180	-	34,180
Family Financial Stability	-	40,000	(12,254)	27,746
HOCT	10,000	-	(10,000)	-
Information Services	2,726	-	(2,726)	-
Neighboring	-	15,000	(11,136)	3,864
Play-n-Learn	-	7,500	-	7,500
Ready by 21	-	100,000	(16,977)	83,023
Success By Six	229,319	73,320	(153,611)	149,028
Teacher Scholarship	-	6,500	(4,592)	1,908
Texas 2-1-1	-	951,293	(899,957)	51,336
Volunteer Project Mgmt	-	8,030	(1,256)	6,774
Women's Giving Network	9,613	8,625	(5,874)	12,364
Young Leaders Society	18,124	24,090	(26,234)	15,980
	<u>\$ 269,782</u>	<u>\$ 1,331,538</u>	<u>\$ (1,159,179)</u>	<u>\$ 442,141</u>

* All restrictions were satisfied by payment of expenses related to these programs.

At June 30, 2010 and 2009, the total amount of permanently restricted net assets was:

	2010	2009
Endowment - cash, cash equivalents & investments	<u>\$ 496,630</u>	<u>\$ 496,630</u>

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE H - MORTGAGE NOTE PAYABLE

United Way had the following long-term obligation at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Financial Institution - Mortgage note payable for the additions to the administration building dated February 2001. Amended effective February 2009 to be payable in monthly installments plus interest at the bank's prime rate (2.65% and 2.62% at June 30, 2010 and 2009, respectively), secured by land, building, improvements, furniture and equipment, balance due September 2016.	\$ 569,491	\$ 636,265
Less current portion	<u>(72,621)</u>	<u>(66,874)</u>
Long-term portion	<u>\$ 496,870</u>	<u>\$ 569,391</u>

The bank loan has various covenants requiring United Way to meet certain objectives, such as maintain certain financial ratios and provide the financial institution with financial information within a certain period after year end. At June 30, 2010 and 2009, United Way was in compliance with the financial covenants.

In connection with the variable rate note on the administration building, United Way entered into an interest rate swap agreement. The purpose of the swap is to fix the interest rate on the debt and to reduce the exposure to interest rate fluctuations. Management does not believe that the swap has a material effect on the financial position, the results of operations or cash flows of the United Way.

The future debt service under this note payable is:

<u>June 30,</u>	<u>Amount</u>
2011	\$ 72,621
2012	78,760
2013	85,632
2014	91,991
2015	100,983
Thereafter	<u>139,504</u>
	<u>\$ 569,491</u>

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE I - COMMITMENTS

United Way leases certain office equipment under a lease agreement that has been recorded as an operating lease. This agreement has a term of five years and has monthly payments which totaled approximately \$32,820 and \$32,000 in the years ended June 30, 2010 and 2009, respectively. The future minimum lease payments under this agreement are:

<u>Year ended June 30,</u>	<u>Amount</u>
2011	\$ 32,820
	\$ 32,820

NOTE J - PENSION CONTRIBUTION

During the year ended June 30, 2009, United Way maintained a defined contribution pension plan, which covered all employees of United Way with one year of service. United Way made a contribution to the plan equal to 4% of the employee's base salary. Employees were not able to make contributions to the plan. As allowed by the plan document, United Way terminated the plan effective November 1, 2008. United Way funded the final contribution of \$92,491 into the plan during the year ended June 30, 2009.

United Way offers its employees the opportunity to enroll in a 403(b) plan. This tax deferred annuity plan allows employees, at their option, to make contributions using payroll deductions. There were no employer contributions for the years ended June 30, 2010 and 2009.

NOTE K - CONCENTRATION OF RISK

United Way maintains cash deposits at a bank, which at times exceed federally insured limits. United Way also maintains a daily money market fund at a financial institution which is not federally insured, but which invests its funds in U.S. Treasury instruments. United Way's cash deposits in a financial institution of \$679,784 at June 30, 2010 and overnight investments of \$426,040 were not federally insured. United Way has not experienced any losses related to its deposits in these accounts.

United Way holds amounts in various equity mutual funds, money market funds, and U.S. government securities at a high quality brokerage firm totaling \$2,370,797 and \$2,279,544 at June 30, 2010 and 2009, respectively. Of this amount, \$426,040 and \$309,265, respectively, is invested in daily money market funds and is included in cash and cash equivalents in the accompanying financial statements. In addition, \$1,944,757 and \$1,970,279, respectively, is invested in equity mutual funds whose investments include primarily common stocks in well-established U.S. companies. These amounts are recorded as investments and permanently restricted cash, cash equivalents and investments in the accompanying financial statements.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE L - CAMPAIGN CONTRIBUTIONS

United Way Capital Area serves as the designated fiscal agent for the following public sector campaigns:

- Combined Federal Campaign (CFC)
- State Employee Charitable Campaign (SECC)

As fiscal agent, United Way Capital Area manages these campaigns and administers their financial activities, including the collection and distribution of funds. Activity from these campaigns is reflected in the accompanying financial statements. Amounts raised are included in total amounts raised, from which are deducted designations to agencies other than United Way Capital Area. Amounts collected for others and not yet distributed are recorded as designations due to others.

NOTE M - IN-KIND CONTRIBUTIONS

The value of non-cash (in-kind) contributions included as contributions in the financial statements and the corresponding allocation for the years ended June 30, 2010 and 2009 is:

	2010	2009
Donated office supplies	\$ -	\$ 400
Advertising	97,253	47,703
Donated small equipment	3,848	673
Food and beverage	3,470	7,668
Landscaping	-	2,710
Professional Services	37,575	132,028
Other	-	1,356
	\$ 142,146	\$ 192,538
Total		

NOTE N - OTHER CONCENTRATIONS

Approximately \$2,800,000, or 28%, and \$3,200,000, or 30%, of the June 30, 2010 and 2009 campaigns, respectively, was attributed to two companies and their employees located in the Austin, Texas area.

UNITED WAY CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE O - PAYMENTS TO AFFILIATES

During the years ended June 30, 2010 and 2009, United Way recorded amounts due to affiliates that represent dues to United Way Worldwide of \$109,498 and \$145,150, respectively; dues to United Way of Texas of \$24,807, and \$30,000, respectively; and dues to various other affiliates of \$1,775 and \$6,000, respectively.

NOTE P - ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

The allowance for uncollectible pledges includes approximately \$969,500 and \$715,000 that relates to pledges receivable made to United Way at June 30, 2010 and 2009, respectively, and \$1,300,250 and \$1,645,200 that relates to pledges receivable designated for other organizations at June 30, 2010 and 2009, respectively.

NOTE Q - ALLOCATIONS FUNDED THROUGH CONTRIBUTOR DESIGNATIONS

Allocations funded through contributor designations are:

	<u>2010</u>	<u>2009</u>
Designations to Partner Agencies	\$ 823,636	\$ 1,139,217
Designations to Other United Ways	193,680	299,359
Designations to Other 501(c)(3) Organizations	<u>7,322,065</u>	<u>7,400,460</u>
Total designations	<u>\$ 8,339,381</u>	<u>\$ 8,839,036</u>

NOTE R - EMPLOYEE ADVANCES

During the year ended June 30, 2005, the United Way advanced employees a total of \$43,428 in order to offset the lag in payments to employees when the United Way changed from a semi-monthly to a bi-weekly payroll schedule. The employees have the option of repaying this advance on a systematic basis as a payroll deduction, through a lump sum payment, or to have it deducted from their final payroll check when and if they leave the United Way. The remaining receivable balance at June 30, 2010 and 2009 was \$84 and \$3,122, respectively.

NOTE S - SUBSEQUENT EVENTS

Management of United Way has evaluated subsequent events for disclosure through the date of the *Independent Auditors' Report*, the date the financial statements were available to be issued.