

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

JUNE 30, 2012

BOARD OFFICERS

President

Dennis Luke

Vice President

John Salzer

Treasurer

Lisa Ihander

Executive Director

Ken Wilhelm

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UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

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To the Board of Directors of
United Way of Deschutes County

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of United Way of Deschutes County (a nonprofit organization) as of June 30, 2012, and the related statement of activities, other functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated November 21, 2011 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Deschutes County as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SGA, LLP

SGA, LLP
Bend, OR
December 6, 2012

FINANCIAL STATEMENTS

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

STATEMENT OF FINANCIAL POSITION,
INCLUDING SUMMARIZED INFORMATION FOR 2011

	June 30,	
	2012	2011
ASSETS		
Cash (Note 2)	\$ 202,654	\$ 252,796
Investments (Note 4)	128,153	125,287
Beneficial interest in assets held by others (Note 5)	131,589	143,540
Pledges receivable (Note 6)	294,723	357,736
(Less allowance for uncollectible)	(60,000)	(61,000)
Other assets	1,439	3,401
Equipment, net of depreciation (Note 7)	7,182	2,540
TOTAL ASSETS	\$ 705,740	\$ 824,300
LIABILITIES		
Designations payable (Note 8)	\$ 134,522	\$ 164,577
Accounts payables	3,746	8,933
Accrued expenses	19,501	19,439
TOTAL LIABILITIES	157,769	192,949
NET ASSETS		
Unrestricted		
Undesignated	66,626	105,199
Board designated (Note 9)	265,532	288,336
Total unrestricted	332,158	393,535
Temporarily restricted (Note 11)	197,590	216,752
Permanently restricted (Note 12)	18,223	21,064
TOTAL NET ASSETS	547,971	631,351
TOTAL LIABILITIES AND NET ASSETS	\$ 705,740	\$ 824,300

See accompanying notes and independent auditors' report

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

**STATEMENT OF ACTIVITIES,
INCLUDING SUMMARIZED INFORMATION FOR 2011**

	Years Ended June 30,				2011
	2012			Totals	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
PUBLIC SUPPORT & REVENUE					
Gross campaign results	\$ 832,506	\$ 438,482	\$	\$ 1,270,988	\$ 1,289,253
(Less donor designations)	(361,838)			(361,838)	(385,769)
Campaign revenue	470,668	438,482		909,150	903,484
(Less provision for uncollectible)	(34,210)			(34,210)	(51,985)
Net campaign revenue	436,458	438,482		874,940	851,499
Contributed services and facilities	328,135			328,135	127,498
Service fees	2,200			2,200	7,000
Central Oregon 211 revenue	19,082			19,082	85,532
Investment income	(4,170)			(4,170)	50,448
TOTAL REVENUE	781,705	438,482		1,220,187	1,121,977
EXPENSES					
Program services					
Gross funds awarded/distributed	894,153			894,153	940,689
(Less donor designations)	(361,838)			(361,838)	(385,769)
Net funds awarded/distributed	532,315			532,315	554,920
Central Oregon 211	101,364			101,364	128,051
Days of caring	10,138			10,138	13,564
Community building	11,221			11,221	11,870
Fund distribution	16,858			16,858	17,835
Contributed services and facilities	149,358			149,358	8,677
TOTAL PROGRAM SERVICES	821,254			821,254	734,917
Supporting services					
Organizational administration	215,876			215,876	214,741
Fundraising	75,367			75,367	62,107
Contributed services and facilities	178,777			178,777	118,822
United Way of America dues	12,293			12,293	12,607
TOTAL SUPPORT SERVICES	482,313			482,313	408,277
TOTAL EXPENSES	1,303,567			1,303,567	1,143,194
Net assets released from restrictions	460,485	(457,644)	(2,841)		
Change in net assets	(61,377)	(19,162)	(2,841)	(83,380)	(21,217)
NET ASSETS BEGINNING OF PERIOD	393,535	216,752	21,064	631,351	652,568
NET ASSETS END OF PERIOD	\$ 332,158	\$ 197,590	\$ 18,223	\$ 547,971	\$ 631,351

See accompanying notes and independent accountants' report

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

STATEMENT OF CASH FLOWS
INCLUDING SUMMARIZED INFORMATION FOR 2011

	Years Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (83,380)	\$ (21,217)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Stock contributions	(10,605)	(9,502)
Depreciation	2,214	1,722
Unrealized/realized losses (gains)	11,018	(44,147)
Decrease (increase) in pledges receivable	62,013	(21,235)
Decrease in contributions - FMV lease		9,674
Decrease in other assets	1,962	6,256
Increase (decrease) in designations payable and accounts payable	(35,242)	30,969
Increase in accrued expenses	62	4,120
	<u>(51,958)</u>	<u>(43,360)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(23,084)	(101,680)
Proceeds from sale of investments	26,439	111,479
Net decrease in value of endowment funds	5,317	6,038
Acquisition of capital assets	(6,856)	
	<u>1,816</u>	<u>15,837</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET DECREASE IN CASH	(50,142)	(27,523)
CASH - BEGINNING BALANCE	<u>252,796</u>	<u>280,319</u>
CASH - ENDING BALANCE	<u>\$ 202,654</u>	<u>\$ 252,796</u>

See accompanying notes and independent auditors' report

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

STATEMENT OF OTHER FUNCTIONAL EXPENSES,
INCLUDING SUMMARIZED INFORMATION FOR JUNE 30, 2011

	Program Expenses					Total Program
	Allocation Services	Central Oregon 211	Days of Caring	Community Building	Fund Distribution	
EXPENSES						
Allocation/Awards (Less Donor Designations)	\$ 894,153 (361,838)	\$	\$	\$	\$	\$ 894,153 (361,838)
Sub-Total	532,315					532,315
Salaries		12,652	4,580	6,577	9,880	33,689
Employee benefits and taxes		5,907	620	3,070	4,613	14,210
Sub-Total		18,559	5,200	9,647	14,493	47,899
Contract services		78,250				78,250
Contributed professional services						
Professional fees						
Contributed supplies						
Supplies		2,361	252	267	401	3,281
Telephone and communications		101		69	102	272
Postage		266		179	270	715
Occupancy		388		262	394	1,044
Equipment rent and maintenance		46		31	47	124
Contributed printing and advertising		28,535	5,890	114,933		149,358
Printing and advertising		9	3,471	6	9	3,495
Staff training		40		27	40	107
Travel		228	309	154	232	923
Meetings and events		123	906	83	125	1,237
Insurance		174		117	176	467
Fees and dues		638		262	393	1,293
Other administrative expense		35		18	28	81
Depreciation		146		99	148	393
Sub-Total		111,340	10,828	116,507	2,365	241,040
United Way of America dues						
Total Functional Expenses	<u>\$ 532,315</u>	<u>\$ 129,899</u>	<u>\$ 16,028</u>	<u>\$ 126,154</u>	<u>\$ 16,858</u>	<u>\$ 821,254</u>

Support Services			Total Support	2012 Total	2011 Total
Organizational Administration	Fund- raising	United Way Dues			
\$	\$	\$	\$	\$ 894,153 (361,838)	\$ 940,689 (385,769)
				532,315	554,920
118,352	42,472		160,824	194,513	195,570
55,254	11,766		67,020	81,230	70,849
173,606	54,238		227,844	275,743	266,419
				78,250	105,080
7,965			7,965	7,965	11,085
14,821			14,821	14,821	12,285
					6,727
4,927	9,565		14,492	17,773	14,834
1,263			1,263	1,535	2,138
3,309			3,309	4,024	3,761
4,836			4,836	5,880	15,410
571			571	695	688
	170,812		170,812	320,170	109,051
112	5,084		5,196	8,691	3,590
496			496	603	50
2,846			2,846	3,769	4,336
	5,825		5,825	7,062	7,798
2,165			2,165	2,632	2,565
4,775	655		5,430	6,723	4,797
328			328	409	2,458
1,821			1,821	2,214	2,595
50,235	191,941		242,176	483,216	309,248
		12,293	12,293	12,293	12,607
<u>\$ 223,841</u>	<u>\$ 246,179</u>	<u>\$ 12,293</u>	<u>\$ 482,313</u>	<u>\$ 1,303,567</u>	<u>\$ 1,143,194</u>

See accompanying notes and independent auditors' report

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Deschutes United Way, doing business as United Way of Deschutes County (the Organization), was founded in 1952 and is organized to raise funds for member not-for-profit agencies. The mission statement of the Organization is “Connecting caring people to improve lives and shape a better community”. The Organization is governed by a volunteer board of directors. A general campaign to raise pledges commences in the fall of each year. The Organization also accepts pledges for designated non-member, not-for-profit agencies. The donor designated amounts to both member and non-member agencies are recorded as designations payable on the financial statements.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, “Not for Profit Entities”. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* – represent expendable funds that are available for support to the Organization’s operations. Certain of these amounts have been designated by the Board of Directors for various purposes, as explained in Note 9.
- *Temporarily restricted net assets* – consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time.
- *Permanently restricted net assets* – consist of contributions with donor restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

The Organization has temporarily restricted net assets of \$197,590 and permanently restricted net assets of \$18,223 at June 30, 2012.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment

Acquisitions of equipment in excess of \$300 are capitalized. Equipment is carried at cost, or if donated, at the approximated fair value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Revenue Recognition

The Organization reports donations as unrestricted public support unless they are received with donor restrictions. If the donation is made in the same reporting period that the donor imposed restriction is met, the donation is reported in both temporarily restricted revenue and net assets released from restrictions.

When the restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in a different reporting period from which the donation is recorded, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

The Organization receives a substantial amount of services donated by its supporters in carrying out the Organization's activities. These amounts have been reflected in the financial statements in accordance with FASB ASC 958, "Not for Profit Entities". The majority of contributed services is comprised of free advertising and discounted professional fees. Contributed services of \$170,812 are recorded in fundraising expense, \$7,965 in organizational administration expense, \$28,535 in information and referral, \$5,890 in days of caring, and \$114,933 in community building.

Income Taxes

The financial statements do not reflect the effects of income taxes. United Way of Deschutes County has been classified as an organization other than a private foundation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

For the purpose of the statement of cash flows, the Organization considers all cash investments with maturity at the time of purchase of three months or less to be cash.

Investments

Investments are reported at fair market value as of June 30, 2012. Unrealized appreciation or depreciation of the investments is recognized currently in income.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Advertising

Advertising costs are expensed when incurred. Advertising costs for the year ended June 30, 2012 was \$328,861. Of this amount \$320,170 was for contributed services.

Cost Deductions Standards

The Organization is in compliance with United Way Worldwide cost deduction standards.

Fair Value of Financial Instruments

The fair value of the Organization's financial instruments, which includes items such as certificates of deposit, investments, beneficial interest in assets held by others, pledges receivable, net of the allowance for uncollectible pledges, designations payable, response grants payable and accounts payable, approximate their carrying amounts at June 30, 2012.

NOTE 2 – CASH

The carrying amount of the Organization's cash balance was \$202,654 at June 30, 2012. The bank balance was \$198,711 at June 30, 2012. Balances in bank accounts did not exceed the coverage of federal depository insurance at June 30, 2012. The Organization uses a rating system to rate the banks used for deposits, and feels the risk of loss due to any excess deposits is low. There was no restricted cash at June 30, 2012.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NOTE 3 – FAIR VALUE MEASUREMENT

FASB ASC 820, “Fair Value Measurements and Disclosures”, establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs 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 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement.

The Oregon Community Foundation’s (the Foundation) management represents that investments held at the Foundation consist of level 1, level 2, and level 3 investments. The Foundation does not provide the Organization with information regarding what investments make up the Organization’s assets held at the Foundation. As such, the Organization considers all investments held at the Foundation to be level 3 investments. Gains and losses in such investments are disclosed in Note 5. All other investments are derived from the level 1 pricing input.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NOTE 4 - INVESTMENTS

Investments are held at Morgan Stanley. Unrealized and realized gains and losses on investments are recorded as investment income in the financial statements. Purchases and sales of investments during the year ended June 30, 2012 are displayed in the Statement of Cash Flows.

Investment earnings consist of the following:

	2012
Interest and dividends	\$ 3,086
Realized loss on sale of investments	(589)
Unrealized gain (loss) on investments	(3,724)
Total investment earnings	(1,227)
Investment fees	(1,277)
Total change in investments	\$ (2,504)

The investments are as follows:

	2012
Marketable securities	\$ 128,153

**NOTE 5 – CONTRIBUTIONS TO THE OREGON COMMUNITY
FOUNDATION ENDOWMENT FUND**

The Organization follows FASB ASC 958, “Not for Profit Entities”, for amounts contributed to the Foundation by either the Organization or other donors on behalf of the Organization. FASB ASC 958 specifically requires that if a non-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as endowment partner funds.

The Foundation maintains variance power and legal ownership of all funds, including endowment partner funds, and as such continues to report the funds as assets of the Foundation.

**UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**NOTE 5 – CONTRIBUTIONS TO THE OREGON COMMUNITY
FOUNDATION ENDOWMENT FUND (continued)**

The Organization maintains two funds with the Foundation. The United Way of Deschutes County Community Endowment is a combination of amounts that the Organization has transferred to the Foundation for its own benefit and donors contributions to the Foundation on behalf of the Organization. The fair market value of the fund at June 30, 2012 was \$29,381. Of this amount, the portion that is recorded as a beneficial interest in assets held by others at June 30, 2012 was \$18,223. This amount has been permanently restricted by the donor. The Organization does not record assets for the amounts contributed by donors directly to the Foundation or the investment earnings allocated to those contributions.

The second fund is the United Way of Deschutes County Endowment Fund. This fund contains amounts transferred by the Organization for its own benefit. The fair market value of the Fund at June 30, 2012 was \$113,366, and in accordance with ASC 958, “Not for Profit Entities”, the entire amount has been recorded as a beneficial interest in assets held by others.

The Organization’s two funds at the Foundation were established to account for permanently restricted donor contributions and to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign. The endowment, which is comprised of these two accounts, includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including 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.

Endowment net asset composition by type of fund as of June 30, 2012:

	June 30, 2012		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$	\$ 18,223	\$ 18,223
Board-designated endowment funds	113,366		113,366
Total funds	\$ 113,366	\$ 18,223	\$ 131,589

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**NOTE 5 – CONTRIBUTIONS TO THE OREGON COMMUNITY
FOUNDATION ENDOWMENT FUND (continued)**

Changes in endowment net assets for the fiscal year ended June 30, 2012:

	June 30, 2012		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 123,665	\$ 19,875	\$ 143,540
Investment return:			
Investment income	1,658	266	1,924
Realized losses	(785)	(126)	(911)
Unrealized losses	(4,933)	(790)	(5,723)
Total investment return	(4,060)	(650)	(4,710)
Appropriation of endowment			
Disbursements	(5,223)	(838)	(6,061)
Investment fees	(1,016)	(164)	(1,180)
Endowment net assets, end of year	\$ 113,366	\$ 18,223	\$ 131,589

The Foundation does not provide the Organization information on the purchases and sales of investments held at the Foundation. As such, the Organization reports as the decrease in value of the endowment funds the net amount for investment income, disbursements and investment fees realized in the endowment funds.

Change in Accounting Policy

In previous years, the Organization classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**NOTE 5 – CONTRIBUTIONS TO THE OREGON COMMUNITY
FOUNDATION ENDOWMENT FUND (continued)**

During fiscal year ended June 30, 2012, the Board of Directors adopted a new policy stating that should the fair market value of permanently restricted endowment funds fall below the threshold of the gift's corpus, the Organization will not reduce temporarily restricted or unrestricted net assets for the loss. The fair market value of the endowment funds at the end of the reporting period will become the fair value of the asset recorded on the financial statements. This change in accounting policy did not affect beginning net assets, and as such, the Organization did not restate the financial statements for fiscal year ended June 30, 2011.

The effect of the change for the year ended June 30, 2012, was a decrease in permanently restricted net assets of \$2,841.

Return Objectives and Risk Parameters

The Organization 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-specified funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. The Organization's endowment funds are held with the Foundation. It is the Organization's belief that the Foundation invests conservatively and therefore, the endowment funds may earn a rate slightly below average.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation distributes, not less than annually, an appropriate percentage of the fair market value of the principal and income of the Fund to the Organization. The Foundation may make distributions from the Fund to the Organization in addition to the annual distribution upon a majority vote of the Organization's board of directors if in the sole judgment of the board of directors of the Foundation the requested distribution is consistent with the objectives and purposes of the Organization and with the charitable, educational, and scientific needs of the state of Oregon. Distributions received from the Foundation in fiscal year ended June 30, 2012 totaled \$6,062.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

**NOTE 5 – CONTRIBUTIONS TO THE OREGON COMMUNITY
FOUNDATION ENDOWMENT FUND (continued)**

It is the Organization's policy that endowment generated income can be used to respond to crises, fund new or high priority projects, underwrite research, provide for expansion and for other uses consistent with the mission of the Organization. This policy provides the Organization income to respond to current priorities and to ensure funds will be available for future needs.

NOTE 6 – PLEDGES RECEIVABLE

As of June 30, 2012, \$294,723 remained uncollected from the annual campaign. The pledges receivable shown in the financial statements are net of an allowance considered doubtful of \$60,000. Provision for uncollectible is computed based upon a three year historical average and analysis of current conditions, applied to gross campaign, including donor designations. All pledges, net of the allowance, are expected to be received for the year ended June 30, 2012.

NOTE 7 – EQUIPMENT

Equipment is reported at cost or fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Gross equipment at June 30, 2012 totaled \$45,930 and accumulated depreciation totaled \$38,748. Equipment, net of depreciation, totaled \$7,182.

Office equipment is depreciated over an estimated useful life of 5 years. Depreciation expense for the year ended June 30, 2012 was \$2,214.

NOTE 8 – DESIGNATIONS PAYABLE

Designations payable represents donor-designated contributions received that are due to member and non-member agencies.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NOTE 9 – BOARD DESIGNATED NET ASSETS

The Board of Directors of the Organization has made certain designations of unrestricted net assets. These designations are as follows:

	Operating Reserve	Endowments	Response Grants	Total Board Designated Unrestricted Net Assets
Balance June 30, 2011	\$ 148,671	\$ 123,665	\$ 16,000	\$ 288,336
Transfers	(2,504)	(10,300)		(12,804)
Disbursements			(10,000)	(10,000)
Balance June 30, 2012	\$ 146,167	\$ 113,365	\$ 6,000	\$ 265,532

The Operating Reserve is for cash flow deficiencies or community emergencies. The target for this reserve is one-half of the previous year’s overhead expenses.

The purpose of Endowment reserves are to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign.

The Response Grant reserve is for the purpose of providing funding, other than annual allocations, to agencies and programs.

NOTE 10 – PROGRAM ACTIVITIES

The Organization has four program activities as follows:

Central Oregon 211 is a program to refer people needing help to the appropriate agencies.

Days of Caring is a program to gather community volunteers to do specific tasks at local non-profit sites.

Community Building is a program to assess and address community needs by working in collaboration, or partnership with other organizations.

Fund Distribution is the program to determine allocations and grants to agencies and programs.

The Organization allocates costs to different programs and supporting services based on both specific identification and staff hours devoted to the various programs and supporting services.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of assets restricted for field of service donations and designations payable. Designations payable that are temporarily restricted are associated with pledges receivable and are estimated based on the percentage of current year pledges that are designated by donors.

The composition of temporarily restricted net assets is as follows:

	June 30, 2012
Field of service & community impact donations	<u>\$ 40,939</u>
Pledges receivable, net of allowance and designations payable	<u>156,651</u>
Temporarily restricted net assets	<u><u>\$ 197,590</u></u>

NOTE 12 – PENSION PLAN

The Organization maintains a simplified employee pension plan, which is a defined contribution plan, for its employees. All employees who have attained the age of 21 and have earned at least \$450 of compensation during the year are eligible for the plan beginning January of the following year. The Organization contributes 6.0% of the employees' compensation to the plan. The contribution for the year ended June 30, 2012 was \$11,308.

NOTE 13 – DONOR DESIGNATION

Under Financial Accounting Standards Board accounting principles adopted by the Organization, gifts designated by the donor are not reported as public support. The donor designations are recorded as a liability of the Organization. Donor designations for the year ended June 30, 2012 were \$361,838.

NOTE 14 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior years and settlements have not exceeded coverage in the past three years.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NOTE 15 – CONCENTRATIONS

The Organization’s revenue is comprised substantially of donations in Deschutes County, Oregon. The top two donors made donations in the year ended June 30, 2012 comprising of 4.7% of total donations.

NOTE 16 – CREDIT RISK

The Organization has credit risk arising from pledges receivables. The maximum potential loss at June 30, 2012 was net pledges receivable of \$234,723. The maximum risk of loss related to investments and the beneficial interest in assets held by others equals the carrying amounts presented in the financial statements.

NOTE 17 – RELATED PARTY TRANSACTIONS

The Organization received contributions from members of its Board of Directors. Contributions from members for the year ended June 30, 2012 and amounts receivable from members as of June 30, 2012 were as follows:

	Pledges Received	Receivable at June 30, 2012
Unrestricted	\$ 20,785	\$ 4,835
Temporarily restricted	6,345	
	<u>\$ 27,130</u>	<u>\$ 4,835</u>

Ken Wilhelm, the Executive Director for the Organization, is a member of the Board of Directors for Partnership to End Poverty, a non-profit organization. The Organization is the fiscal sponsor for a joint project with Partnership to End Poverty titled Project Mobile Connect. In fiscal year ended June 30, 2012, Partnership to End Poverty took over complete control of Project Mobile Connect. The Organization wrote checks in the amount of \$11,388 to Partnership to End Poverty in fiscal year ended June 30, 2012.

NOTE 18 – REVOCABLE SPLIT-INTEREST AGREEMENTS AND WILLS

The Organization has been named as a beneficiary in split-interest agreements and wills; however, no assets or revenue have been recognized related to these agreements or wills as the Organization had not received an irrevocable right to these benefits as of June 30, 2012.

**UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NOTE 19 – OPERATING LEASE

The Organization's office space is leased from Deschutes County under a three year lease with a term of July 1, 2011 through June 30, 2014. Payments are scheduled to escalate throughout the term of the lease. The lease has an early termination clause allowing the Organization to terminate their lease without penalty upon sixty days notice. Rental payments are \$490 per month as of June 30, 2012. Rental expense for the years ending June 30, 2012 was \$5,880.

NOTE 20 – SUBSEQUENT EVENTS

On July 11, 2012, the Executive Committee approved the allocation of 2011-2012 campaign contributions to member agencies, resulting in a commitment of \$460,000.

Subsequent events have been evaluated through December 6, 2012, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

SCHEDULE OF PUBLIC SUPPORT, REVENUES, AND EXPENSES
ACTUAL COMPARED TO BUDGET

YEAR ENDED JUNE 30, 2012

PUBLIC SUPPORT AND REVENUES	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Public Support			
Campaign pledges	\$ 1,263,132	\$	\$
State employees campaign	<u>7,856</u>		
TOTAL CAMPAIGN PLEDGES	1,270,988	1,150,000	120,988
Contributed services and facilities	328,135		328,135
Allowance for pledge loss	<u>(34,210)</u>	<u>(57,500)</u>	<u>23,290</u>
TOTAL PUBLIC SUPPORT	<u>1,564,913</u>	<u>1,092,500</u>	<u>472,413</u>
REVENUES			
Investment income	(4,170)	9,000	(13,170)
Central Oregon 211 revenue	19,082		19,082
Service fees	<u>2,200</u>	<u>1,000</u>	<u>1,200</u>
TOTAL REVENUES	<u>17,112</u>	<u>10,000</u>	<u>7,112</u>
TOTAL PUBLIC SUPPORT AND REVENUES (1)	1,582,025	1,102,500	479,525
EXPENSES AND ALLOCATIONS	<u>1,665,405</u>	<u>1,100,500</u>	<u>564,905</u>
(DECREASE) INCREASE IN NET ASSETS - BUDGET BASIS	<u>\$ (83,380)</u>	<u>\$ 2,000</u>	<u>\$ (85,380)</u>
 (1) Reconciliation to GAAP basis			
Total Public Support and Revenues	\$ 1,582,025		
Less designations	<u>(361,838)</u>		
Total Reported on GAAP Statements	<u><u>\$ 1,220,187</u></u>		

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

SCHEDULE OF EXPENSES
ACTUAL COMPARED TO BUDGET

YEAR ENDED JUNE 30, 2012

	Actual	Budget	Variance
Administrative Expenses			
Salaries	\$ 194,513	\$ 189,500	\$ 5,013
Employee benefits and taxes	81,230	84,000	(2,770)
Professional fees	14,821	13,800	1,021
Supplies	7,956	3,500	4,456
Telephone and communications	1,535	1,700	(165)
Postage	4,024	4,000	24
Occupancy	5,880	6,000	(120)
Equipment rent and maintenance	695	600	95
Printing and advertising	137	200	(63)
Staff training	603	950	(347)
Travel	3,460	4,000	(540)
Meeting and Events	1,860	5,900	(4,040)
Insurance	2,632	2,600	32
Fees and dues	6,068	3,100	2,968
Other administrative expense	409	550	(141)
Depreciation	2,214		2,214
United Way of America dues	12,293	12,000	293
Total Administrative Expenses	340,330	332,400	7,930
Campaign Cost			
Major giving expenses		1,050	(1,050)
Campaign supplies	4,525	1,000	3,525
Cornerstone expense - contributed services	157	150	7
Crosswater fundraiser expense	5,040		5,040
Printing and advertising	4,927	4,900	27
State campaign	655	600	55
Meeting and events	4,296		4,296
Total Campaign Cost	19,600	7,700	11,900
Agency Allocations			
Member agency allocations	530,175	405,400	124,775
Donor designations and assigned community pledges	361,838	322,000	39,838
Days of Caring	4,937	11,000	(6,063)
Central Oregon 211 - contracted services	78,250	22,000	56,250
Response grants	2,140		2,140
Total Allocations	977,340	760,400	216,940
Contributed Services			
Professional services	7,965		7,965
Printing and advertising - administrative	143,468		143,468
Printing and advertising - campaign	170,812		170,812
Printing and advertising - days of caring	5,890		5,890
Total contributed services	328,135		328,135
Total Expenses (1)	\$ 1,665,405	\$ 1,100,500	\$ 564,905
(1) Reconciliation to GAAP basis			
Total Expenditures	\$ 1,665,405		
Adjustments:			
Designations, incl. assigned community pledges	(361,838)		
Total Reported on GAAP Statements	\$ 1,303,567		

See auditors' report