

United Way of the Midlands
Financial Statements
and
Independent Auditors Report
For the Year Ended June 30, 2007

United Way of the Midlands
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For the Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
United Way of the Midlands
Columbia, South Carolina

We have audited the accompanying statement of financial position of United Way of the Midlands, a South Carolina Non-profit Corporation, as of June 30, 2007 and the related statement of activities, 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 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 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 United Way of the Midlands as of June 30, 2007 and the related 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.

Columbia, South Carolina
October 22, 2007

UNITED WAY OF THE MIDLANDS
Statement of Financial Position
As of June 30, 2007

ASSETS

Current Assets:	
Cash & Cash Equivalents	\$ 662,452
Pledges Receivable Current Campaign (Net of Allowance for Uncollectible Accounts of Approximately \$730,000)	4,424,080
Grants Receivable	512,945
Other Receivables	196,241
Prepaid Expenses	147,468
Investments	963,609
Total Current Assets	6,906,795
Endowed Fund at Central Carolina Community Foundation	109,542
Property and Equipment, Net	1,317,890
Total Assets	\$ 8,334,227

LIABILITIES AND NET ASSETS

Current Liabilities:	
Designations Payable	\$ 2,319,742
CORE Service and RFP Funding Payable	1,525,277
Accounts Payable	225,696
Grants Payable	300,651
Special Funds Held for Agencies	203,928
Accrued Vacation Payable	70,535
Total Current Liabilities	4,645,829
Net Assets:	
Unrestricted	3,316,804
Temporarily Restricted	371,594
Total Net Assets	3,688,398
Total Liabilities and Net Assets	\$ 8,334,227

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

UNITED WAY OF THE MIDLANDS
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Gross Campaign Results Prior Year	\$ 149,205	\$ -	\$ 149,205
Less Donor Designations	9,310	-	9,310
Designation Processing Income	15,156	-	15,156
Less Provision for Uncollectible Pledges	26,843	-	26,843
Net Campaign Revenue Prior Year	200,514	-	200,514
Gross Campaign Results 2006	-	10,767,495	10,767,495
Less Donor Designations	-	(3,610,731)	(3,610,731)
Designation Processing Income	-	216,200	216,200
Less Third Party Processing Fees	-	(4,970)	(4,970)
Less Provision for Uncollectible Pledges	-	(745,872)	(745,872)
Net Campaign Revenue 2006	-	6,622,122	6,622,122
Grants	-	3,393,012	3,393,012
Contracts	71,075	-	71,075
Sponsorship	125,518	-	125,518
Investment Income	30,376	-	30,376
Unrealized Gains/(Losses)	7,877	-	7,877
Building Rent Income	161,636	-	161,636
Fiscal Agency Income	18,000	-	18,000
Miscellaneous Income	1,387	-	1,387
Gifts in Kind	9,600	-	9,600
Campaign Income Released from Restriction	6,622,122	(6,622,122)	-
Grant Assets Released from Restrictions	3,041,418	(3,041,418)	-
Total Revenues and Other Support	10,289,523	351,594	10,641,117
EXPENSES			
Program Services:			
Gross Funds Awarded	7,174,730	-	7,174,730
Less Donor Designations	(3,601,421)	-	(3,601,421)
Net Funds Awarded	3,573,309	-	3,573,309
Grants	2,328,046	-	2,328,046
Other Program Services	1,102,502	-	1,102,502
Total Program Services	7,003,857	-	7,003,857
Supporting Services	1,339,744	-	1,339,744
United Way of America Dues	125,458	-	125,458
Total Expenses	8,469,059	-	8,469,059
CHANGES IN NET ASSETS	1,820,464	351,594	2,172,058
Net Assets at Beginning of Year	1,496,340	20,000	1,516,340
Net Assets at End of Year	\$ 3,316,804	\$ 371,594	\$ 3,688,398

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

UNITED WAY OF THE MIDLANDS
Statement of Functional Expenses
For the Year Ended June 30, 2007

	Other Program Services						Supporting Services						Payments to National Organizations	Total
	United Way Agency Distributions		Communications & Community Relations	Community Impact (Councils)	Community Resources	Totals Other Program Services	Management and General	UWM Expense Pool	Building	Campaign	Total Support Services			
	Grants	-												
Expenses:														
RFP Distributions	\$ 2,160,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,160,863	
Core Services	857,407	-	-	-	-	-	-	-	-	-	-	-	857,407	
UWM Designations	40,912	-	-	-	-	-	-	-	-	-	-	-	40,912	
Vital Connections	206,389	-	-	-	-	-	-	-	-	-	-	-	206,389	
211 Center	263,496	-	-	-	-	-	-	-	-	-	-	-	263,496	
Combined Federal Campaign	4,375	-	-	-	-	-	-	-	-	-	-	-	4,375	
Other Payouts	39,867	-	-	-	-	-	350	-	-	350	-	-	40,217	
Salaries	-	82,954	24,651	442,018	45,867	512,536	-	644,920	-	386,954	1,031,874	-	1,627,364	
Benefits	-	15,217	4,541	75,457	9,225	89,223	-	133,644	-	66,501	200,145	-	304,585	
Payroll Taxes	-	6,641	1,920	32,847	3,335	38,102	-	63,088	-	28,657	91,745	-	136,488	
Accrued Vacation	-	-	-	-	-	-	-	16,454	-	-	16,454	-	16,454	
Professional Fees	-	2,113,733	2,334	(4,600)	6,720	4,454	47,545	78,531	-	31,715	157,791	-	2,275,978	
Supplies	-	15,032	1,236	5,233	1,178	7,647	10,475	46,847	24	15,067	72,413	-	95,092	
Telephone	-	3,417	9	33	-	42	-	19,290	-	1,558	20,848	-	24,307	
Postage	-	1,262	677	875	313	1,865	3,346	5,946	-	7,760	17,052	-	20,179	
Occupancy	-	-	-	74	-	74	70	5,148	117,008	-	122,226	-	122,300	
Printing	-	21,299	37,658	3,836	4,797	46,291	810	2,480	-	66,761	70,051	-	137,641	
Staff Development	-	25,401	41,136	13,226	5,035	59,397	6,989	9,774	-	61,923	78,686	-	163,484	
Membership Dues	-	216	-	521	170	691	985	3,798	-	1,350	6,133	-	7,040	
National Dues	-	-	-	-	-	-	-	-	-	-	-	125,458	125,458	
Insurance	-	-	-	-	-	-	3,298	(2,044)	-	-	1,254	-	1,254	
Interest	-	-	-	-	-	-	7,159	-	12,330	-	19,489	-	19,489	
Major Equipment/Building	-	1,905	-	-	-	-	183	2,412	-	718	3,313	-	5,218	
Depreciation	-	-	-	-	-	-	-	-	120,142	-	120,142	-	120,142	
Fiscal Agency Fees	-	18,000	-	-	-	-	-	-	-	-	-	-	18,000	
UWM Expense Pool Allocation	-	21,261	41,230	211,046	42,311	294,587	103,936	(978,579)	6,875	313,735	(554,033)	-	(238,185)	
UWM Building Allocation	-	3,289	7,046	32,562	7,002	46,610	12,600	-	(151,943)	51,156	(88,187)	-	(38,288)	
Other Expenses	-	(1,581)	679	259	45	983	2,736	(52,059)	-	1,321	(48,002)	-	(48,600)	
Total Functional Expenses:	\$ 3,573,309	\$ 2,328,046	\$ 163,117	\$ 813,387	\$ 125,998	\$ 1,102,502	\$ 200,132	\$ -	\$ 104,436	\$ 1,035,176	\$ 1,339,744	\$ 125,458	\$ 8,469,059	

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

UNITED WAY OF THE MIDLANDS
Statement of Cash Flows
For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,172,058
Adjustments to Reconcile Net Cash Provided (Used) by Operating Activities:	
Depreciation	120,142
Provision for Uncollectible Pledges	719,030
(Increase) Decrease in Current Assets:	
Pledges Receivable	(869,437)
Grants Receivable	(107,505)
Other Receivables	(66,173)
Prepaid Expenses	(128,637)
Funds Held by Others	(27,914)
Increase (Decrease) in Current Liabilities:	
Designations Payable	272,285
CORE Service and RFP Funding Payable	(39,962)
Accounts Payable	(87,635)
Grants Payable	268,503
Other Liabilities	(144,008)
Net Cash Provided (Used) by Operating Activities	2,080,747

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(648,901)
Purchases of Property and Equipment	(36,629)
Net Cash Used by Investing Activities	(685,530)

CASH FLOWS FROM FINANCING ACTIVITIES

Net Change in Line of Credit	(357,928)
Repayment on Note Borrowings	(374,837)
Net Cash Provided (Used) by Financing Activities	(732,765)

Net Increase (Decrease) in Cash 662,452

Cash, Beginning of Year -

Cash, End of Year \$ 662,452

Supplemental Disclosure:

Cash Paid During the Year for Interest \$ 19,489

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

UNITED WAY OF THE MIDLANDS
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way of the Midlands (the “Organization”) is a nonprofit corporation whose mission is to determine and respond to the critical human service needs of the community. The Organization conducts an annual campaign through-out the Midlands area of South Carolina to raise funds through corporate and individual pledges and gifts. It then allocates this financial support to maximize the resources available to its related agencies and other service organizations to address the most urgent needs of the community.

The Organization is dependent upon undesignated contributions from corporate and individual donors to support its program services. The level of such contributions can be affected by economic conditions. In addition, the choice on the part of some donors to designate their gifts to specific agencies can result in reduced funding available for distributions and allocations. A decrease in undesignated contributions could adversely affect the Organization’s ability to provide services and to invest funds in social service agencies’ programs.

Fundraising campaigns are conducted in the fall of each year to raise support for allocation to participating agencies in the subsequent calendar year.

As part of its fundraising activities, the Organization serves as the Principal Combined Fund Organization to manage the local Combined Federal Campaign of the Midlands (“CFC”) under the direction and control of the Federal Executive Committee. The accompanying financial statements reflect the total campaign production for the Organization and the Combined Federal Campaign.

Basis of Accounting

The Organization uses the accrual basis of accounting to report financial activity, and the financial statements accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization follows the accounting and reporting standards established by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that information regarding the financial position and activities be classified into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

Unrestricted net assets – These represent net assets that are associated with the principal mission of the Organization not otherwise restricted by donors, whether or not designated for specific purposes by the Board of Directors.

UNITED WAY OF THE MIDLANDS
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Temporarily restricted net assets – These represent net assets that include gifts and other inflows of assets whose use by the Organization is restricted by donor imposed stipulations that either expire by passage of time or other specified future event, or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – These represent net assets that include gifts and other inflows of assets which require by donor restriction that the asset principal be invested in perpetuity and only the income be made available for current operations in accordance with donor stipulations as to the specific purpose for which the income may be expended. The Organization had no permanently restricted net assets for the year ended June 30 2007.

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 the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Combined Federal Campaign

CFC contracts with the Organization to manage the campaign and administer the funds of CFC. In accordance with United Way of America's revised *Financial Statement Standards (Membership Standard H)*, campaign results of CFC are included in the gross campaign results of the Organization.

Investments

Short term investments are carried at fair value, which approximates cost in accordance with Statements of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments consist of certificates of deposit and are carried at the quoted market value of the securities as of the last business day of the reporting year. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change of net assets in the accompanying statement of activities.

Public Support

Unrestricted contributions are available for general organizational use and are recognized as unrestricted revenue.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

UNITED WAY OF THE MIDLANDS
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support (continued)

Unconditional promises to give are recognized when the promises are received, and allowances are provided for promises estimated by management to be uncollectible. Unconditional promises due within the next fiscal year are reflected as current receivables, while promises due after one year are reflected as long-term receivables. Conditional promises to give are recorded as refundable advances and are not included as support until the conditions are substantially met.

Donors may choose to designate all or part of their contributions to specific charitable organizations. These transactions are reported in the statement of activities as part of the current year United Way of the Midlands Annual Campaign and are then deducted as amounts designated to other organizations to arrive at net campaign revenue. Amounts so deducted are carried as liabilities until paid to the designated charitable organization. Also, donor designated pledges are assessed both a fundraising and a management and general fee based on actual historical costs in accordance with United Way of America Membership Standards as outlined in their publication titled “United Way of America Cost Deduction Requirements for Membership Standard M.”

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a remaining maturity of three months or less at date of acquisition to be cash equivalents.

Allowance for Uncollectible Pledges

The allowance for uncollectible pledges has been established to value pledges at their estimated net realizable value. The estimated allowances have been calculated based on management’s judgment of prior collection history and other analysis of individual pledges and are applied to the gross campaign. Annual pledges not collected after 18 months are written off against the allowance.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized and recorded at historical cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Furniture and equipment are being depreciated over estimated useful lives of 3 to 10 years using a double declining balance method. Buildings and building improvements are being depreciated over 10 to 33 years using the straight-line method.

Compensated Absences

The Organization’s employees are entitled to accrue and carryforward annual leave subject to a maximum number of hours and length of employee service. The leave must be used by December 31 of the following year.

UNITED WAY OF THE MIDLANDS
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a not-for-profit organization that as defined by Section 501(c)(3) of the US Internal Revenue Code and as such, is subject to federal income taxes on unrelated business income. The organization had no unrelated business income for the period; accordingly, there is no provision for income taxes.

Allocation of Functional Expenses

The costs of providing the Organization's programs have been summarized in the statement of functional expenses. Costs that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

Fundraising Costs

The Organization expenses all fundraising costs as they are incurred.

Donated Services and In-Kind Contributions

A large number of volunteers donate substantial amounts of time toward the annual campaign and the various community activities; however, no values for in-kind amounts have been included in the financial statements since there is no objective basis by which to measure such values. Donated property and other in-kind contributions are recognized in the financial statements at fair market value when received.

Concentration of Risk

Financial investments which potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents and pledges receivable.

The Organization maintains its cash in bank accounts, which at times may exceed federally insured limits. At June 30, 2007 the Organization's bank balances exceeded federally insured limits by approximately \$460,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Substantially all pledges receivable are from individuals, businesses, or nonprofit organizations in the Columbia, South Carolina and surrounding areas. Concentration of credit risk is limited due to the large number of donors that comprise the organizations donor base. As a result, at June 30, 2007 the organization does not consider itself to have a significant concentration of credit risk with respect to pledges receivable. The Organization requires no collateral on its receivables.

NOTE 2 – ENDOWED FUND AT CENTRAL CAROLINA COMMUNITY FOUNDATION

The Organization has transferred certain memorial gifts it has received over the years to the Central Carolina Community Foundation (the "Foundation"). These funds are invested by the Foundation and are presented at market value which as of June 30, 2007 was \$109,542.

UNITED WAY OF THE MIDLANDS
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – GRANTS RECEIVABLE

Grants receivable at June 30, 2007 were as follows:

Grants receivable in less than one year	\$ 177,629
Grants receivable in one to five years	350,000
Less: unamortized discounts to present value	<u>(14,684)</u>
 Total grants receivable	 <u><u>\$ 512,945</u></u>

Grants receivable that are due in more than one year are reflected at present value of estimated future cash flows using the United States 10 year treasury bill rate on June 30, 2007, or 5.026%, as the discount rate.

NOTE 4 – INVESTMENTS

The following is a summary of the market value of investments as of June 30, 2007:

Cash & cash equivalents	\$ 774,035
Certificates of deposit	94,815
Funds held for others	<u>94,759</u>
Total Investments	<u><u>\$ 963,609</u></u>

The following schedule summarizes the investment return for the year ended June 30, 2007:

Interest and dividends	\$ 30,376
Unrealized gains/losses	<u>7,877</u>
Total investment return	<u><u>\$ 38,253</u></u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2007:

Land	\$ 344,102
Buildings and Improvements	1,872,173
Furniture and Equipment	<u>357,095</u>
	2,573,370
Less: Accumulated Depreciation	<u>(1,255,480)</u>
 Property and Equipment, Net	 <u><u>\$ 1,317,890</u></u>

UNITED WAY OF THE MIDLANDS
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 6 – BENEFIT PLAN

The Organization provides a 401(k) plan for all eligible employees. To be eligible to participate in the plan, employees generally must work a minimum of 1,000 hours annually and be at least 21 years of age. The Organization will make a matching contribution based upon the participating employee's base salary and may make an additional discretionary contribution. Contributions for the year ended June 30, 2007 totaled \$90,685.

NOTE 7 – LINE OF CREDIT

The Organization has a \$750,000 line of credit agreement with a commercial bank. Interest on the outstanding balance is due monthly at the bank's prime rate minus one-half percent (7.25% as of June 30, 2007). The line of credit is collateralized by the Organization's building and matures in October 2007.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from program restrictions during the year ended June 30, 2007 consisted of the following:

Purpose restrictions:	
Agency allocations	\$ 7,174,730
Special program grants	2,328,046
Other programs	<u>160,764</u>
Total net assets released from restrictions	<u><u>\$ 9,663,540</u></u>

Temporarily restricted net assets were available for the following purposes at June 30, 2007:

Project Hope	\$ 246,136
Advertising	100,000
Matching funds for Medicaid	18,455
Volunteer Center	<u>7,003</u>
Total temporarily restricted net assets	<u><u>\$ 371,594</u></u>

NOTE 9 – RELATED PARTY TRANSACTIONS

United Way of the Midlands has a fiscal agent relationship with the Midlands Area Combined Federal Campaign which is subject to annual renewal and was renewed in 2007 for the period of one year.

Various federal agencies in South Carolina received pledges from federal employees in South Carolina. These agencies in turn remitted the pledges collected to the Midlands Area Combined Federal Campaign. The Midlands Area Combined Federal Campaign is honoring designations made to member organizations.

As of June 30, 2007 the Organization was owed \$86,577 from CFC. This amount represents reimbursable office supplies and expenses used by CFC.

UNITED WAY OF THE MIDLANDS
Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 9 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Organization paid monthly dues to the United Way of America, its national affiliate, in the amount of \$125,458 for the year ended June 30, 2007. At June 30, 2007 the Organization's dues payable to United Way of America was approximately \$47,000.

NOTE 10 – JOHN S. AND JAMES L. KNIGHT FOUNDATION GRANT

During the year ended June 30, 2007, the Organization received a \$1,000,000 grant from the John S. and James L. Knight Foundation. The grant is to help maintain United Way of the Midlands civic leadership position in the Columbia area. The grant will be received in three installments. The first installment of \$815,000, received during the year ended June 30, 2007, was unconditional with \$730,000 used to increase the unrestricted reserve fund and the remaining \$85,000 included in the current years' campaign results. The second installment of \$65,000 is to be received in 2007 and the third installment of \$100,000 is to be received in 2008. Both of these installments are conditional upon the Organization completing a marketing plan directed at younger donors (age 25-45 bracket) and raising at least \$50,000 in new younger donor pledges. The remaining \$20,000 of the grant will be withheld by the Knight Foundation for two grant expenditure evaluations that will be conducted in 2007 and 2008.

NOTE 11 – FEDERAL AND STATE CONTRACTS

Expenditures related to federal and state contracts are subject to adjustment based upon review by the granting agencies. It is management's assessment that the amounts, if any, of expenditures which may be disallowed would not have a material effect on the Organization's financial position.
