

United Way of the Midlands

Financial Statements And
Independent Auditors' Report

*As of and for the Years
Ended June 30, 2011 and 2010*

United Way of the Midlands

Financial Statements And Independent Auditors' Report

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Ended June 30, 2011 and 2010*

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of United Way of the Midlands (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moore Beaston & Woodham LLP

Columbia, South Carolina
November 30, 2011



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United Way of the Midlands
Statements of Financial Position
As of June 30,

ASSETS	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash & Cash Equivalents	\$ 2,750,447	\$ 1,866,617
Investments - Available for Sale	1,125,739	1,059,306
Investments - Other	256,172	254,254
Pledges Receivable (Net of Allowance of Approximately \$660,000 for 2011 and \$770,000 for 2010.)	4,546,151	4,659,147
Grants Receivable	1,527,718	3,703,262
Designations Processing Income Receivable	170,953	166,774
Other Receivables	68,552	13,225
Prepaid Expenses	165,867	176,644
Total Current Assets	<u>10,611,599</u>	<u>11,899,229</u>
Non-Current Assets:		
Property and Equipment, Net	1,231,463	1,268,325
Investments - Other	155,688	154,125
Endowed Funds	95,370	83,641
Endowed Funds Held for Others	98,353	81,659
Total Non-Current Assets	<u>1,580,874</u>	<u>1,587,750</u>
Total Assets	<u>\$ 12,192,473</u>	<u>\$ 13,486,979</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Designations Payable	\$ 2,234,881	\$ 2,143,642
CORE Service and RFP Funding Payable	2,268,812	1,724,587
Accounts Payable	187,995	77,362
Grants Payable	-	679,638
Special Funds Held for Agencies	122,879	92,838
Compensation Related Benefits Payable	185,752	161,183
Deferred Revenue	5,000	28,562
Refundable Deposits	7,367	7,367
Total Current Liabilities	<u>5,012,686</u>	<u>4,915,179</u>
Non-Current Liabilities:		
Endowed Funds Held for Others	98,353	81,659
Total Liabilities	<u>5,111,039</u>	<u>4,996,838</u>
Net Assets:		
Unrestricted		
Undesignated	3,473,373	3,677,097
Board Designated	1,829,361	1,649,966
Temporarily Restricted	1,778,700	3,163,078
Total Net Assets	<u>7,081,434</u>	<u>8,490,141</u>
Total Liabilities and Net Assets	<u>\$ 12,192,473</u>	<u>\$ 13,486,979</u>

See accompanying notes and independent auditors' report.

United Way of the Midlands
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Gross Campaign Results Prior Years	\$ 48,871	\$ -	\$ 48,871
Less: Donor Designations	(49,377)	-	(49,377)
Less: Provision for Uncollectible Pledges	119,930	-	119,930
Net Campaign Revenue Prior Year	<u>119,424</u>	<u>-</u>	<u>119,424</u>
Gross Campaign Results 2010	-	10,644,709	10,644,709
Less: Donor Designations	-	(3,298,408)	(3,298,408)
Less: Provision for Uncollectible Pledges	-	(658,426)	(658,426)
Net Campaign Revenue 2010	<u>-</u>	<u>6,687,875</u>	<u>6,687,875</u>
Gross Campaign Results 2011	-	62,932	62,932
Grants	3,250	2,597,047	2,600,297
Sponsorship	129,579	-	129,579
Contracts	1,833	10,000	11,833
Designation Processing Income	(29,771)	201,745	171,974
Building Rent Income	152,950	-	152,950
Gifts in Kind	203,136	-	203,136
Investment Income	59,794	-	59,794
Realized Gains on Investments	14,213	-	14,213
Unrealized Gains on Investments	(5,241)	-	(5,241)
Miscellaneous Income	107,897	983	108,880
Campaign Income Released from Restriction	6,912,267	(6,912,267)	-
Grant Funds Released from Restrictions	<u>4,032,693</u>	<u>(4,032,693)</u>	<u>-</u>
Total Revenues and Other Support	<u>11,702,024</u>	<u>(1,384,378)</u>	<u>10,317,646</u>
EXPENSES			
Program Services:			
Gross Funds Awarded	7,688,651	-	7,688,651
Less Donor Designations	<u>(3,347,785)</u>	<u>-</u>	<u>(3,347,785)</u>
Net Funds Awarded	4,340,866	-	4,340,866
Grants	4,074,786	-	4,074,786
Other Program Services	1,470,725	-	1,470,725
Total Program Services	<u>9,886,377</u>	<u>-</u>	<u>9,886,377</u>
Supporting Services	1,740,281	-	1,740,281
United Way of America Dues	<u>99,695</u>	<u>-</u>	<u>99,695</u>
Total Expenses	<u>11,726,353</u>	<u>-</u>	<u>11,726,353</u>
Increase (Decrease) in Net Assets	(24,329)	(1,384,378)	(1,408,707)
Net Assets at Beginning of Year	<u>5,327,063</u>	<u>3,163,078</u>	<u>8,490,141</u>
Net Assets at End of Year	<u>\$ 5,302,734</u>	<u>\$ 1,778,700</u>	<u>\$ 7,081,434</u>

See accompanying notes and independent auditors' report.

United Way of the Midlands
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Gross Campaign Results Prior Years	\$ 232,372	\$ -	\$ 232,372
Less: Donor Designations	(60,703)	-	(60,703)
Less: Provision for Uncollectible Pledges	302,651	-	302,651
Net Campaign Revenue Prior Year	474,320	-	474,320
Gross Campaign Results 2009	-	11,089,487	11,089,487
Less: Donor Designations	-	(3,480,544)	(3,480,544)
Less: Provision for Uncollectible Pledges	-	(769,265)	(769,265)
Net Campaign Revenue 2008	-	6,839,678	6,839,678
Gross Campaign Results 2010	-	22,646	22,646
Grants	-	4,882,702	4,882,702
Sponsorship	116,984	-	116,984
Contracts	62,000	-	62,000
Designation Processing Income	(26,502)	226,691	200,189
Building Rent Income	140,251	-	140,251
Gifts in Kind	162,327	-	162,327
Investment Income	64,216	-	64,216
Gains/(Losses) on Asset Disposal	140	-	140
Unrealized Gains/(Losses)	28,109	-	28,109
Miscellaneous Income	127,248	-	127,248
Campaign Income Released from Restriction	7,066,369	(7,066,369)	-
Grant Funds Released from Restrictions	5,311,956	(5,311,956)	-
Total Revenues and Other Support	13,527,418	(406,608)	13,120,810
EXPENSES			
Program Services:			
Gross Funds Awarded	7,316,553	-	7,316,553
Less Donor Designations	(3,541,247)	-	(3,541,247)
Net Funds Awarded	3,775,306	-	3,775,306
Grants	5,390,758	-	5,390,758
Other Program Services	1,261,686	-	1,261,686
Total Program Services	10,427,750	-	10,427,750
Supporting Services	1,686,774	-	1,686,774
United Way of America Dues	102,828	-	102,828
Total Expenses	12,217,352	-	12,217,352
Increase (Decrease) in Net Assets	1,310,066	(406,608)	903,458
Net Assets at Beginning of Year	4,016,997	3,569,686	7,586,683
Net Assets at End of Year	\$ 5,327,063	\$ 3,163,078	\$ 8,490,141

See accompanying notes and independent auditors' report.

United Way of the Midlands
Statement of Functional Expenses
For the Year Ended June 30, 2011

United Way Agency Distributions	Other Program Services					Supporting Services				Payments to National Organizations	Total		
	Grants	Communications & Community Relations	Community Impact (Councils)	Community Resources	Total Other Program Services	Management and General	Building Rental Expenses	Campaign	Total Support Services				
Expenses:													
RFP Distributions	\$ 3,499,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,499,782
211 Center	248,600	-	-	-	-	-	-	-	-	-	-	-	248,600
Vital Connections	101,183	-	-	-	-	-	-	-	-	-	-	-	101,183
Midlands Housing Alliance	48,796	-	-	-	-	-	-	-	-	-	-	-	48,796
UWM Matching Grants	261,666	-	-	-	-	-	-	-	-	-	-	-	261,666
Other Payouts	148,447	7,379	-	-	-	-	-	-	13,920	13,920	-	-	169,746
Grants and Subcontracts	-	3,629,390	-	-	-	-	-	-	-	-	-	-	3,629,390
Salaries	-	186,550	31,781	524,134	147,273	703,188	185,869	43,061	734,682	963,612	-	-	1,853,350
Benefits	-	54,611	18,388	144,356	45,886	208,630	53,055	11,183	190,880	255,118	-	-	518,359
Payroll Taxes	-	13,881	2,760	43,098	12,167	58,025	14,177	4,549	60,738	79,464	-	-	151,370
Professional Fees	-	97,829	17,357	16,784	26,796	60,937	37,619	3,951	18,263	59,833	-	-	218,599
Supplies	-	6,414	5,756	10,129	4,637	20,522	8,747	3,325	21,800	33,872	-	-	60,808
Telephone	-	1,163	243	2,472	730	3,445	1,777	865	6,215	8,857	-	-	13,465
Postage	-	904	746	1,576	633	2,955	2,236	345	6,378	8,959	-	-	12,818
Occupancy	-	227	1,990	19,949	5,982	27,921	14,564	7,088	31,371	53,023	-	-	81,171
Equipment Maintenance	-	56	489	14,867	1,470	16,826	3,578	1,742	7,708	13,028	-	-	29,910
Printing and Advertising	-	32,936	264,962	6,733	7,144	278,839	406	158	138,714	139,278	-	-	451,053
Staff Development	-	34,727	9,235	29,596	10,736	49,567	6,391	1,493	28,746	36,630	-	-	120,924
Membership Dues	-	2,988	316	769	467	1,552	239	92	2,578	2,909	-	-	7,449
Insurance	-	15	132	1,321	397	1,850	966	470	2,082	3,518	-	-	5,383
Equipment/Building	-	4,360	1,052	535	161	1,748	391	190	843	1,424	-	-	7,532
Depreciation	-	203	1,778	17,782	5,344	24,904	13,014	6,334	28,031	47,379	-	-	72,486
National and State Dues	32,392	-	-	-	-	-	-	-	-	-	99,695	-	132,087
Other Expenses	-	1,153	699	7,015	2,102	9,816	5,657	2,493	11,307	19,457	-	-	30,426
Total Functional Expenses	\$ 4,340,866	\$ 4,074,786	\$ 357,684	\$ 841,116	\$ 271,925	\$ 1,470,725	\$ 348,686	\$ 87,339	\$ 1,304,256	\$ 1,740,281	\$ 99,695	\$	\$ 11,726,353

See accompanying notes and independent auditors' report.

United Way of the Midlands
Statement of Functional Expenses
For the Year Ended June 30, 2010

United Way Agency Distributions	Other Program Services					Supporting Services				Payments to National Organizations	Total		
	Grants	Communications & Community Relations		Community Impact (Councils)	Community Resources	Total Other Program Services	Management and General	Building Rental Expenses	Campaign			Total Support Services	
Expenses:													
RFP Distributions	\$ 2,865,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,865,903
Core Services	30,000	-	-	-	-	-	-	-	-	-	-	-	30,000
211 Center	204,141	-	-	-	-	-	-	-	-	-	-	-	204,141
Vital Connections	126,891	-	-	-	-	-	-	-	-	-	-	-	126,891
Midlands Housing Alliance	51,243	-	-	-	-	-	-	-	-	-	-	-	51,243
UWM Matching Grants	288,775	-	-	-	-	-	-	-	-	-	-	-	288,775
Other Payouts	173,987	-	-	-	-	-	-	-	-	-	-	-	173,987
Grants and Subcontracts	-	4,757,963	-	-	-	-	-	-	-	-	-	-	4,757,963
Salaries	-	180,425	24,479	557,047	95,924	677,450	199,808	13,058	699,575	912,441	-	-	1,770,316
Benefits	-	44,325	9,294	135,472	24,293	169,059	40,044	4,259	151,682	195,985	-	-	409,369
Payroll Taxes	-	15,104	2,570	52,853	9,019	64,442	21,338	1,274	66,159	88,771	-	-	168,317
Professional Fees	-	121,152	31,361	41,982	10,549	83,892	39,970	465	62,991	103,426	-	-	308,470
Supplies	-	8,476	1,964	10,436	2,717	15,117	7,580	506	19,857	27,943	-	-	51,536
Telephone	-	1,633	220	3,220	491	3,931	1,898	84	5,736	7,718	-	-	13,282
Postage	-	1,636	1,049	1,832	564	3,445	2,182	36	6,554	8,772	-	-	13,853
Occupancy	-	145	1,238	18,215	2,767	22,220	10,695	31,427	21,192	63,314	-	-	85,679
Equipment Maintenance	-	4,067	576	17,595	1,288	19,459	4,979	6,239	9,866	21,084	-	-	44,610
Printing and Advertising	-	221,896	140,124	2,571	553	143,248	939	269	137,785	138,993	-	-	504,137
Staff Development	-	30,458	11,505	14,731	3,667	29,903	8,968	181	23,705	32,854	-	-	93,215
Membership Dues	-	477	424	760	372	1,556	212	7	1,731	1,950	-	-	3,983
Insurance	-	14	123	1,802	275	2,200	1,062	47	2,141	3,250	-	-	5,464
Major Equipment/Building	-	2,431	11	159	24	194	94	4	186	284	-	-	2,909
Depreciation	-	132	1,127	16,527	2,520	20,174	9,742	32,716	19,303	61,761	-	-	82,067
National Dues	34,366	-	-	-	-	-	-	-	-	-	-	102,828	137,194
Other Expenses	-	424	311	4,392	693	5,396	4,188	119	13,921	18,228	-	-	24,048
Total Functional Expenses:	\$ 3,775,306	\$ 5,390,758	\$ 226,376	\$ 879,594	\$ 155,716	\$ 1,261,686	\$ 353,699	\$ 90,691	\$ 1,242,384	\$ 1,686,774	\$ 102,828	\$	\$ 12,217,352

See accompanying notes and independent auditors' report.

United Way of the Midlands
Statements of Cash Flows
For the Years Ended June 30,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,408,707)	\$ 903,458
Adjustments to Reconcile Net Cash Provided by Operating Activities:		
Depreciation	94,236	96,851
Provision for Uncollectible Pledges	538,496	466,614
Unrealized Gain (Loss) on Investments	(5,241)	28,109
Gain on Disposal of Fixed Assets	25	140
(Increase) Decrease in Current Assets:		
Pledges Receivable	(425,500)	(836,759)
Grants Receivable	2,175,544	(1,257,342)
Designation Processing Income Receivable	(4,179)	55,565
Other Receivables	(55,327)	(4,926)
Prepaid Expenses	10,777	(95,049)
Increase (Decrease) in Current Liabilities:		
Designations Payable	91,239	(455,591)
CORE Service and RFP Funding Payable	544,225	426,956
Accounts Payable	110,633	(105,568)
Grants Payable	(679,638)	(215,796)
Other Liabilities	31,048	34,222
Net Cash Provided (Used) by Operating Activities	1,017,631	(959,116)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments, Net of Sales	(76,402)	(524,000)
Purchases of Property and Equipment	(57,399)	(45,982)
Net Cash Used by Investing Activities	(133,801)	(569,982)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from lines of credit	-	281,576
Repayments on lines of credit	-	(281,576)
Net Cash Provided (Used) by Financing Activities	-	-
Net Increase (Decrease) in Cash	883,830	(1,529,098)
Cash, Beginning of Year	1,866,617	3,395,715
Cash, End of Year	\$ 2,750,447	\$ 1,866,617
Supplemental Disclosure:		
Cash Paid During the Year for Interest	\$ -	\$ 300

See accompanying notes and independent auditors' report.

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies

Nature of Organization

Founded in 1927, United Way of the Midlands (the “Organization”) is a nonprofit corporation governed by a volunteer Board of Directors which consists of diverse local area leadership. The Board is supported by various committees that have oversight over different aspects of the Organization’s operations; including finance, community impact, and communications. The current mission of the Organization is to determine, and respond to, the critical health and human service needs of the midlands area. The Organization conducts an annual fundraising campaign throughout the midlands area of South Carolina to raise funds through corporate and individual pledges and gifts. Campaign funds are raised for the purpose of funding specific grant requests from affiliated local agencies that will have the greatest, measurable impact on the quality of health and human services in the midlands. The organization also works in collaboration with others to leverage Community Impact resources for the purpose of obtaining grants from various funding sources that support the health and human services needs of the area.

Fundraising campaigns are conducted in the fall of each year to raise support for participating agencies in the subsequent calendar year. The Organization is dependent upon undesignated contributions from corporate and individual donors to this campaign to support its program services. The level of such contributions can be affected by economic conditions and other factors. In addition, the choice on the part of some donors to designate their gifts to specific agencies can result in reduced funding available for grant making, grant matching and leveraging grants, and other initiatives that might be undertaken consistent with the mission of the organization. A decrease in undesignated contributions could adversely affect the Organization’s ability to raise funds, maintain infrastructure, provide services, and to invest funds in social service agencies’ programs.

The Organization’s Community Impact program areas include: Financial Stability and Basic Needs initiatives that focus on helping low income individuals and families increase and maximize their income in order to meet basic life needs, as well as to begin the long-term process of saving and building assets. The Organization also provides support through other organizations for those in crisis and assists others in critical areas such as free income tax preparation. The Education Initiative is a key component of the Organization’s work. This area includes initiatives such as the Midlands Reading Consortium and other programs whose focus is to bring volunteers and funding together to help at-risk students improve reading skills, academic success, and education levels. This would include supporting after school reading classes, increasing parental involvement and other programs focused on mentoring and assisting at-risk youth. The Health Initiatives purpose is to help ensure access to health care and to promote wellness for improving the quality of life in the midlands. Funds in this area provide for workshops and exercise sessions for seniors, enrollment for individuals in plans that address chronic disease and primary care management for the uninsured, free dental treatment for children and uninsured adults, meals for seniors, and social rehabilitation.

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. The organization also participates and is the lead regional fundraiser participating in the state of South Carolina employee fundraising campaign for a five county area of the midlands.

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Combined Federal Campaign

CFC and the Office of Personnel Management contract 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.

Compliance

The organization is certified in compliance with all Membership Requirements promulgated by United Way Worldwide. Included in these are compliance in the areas of governance, accounting standards and presentation, and Standard M, which governs the organizations handling of designation payments.

The Organization pledges its commitment and is in full compliance with Standard M. Standard M, promulgated in 2004 and 2005 by United Way Worldwide, governs the calculation of Cost Recovery Rates and the timing of notifications and designation payouts. The organization meets or exceeds these standards in all instances. The Organization's calculation of Cost Recovery Rates is verifiable based on the audited 990 results available to the public. The Cost Recovery Rate consists of a three-year moving average rate that is disclosed to United Way Worldwide, donors, and all organizations receiving designations. Organizations receiving designations receive full reporting on donors designating to their organization, including amounts pledged, collected, and paid.

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.

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.

Basis of Presentation

The Organization follows the accounting and reporting standards established by the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). That topic of the FASB ASC 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. It also 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.

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

A description of the three net asset categories follows:

- | | |
|---------------------------------|---|
| <u>Unrestricted</u> – | Assets and liabilities 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. |
| <u>Temporarily restricted</u> – | Assets and liabilities 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. |
| <u>Permanently restricted</u> – | Assets and liabilities 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 as of June 30, 2011 and 2010. |

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid certificates of deposit and debt instruments with an original 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 net of Direct Paid Designations. Annual pledges not collected after 18 months are written off against the allowance.

Investments

Investments are stated at aggregate current market value, as determined by the last reported sales price on the last business day of the fiscal year. Increases or decreases in market value are recognized as income or losses in the period in which they occur. Appreciation(depreciation) in fair value of investments represents an aggregate of increases(decreases) in the market value of investments held throughout the year and the difference between net purchase price and end of the year market value for investments purchased during the year.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 both individually or in total as a group, are capitalized and recorded at historical cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is calculated using the straight-line method.

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

The Organization's employees are entitled to accrue and carry forward annual leave subject to a maximum number of hours and length of employee service. Prior year leave that is carried forward to the next year must be used by December 31 of that year. Any leave that was carried forward from the prior year that is still left at December 31 of the current year is forfeited.

Public Support

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.

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."

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. These allocations are consistent with "Overhead Allocation" guidelines approved by the Financial Issues Committee of United Way Worldwide.

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, donated services are only recognized if they require specialized skills, are provided by those individuals or companies that possess those skills, and would need to be purchased if they were not donated, in accordance with the *Not-for-Profit Revenue Recognition* topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Donated property and other in-kind contributions are recognized in the financial statements at fair market value when received.

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Fundraising Costs

The Organization expenses all fundraising costs as they are incurred.

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 unrelated business income, revenues from the rent of office space to a for-profit organization, of approximately \$82,500 for the years ended June 30, 2011 and June 30, 2010. However, its net unrelated business income (income after expenses) resulted in a loss. Therefore no provision for income taxes was made.

Concentration of Risk

Cash and Cash Equivalents

The Organization maintains its cash in cash deposit accounts which at times during the year may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and feels the commercial banks they use are financially sound. The organization's cash balances exceeded the FDIC limit by approximately \$940,000 at June 30, 2011 and \$1,195,000 at June 30, 2010. The Organization does not believe it is exposed to any significant risk on its cash balances.

Investments

The Organization maintains its investments with a brokerage firm which at times during the year may exceed amounts covered by insurance provided by the U.S. Securities Investment Protection Corporation (SIPC). The Organization's investment balances exceeded that limit by approximately \$635,000 at June 30, 2011 and \$590,000 at June 30, 2010.

Pledges Receivable/Revenue

Substantially all pledges receivable and revenues are from individuals, businesses, or nonprofit organizations in the Columbia, South Carolina and surrounding areas.

At June 30, 2011 pledges receivable from one company equaled approximately 20% of net campaign pledges receivable. At June 30, 2010 pledges receivable from the same company equaled approximately 22% of net campaign pledges receivable.

Pledge revenue from one company's corporate, payroll, and individual giving equaled approximately 17% of total revenues and 16% of gross campaign revenues for the year ended June 30, 2011. Pledge revenues from the same company totaled approximately 13% of total revenues and 15% of gross campaign revenues for the year ended June 30, 2010.

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 2 – Reserve Fund

The Board of Directors has designated a reserve fund at the Organization. The purpose of this fund is to reserve for future cash shortfalls or operating needs. The board has approved a reserve fund policy that governs these funds. According to the reserve fund policy the board must approve any withdrawal or replenishment of the funds. It also sets a required fund balance at 25% of operating expenses expected in the following fiscal year. Furthermore, investments in the reserve fund are invested according to the Organization's investment policy (see Note 4). During the year ended June 30, 2010, the Board approved a withdrawal, totaling \$308,000, for operating needs. The fund balance was approximately \$78,000 below the required level at June 30, 2011 based on the 2011-2012 budget, and approximately \$53,000 below the required level at June 30, 2010, based on the 2010-2011 budget. The Organization replenished the deficit at June 30, 2010 during the 2010-2011 fiscal year and intends to replenish the deficit at June 30, 2011 from its current operating reserve, which totaled approximately \$1,025,000 at June 30, 2011.

The reserve fund was made up of the following at June 30;

	2011	2010
Cash & Cash Equivalents	\$ 291,762	\$ 182,281
Investments	1,125,739	1,059,306
Investments - Other	411,860	408,379
Total Reserve Funds	\$ 1,829,361	\$ 1,649,966

Note 3 – Investments

The Organization's investments are governed by a board approved investment policy. All brokerage and banking institutions involved in managing the Organization's investments were provided copies and have agreed to abide by this policy. The policy restricts investments to fixed income investments consisting of certificates of deposit, money market funds, guaranteed government securities, and AA rated or above commercial paper with an average maturity of less than three years.

Available for Sale

Short term investments are carried at fair value, which approximates cost in accordance with the *Not-for-Profit Entities – Investments – Debt and Equity Securities* topic of the FASB ASC. Investments consist of certificates of deposit and corporate bonds which 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.

The following is a summary of the market value of investments as of June 30;

	2011	2010
Certificates of Deposit	\$ 538,880	\$ 528,671
Corporate Bonds	586,859	530,635
Total Investments	\$ 1,125,739	\$ 1,059,306

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 3 – Investments (continued)

The following schedule summarizes the investment return for the years ended June 30;

	2011	2010
Interest and Dividends	\$ 59,794	\$ 64,216
Realized Gains	14,213	-
Unrealized Gains (Losses)	(5,241)	28,109
Total Investment Return	\$ 68,766	\$ 92,325

Investment fees totaled approximately \$245 and \$300 for the years ended June 30, 2011 and 2010, respectively.

Investments – Other

“Investments – Other” are comprised of certificates of deposit (CD) held for investment that are not considered marketable securities. CD’s with original maturities greater than three months and remaining maturities less than one year are classified as short-term while those with remaining maturities greater than one year are classified as long-term. CD’s are reported at cost plus any accrued interest through the reporting date.

Note 4 – Endowed Funds

The Organization has transferred gifts it has received over the years to the Central Carolina Community Foundation (“CCCF”). These funds are invested by CCCF and are presented at market value which was \$95,370 as of June 30, 2011 and \$83,641 as of June 30, 2010. The principal balance is not available to the organization upon demand. However, each year CCCF allots a certain amount of the original investment which may be withdrawn by the Organization. The Organization has elected to withdraw the maximum available, \$4,670 in 2011 and \$4,680 in 2010. Investment fees on these funds totaled approximately \$1,000 and \$945 for the years ended June 30, 2011 and 2010, respectively.

Note 5 – Endowed Funds Held for Others

The Organization is holding funds on behalf of Women in Philanthropy (WIP) at CCCF. These funds are invested by CCCF and are presented at market value which was \$98,353 as of June 30, 2011 and \$81,659 as of June 30, 2010. The principal balance is not available to WIP upon demand. However, each year CCCF allots a certain amount of the original investment which may be withdrawn by WIP. WIP has elected not to withdraw any funds from the investment during the years ended June 30, 2011 and 2010.

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 6 – Property and Equipment

Property and equipment consists of the following as of June 30;

	2011	2010
Land	\$ 344,102	\$ 344,102
Buildings and Improvements	1,995,521	1,981,758
Furniture and Equipment	350,760	335,228
Computer Software	58,971	39,391
Capital Projects in Progress	8,500	-
	2,757,854	2,700,479
Less: Accumulated Depreciation	(1,526,391)	(1,432,154)
Property and Equipment, Net	\$ 1,231,463	\$ 1,268,325

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, subject to a minimum rate of 3.25%. The effective interest rate was 3.25% at June 30, 2011 and June 30, 2010. The line of credit is collateralized by the Organization's building and matures in December each year.

The Organization also has a \$250,000 line of credit agreement with a commercial bank, specifically for the funding needs of the Combined Federal Campaign. Interest on the outstanding balance is due monthly at the bank's prime rate minus one-half percent, subject to a minimum of 3.25%. The effective interest rate was 3.25% at June 30, 2011 and June 30, 2010. The line of credit is collateralized by the Organization's building and matures in June each year.

There were no outstanding balances on either line of credit at June 30, 2011 and 2010.

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets released from program restrictions consisted of the following during the years ended June 30;

	2011	2010
Purpose restrictions:		
Agency allocations	\$ 6,721,727	\$ 6,813,580
Special program grants	4,074,786	5,390,758
Other programs	148,447	173,987
Total net assets released from restrictions	\$ 10,944,960	\$ 12,378,325

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 8 – Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were available for the following purposes at June 30;

	2011	2010
Future Campaign's Income	\$ 62,932	\$ 22,646
Grants:		
Midlands Housing Alliance	1,490,000	2,991,694
SC Mission 2011	130,000	-
Strengthening Partnerships	71,979	99,905
BCBS Advertising	3,715	13,240
Memorandum's of Agreement	-	10,852
Vitamin D Program	7,182	7,182
Other Grants	12,892	17,559
Total temporarily restricted net assets	\$ 1,778,700	\$ 3,163,078

Note 9 – 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 totaled \$156,489 for the year ended June 30, 2011 and \$97,637 for the year ended June 30, 2010.

Note 10 – Incentive Compensation Plan

The Board of Directors approved an incentive compensation payment plan, first adopted in 2008, for all of the employees of the organization who qualify. The incentive pay is based on reaching board approved organizational and departmental goals that are developed at the beginning of each fiscal year. Incentive payments totaled \$66,504 for June 30, 2011 and \$68,774 for June 30, 2010 as a result of the attainment of all or a portion of these goals.

Note 11 – Compassion Capital Grant

During the year ended June 30, 2008 the Organization received a three year grant of \$499,174 per year from the U.S. Department of Health and Human Services. The grant is to be used to provide technical assistance to faith-based and community organizations in order to assist them in increasing an organization's sustainability and effectiveness, enhancing its ability to provide social services, and creating collaborations to better serve those most in need.

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 11 – Compassion Capital Grant (continued)

Grant activity related to the Compassion Capital Grant is made up of the following as of June 30;

	2011	2010
Funds Available, Beginning	\$ 472,688	\$ 894,725
Funds Spent Through June 30	(381,698)	(422,037)
Unspent Funds as of June 30	90,990	472,688
Unspent Funds No Longer Available	(90,990)	-
Funds Available, Ending	\$ -	\$ 472,688

Note 12 – Knight Foundation Grant

During the year ended June 30, 2009, the Organization received a \$5,000,000 grant from the John S. and James L. Knight Foundation. The grant was to help United Way of the Midlands launch a comprehensive housing and services program for the homeless in Columbia, SC. The grant is payable in three installments. The first installment of \$2,000,000 was received during the year ended June 30, 2009. The second installment of \$1,490,000 was received during the current fiscal. The final payment of \$1,490,000 is expected to be received in the 2011 fiscal year upon presentation of satisfactory progress reports. The remaining \$20,000 of the grant was withheld by the Knight Foundation for two grant expenditure evaluations that will be conducted.

Note 13 – Fair Value Measurements

Effective January 1, 2009 the Organization adopted the *Fair Value Measurements and Disclosures* topic of the FASB ASC, which provides a framework for measuring fair value of certain assets and liabilities and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The FASB ASC topic establishes a three-tier hierarchy that prioritizes the assumptions, referred to as inputs, used in valuation techniques to measure fair value.

The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Pricing inputs which include quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the reporting date.
- Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived from or corroborated by observable market data as of the reporting date.
- Level 3 – Pricing inputs which include those that are unobservable for the asset or liability and reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

United Way of the Midlands
Notes to the Financial Statements
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Note 13 – Fair Value Measurements (continued)

Assets measured at fair value are as follows as of June 30:

	2011			Total
	Level 1	Level 2	Level 3	
Investments	\$ 1,125,739	\$ -	\$ -	\$ 1,125,739
Endowed Funds	-	-	95,370	95,370
Totals	\$ 1,125,739	\$ -	\$ 95,370	\$ 1,221,109

	2010			Total
	Level 1	Level 2	Level 3	
Investments	\$ 1,059,306	\$ -	\$ -	\$ 1,059,306
Endowed Funds	-	-	83,641	83,641
Totals	\$ 1,059,306	\$ -	\$ 83,641	\$ 1,142,947

The Endowed Fund at CCCF, classified as level 3, consists of long-term investments held by third-party (see note 5). Management estimates the investment's fair value using information supplied by the third-party. However, the third-party information supplied does not describe the underlying investments that make up the Organization's funds. As a result, no observable inputs are present in order for the Organization's management to assess fair value. The Endowed Fund at CCCF had the following activity during the years ended June 30;

	2011	2010
Beginning balance	\$ 83,641	\$ 79,771
Interest income	2,373	1,799
Realized losses	(122)	(1,006)
Unrealized gains (losses)	15,141	8,703
Management fees	(993)	(946)
Deposits and withdrawals (net)	(4,670)	(4,680)
Ending balance	\$ 95,370	\$ 83,641

United Way of the Midlands
Notes to the Financial Statements
As of and for the Years Ended June 30, 2011 and 2010

Note 14 – Related Party Transactions

The Organization has a fiscal agency relationship with the Midlands Area Combined Federal Campaign which is subject to annual renewal and was renewed in 2011 for the period of one year.

As part of the annual CFC, various federal agencies in South Carolina receive pledges from federal employees in South Carolina. These agencies in turn remitted the pledges collected to the Midlands Area Combined Federal Campaign. The Organization is honoring designations made through these pledges to its member organizations.

The Organization, acting as the Principal Combined Fund Organization (PCFO), is reimbursed by the CFC for all expenses incurred for the administration of the CFC. The CFC owed the Organization \$215,285 as of June 30, 2011 and \$119,815 as of June 30, 2010. The Organization also had prepaid expenses incurred related to the 2010 CFC campaign totaling \$108,681 as of June 30, 2011 and \$108,873 as of June 30, 2010. Pledge revenues from the CFC that were designated to the Organization totaled \$103,652 for the year ended June 30, 2011 and \$104,004 for the year ended June 30, 2010.

The Organization paid monthly dues to the United Way of America, its national affiliate, in the amount of \$102,828 for the year ended June 30, 2011 and \$102,828 for the year ended June 30, 2010.

Note 15 – Fiscal Agency

The Organization is the designated fiscal agent for the Midlands Housing Alliance, a local program stated by the Organization in 2009. The Organization provides support in the areas of collection and disbursement of specific program related grants, collections, accounting, banking, audit support, financial reporting, and accounts payable. These services are provided to the Midlands Housing Alliance free of charge.

Note 16 – 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.

Note 17 – Subsequent Events

The date to which events occurring after June 30, 2011 (the date of the most recent balance sheet) have been evaluated for possible adjustment to the financial statements or disclosure is November 30, 2011, which is the date on which the financial statements were issued.

Note 18 – Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation.
