

UNITED WAY OF VOLUSIA-FLAGLER
COUNTIES, INC.
(a not-for-profit organization)

Audited Financial Statements and Independent Auditors' Report

For the year ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Volusia-Flagler Counties, Inc.
Daytona Beach, Florida

We have audited the accompanying statement of financial position of United Way of Volusia-Flagler Counties, Inc. (a not-for-profit organization) as of June 30, 2011, and the related statements 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 audit.

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 Volusia-Flagler Counties, Inc. as of June 30, 2011, 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.

Weston & Gregory, P.A.

September 21, 2011



America Counts on CPAs

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.
Statement of Financial Position
June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 1,246,122	\$ 724,866	\$ -	\$ 1,970,988
Annual campaign pledges receivable, net	782,733	-	-	782,733
Other receivables	19,040	-	-	19,040
Prepaid expenses	18,302	-	-	18,302
Investments	105,081	-	-	105,081
Contribution receivable - charitable lead trust	-	13,489	-	13,489
Total current assets	<u>2,171,278</u>	<u>738,355</u>	<u>-</u>	<u>2,909,633</u>
Noncurrent Assets:				
Pooled income fund	-	50,754	-	50,754
Life insurance cash surrender value	122,571	-	-	122,571
Investments	3,202,053	-	636,208	3,838,261
Property and equipment - net	310,496	-	-	310,496
Total noncurrent assets	<u>3,635,120</u>	<u>50,754</u>	<u>636,208</u>	<u>4,322,082</u>
 Total assets	 <u>\$ 5,806,398</u>	 <u>\$ 789,109</u>	 <u>\$ 636,208</u>	 <u>\$ 7,231,715</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 30,999	\$ -	\$ -	\$ 30,999
Accrued expenses	61,047	-	-	61,047
Allocations and designations payable	1,459,364	-	-	1,459,364
Deferred revenue	-	28,603	-	28,603
Total current liabilities	<u>1,551,410</u>	<u>28,603</u>	<u>-</u>	<u>1,580,013</u>
Noncurrent Liabilities:				
Gift annuity obligations	-	147,230	-	147,230
Net Assets:				
Unrestricted:				
Undesignated	4,168,379	-	-	4,168,379
Designated for Womens Initiative	55,650	-	-	55,650
Designated for Campaign for Working Families	8,149	-	-	8,149
Designated for BRAIVE	22,810	-	-	22,810
Temporarily restricted	-	613,276	-	613,276
Permanently restricted	-	-	636,208	636,208
Total net assets	<u>4,254,988</u>	<u>613,276</u>	<u>636,208</u>	<u>5,504,472</u>
 Total liabilities and net assets	 <u>\$ 5,806,398</u>	 <u>\$ 789,109</u>	 <u>\$ 636,208</u>	 <u>\$ 7,231,715</u>

The accompanying notes to financial statements
are an integral part of this statement.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.
Statement of Activities
For the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Public support and revenue</u>				
Public support:				
Gross annual campaign contributions and pledges	\$ 2,302,134	\$ -	\$ -	\$ 2,302,134
Less: Allowance for uncollectible pledges	(135,992)	-	-	(135,992)
Less: Donor designations	(129,792)	-	-	(129,792)
Total annual campaign contributions and pledges	2,036,350	-	-	2,036,350
Other contributions and support	256,656	381,167	-	637,823
Bequests and memorial gifts	3,617	-	-	3,617
Donated services and space rental	42,734	-	-	42,734
Total public support	2,339,357	381,167	-	2,720,524
Revenue:				
Grants, contracts and fees for service	224,480	20,501	-	244,981
Other income	7,761	-	-	7,761
Change in value of charitable lead trust	-	1,088	-	1,088
Change in value of charitable gift annuities	23,184	-	-	23,184
Change in value of pooled income fund	-	2,331	-	2,331
Investment income, net	901,252	48,994	-	950,246
Total revenue	1,156,677	72,914	-	1,229,591
Net assets released from restrictions:				
Scholarships funded	15,900	(15,900)	-	-
Satisfaction of purpose restrictions	159,137	(159,137)	-	-
Total net assets released from restriction	175,037	(175,037)	-	-
Total public support, revenue, and net assets released from restrictions				
	3,671,071	279,044	-	3,950,115
<u>Expenses</u>				
Agency allocations	1,464,545	-	-	1,464,545
Less: Donor designations	(129,792)	-	-	(129,792)
Net agency allocations	1,334,753	-	-	1,334,753
Scholarships, direct assistance and distributions	300,005	-	-	300,005
Total allocations and distributions	1,634,758	-	-	1,634,758
Operating expenses				
Program services	409,120	-	-	409,120
Community foundation	219,730	-	-	219,730
Fundraising	387,283	-	-	387,283
Special events	62,775	-	-	62,775
Management and general	170,277	-	-	170,277
Total operating expenses	1,249,185	-	-	1,249,185
Total expenses	2,883,943	-	-	2,883,943
Change in net assets	787,128	279,044	-	1,066,172
Net assets, beginning of year	3,467,860	334,232	636,208	4,438,300
Net assets, end of year	\$ 4,254,988	\$ 613,276	\$ 636,208	\$ 5,504,472

The accompanying notes to financial statements
are an integral part of this statement.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Statement of Functional Expenses

For the year ended June 30, 2011

	Program Services			Total Program Services
	First Call For Help	Volunteer Center	Community Planning	
Compensation and related expenses				
Salaries	\$ 69,391	\$ 66,520	\$ 77,928	\$ 213,839
Employee benefits	15,599	11,185	18,961	45,745
Payroll taxes	5,048	4,343	5,381	14,772
	<u>90,038</u>	<u>82,048</u>	<u>102,270</u>	<u>274,356</u>
Other expenses				
Professional and consulting fees	6,436	23	7,375	13,834
Bank and trust management fees	-	-	-	-
Supplies	764	8,072	12,680	21,516
Telephone and other communication	4,117	2,314	3,969	10,400
Postage and shipping	-	77	47	124
Occupancy	6,770	5,097	8,720	20,587
Rental and maintenance of equipment	4,977	1,587	2,243	8,807
Printing and publications	3,587	1,086	3,386	8,059
Travel	2,529	1,258	10,575	14,362
Conferences, meetings and training	444	8,660	2,242	11,346
Dues	4,202	4,343	4,612	13,157
Recognition and awards	-	825	703	1,528
Insurance	336	300	420	1,056
Advertising	-	-	1,383	1,383
Depreciation	2,707	2,381	3,355	8,443
Miscellaneous	-	100	62	162
	<u>-</u>	<u>100</u>	<u>62</u>	<u>162</u>
Total operating expenses	<u>\$ 126,907</u>	<u>\$ 118,171</u>	<u>\$ 164,042</u>	<u>\$ 409,120</u>

The accompanying notes to financial statements
are an integral part of this statement.

Support Services

<u>Community Foundation</u>	<u>Fund Raising</u>	<u>Special Events</u>	<u>Management and General</u>	<u>Total Support Services</u>	<u>Total Expenses</u>
\$ 80,462	\$ 179,547	\$ 36,008	\$ 57,003	\$ 353,020	\$ 566,859
20,027	39,920	7,472	15,343	82,762	128,507
2,874	13,078	2,641	7,467	26,060	40,832
<u>103,363</u>	<u>232,545</u>	<u>46,121</u>	<u>79,813</u>	<u>461,842</u>	<u>736,198</u>
16,727	1,498	1,037	37,365	56,627	70,461
30,739	-	-	30	30,769	30,769
848	9,462	696	17,796	28,802	50,318
3,472	7,045	1,328	1,804	13,649	24,049
1,889	4,282	-	1,560	7,731	7,855
7,554	15,210	2,921	6,079	31,764	52,351
1,902	4,785	918	1,739	9,344	18,151
17,128	22,397	584	723	40,832	48,891
2,541	7,510	401	1,783	12,235	26,597
24,002	30,867	2,604	10,421	67,894	79,240
4,241	9,556	1,799	6,731	22,327	35,484
157	26,589	1,713	1,692	30,151	31,679
396	900	168	288	1,752	2,808
200	7,478	-	-	7,678	9,061
3,175	7,159	1,371	2,290	13,995	22,438
1,396	-	1,114	163	2,673	2,835
<u>\$ 219,730</u>	<u>\$ 387,283</u>	<u>\$ 62,775</u>	<u>\$ 170,277</u>	<u>\$ 840,065</u>	<u>\$ 1,249,185</u>

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Statement of Cash Flows
For the year ended June 30, 2011

Cash flows from operating activities:	
Cash received from contributions and pledges	\$ 2,113,640
Cash received from other contributions and support	638,847
Cash received from bequests and memorial gifts	3,617
Cash received from grants, contracts and fees for service	244,981
Cash received from other income	8,354
Cash received from charitable lead trust	14,197
Cash received from investment income	116,594
Cash paid for allocations and distributions	(1,787,169)
Cash paid for operating expenses	(1,160,496)
Cash paid for charitable gift annuities	(27,456)
Net cash provided by operating activities	165,109
Cash flows from investing activities:	
Purchase of equipment	(86,141)
Proceeds from sale of investments	3,881,822
Purchase of investments	(3,079,097)
Net cash provided by investing activities	716,584
Net increase in cash and cash equivalents	881,693
Cash and cash equivalents, beginning of year	1,089,295
Cash and cash equivalents, end of year	\$ 1,970,988
Cash flows from operating activities:	
Change in net assets	\$ 1,066,172
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	22,438
Net realized gain on sale of investments	(387,459)
Net unrealized gain on investments	(440,874)
Increase in cash surrender value of life insurance	(5,319)
Provision for uncollectible pledges	135,992
Loss on disposal of property and equipment	593
(Increase) Decrease in certain assets:	
Annual campaign pledges receivable	(58,702)
Other receivables	3,065
Prepaid expenses	(3,073)
Pooled income fund	(6,842)
Contributions receivable - charitable lead trust	13,109
Deposits	1,000
Increase (Decrease) in certain liabilities:	
Accounts payable	28,310
Accrued expenses	(2,720)
Allocations and designations payable	(154,452)
Deferred revenue	4,511
Gift annuity obligations	(50,640)
	(50,640)
Net cash provided by operating activities	\$ 165,109

The accompanying notes to financial statements
are an integral part of this statement.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Notes to Financial Statements

June 30, 2011

1. Nature of Organization:

The United Way of Volusia-Flagler Counties, Inc. (The Organization) is a not-for-profit organization incorporated under the laws of Florida. The mission of the Organization is to increase the organized capacity of the community to care for its people. The Organization brings its mission to life through an annual fund-raising campaign which results in the allocation of funds to its human service member agencies in Volusia and Flagler counties. All funds are allocated through a volunteer driven, citizen-review process. Distributions are reported as "agency allocations" in the accompanying statement of activities. The distribution of funds by trained and knowledgeable volunteers sets the Organization apart from other funding sources, with nearly 300 volunteers participating in these activities each year. In addition, the Organization provides funding for several community building programs and services directly managed by the Organization. Program service areas directly managed by the Organization are summarized as follows:

First Call for Help - This program is the only comprehensive information and referral program that is available to anyone seeking information about human service agencies in Volusia and Flagler Counties. Trained and certified information and referral specialists are available 24 hours per day 365 days per year by phone to provide information about human service agencies in Volusia and Flagler counties. A searchable index of services is available at the Organization's online website and First Call for Help operates several walk-in centers in area communities.

Volunteer Center - This program is Volusia and Flagler counties' only resource devoted solely to the promotion and nurturing of volunteerism and community service. The Volunteer Center recruits, develops, places and recognizes volunteers for hundreds of organizations and agencies community wide, trains and matches potential leadership-caliber volunteers for various boards and committees, and administers the Corrections Department's Community Service program through the court system.

Community Planning - The Organization engages in community planning through the Public Policy Committee, Partner Agency Council, and the Human Services Coordinating Council for the purposes of assessing community needs, coordinating public and private funding, and aiding in the development of other human services efficiencies and collaborations. In addition, the community planning function coordinates two community wide initiatives:

a) Success By Six - Success By Six is an early childhood initiative that brings together a community partnership of businesses, government, religious groups, educators and human service agencies that seeks to make early childhood development (prenatal through age 6) a top priority in Volusia and Flagler Counties by coordinating communities assets, supporting high standards for service, and measuring outcomes.

b) Campaign For Working Families (CFWF) - The CFWF is a coalition of community business, government, and non-profit partners whose mission is to help provide financial stability to low-and-moderate-income working families in Volusia and Flagler Counties by providing free tax return preparation, providing financial education classes to help individuals manage their money in a way that helps them build financial assets, providing outreach and education about the Earned Income Tax Credit, and promoting and encouraging savings.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.
Notes to Financial Statements
June 30, 2011

2. Summary of Significant Accounting Policies:

The following is a summary of the Organization's significant accounting policies:

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The Organization reports its financial information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - The unrestricted net asset class includes the general and board designated assets and liabilities of the Organization. Revenue and support received by the Organization without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted to the Organization. The Board of Directors established a fund to combine legacy gifts, using the growth and income of the corpus to ensure funding for changing community needs for many future years. Currently that fund is managed by the Community Foundation, a Division of the United Way of Volusia-Flagler Counties and \$3,953,063 is included within the unrestricted net asset class at June 30, 2011. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and the Board of Directors to support the Organization's purposes and operations.

Temporarily Restricted Net Assets - The temporarily restricted net asset class includes expendable assets and related liabilities of the Organization. These assets relate to gifts with explicit time or purpose restrictions that have not yet been met. When the time or purpose restriction is met these assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently Restricted Net Assets - The permanently restricted net asset class includes assets and related liabilities of the Organization related to contributions for which the donor has restricted the investment of the gift corpus in perpetuity. The income generated from the investment of corpus is available for the Organization's operations in accordance with the donor restrictions. Appreciation related to the permanently restricted net assets, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate unrestricted or temporarily restricted net asset class.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include checking and money market accounts.

Investments - Investments are reported at fair value. Realized gains and losses are recognized at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are recognized for the change in fair value between reporting periods. Interest and dividend income is recognized when earned. Investment income (loss) is included in the change in unrestricted net assets, unless its use is temporarily or permanently restricted by donor stipulations or law. When a donor restriction is met the amount is reclassified and reported as released from restriction.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Notes to Financial Statements

June 30, 2011

2. Summary of Significant Accounting Policies, continued:

Property and Equipment - Purchases of land, buildings and equipment having a unit cost of \$500 or more are capitalized at cost. Donated assets are capitalized at the estimated fair-market value at the time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 33 years.

Contributions - The Organization reports contributions of cash and other assets as 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 statement of activities as net assets released from restrictions.

The Organization reports gifts of property, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service and/or construction expenses have been incurred.

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

No amounts have been included in the accompanying financial statements for services contributed by campaign volunteers since such services generally do not require specialized skills. Nevertheless, a substantial number of volunteers from the area donated their time to the Organization.

Annual Campaign Pledges Receivable - Annual campaigns are conducted from July 1 through June 30 to raise funds for allocation to participating agencies in the subsequent calendar year. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. An allowance for uncollectible pledges is established by the Organization's management based on past collection experience and current economic conditions. Because of uncertainties in the estimation process it is at least reasonably possible that management's estimate of uncollectible pledges will change in the near term. It is the Organization's policy to write-off uncollectible pledges within two years after an annual campaign has ended. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donor Designations - The Organization offers contributors the opportunity to designate their contributions to specific agencies. Contributions over which the Organization has little or no discretion in determining how funds are to be used are considered an agency relationship and, therefore, not recorded as a contribution when received or an agency allocation when disbursed. Donor designations are shown as reductions in gross annual campaign and agency allocations in the accompanying statement of activities.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Notes to Financial Statements

June 30, 2011

2. Summary of Significant Accounting Policies, continued:

Functional Allocation of Expenses - The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes.

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. The Organization assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements.

The Organization files tax returns in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2008.

Agency Allocations - Allocations to agencies are distributed over the year from July 1 through June 30, based on the preceding year's campaign. The Organization follows professional standards for contributions received and contributions made. Professional standards require recognition of allocations pledged to agencies as an expense in the period the pledge or allocation is made at their fair values. Therefore, amounts pledged or allocated as of June 30 but unpaid have been recorded as allocations and designations payable as of June 30, 2011.

Impairment of Long-Lived Assets - Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Deferred Revenue - The Organization is beneficiary of donations maintained in the United Way of America pooled income fund. The fair value of the donation is included in temporarily restricted assets in the accompanying statement of financial position. Contribution revenue is recorded at the present value of the ultimate amount to be received upon the death of the donor on the date the donation is made to the pooled income fund. The difference between the fair value of the assets received and the contribution recognized is recorded as deferred revenue.

Concentration of Credit Risk - The Organization's financial instruments that are exposed to concentrations of credit risk consist of checking and money market accounts held at creditworthy financial institutions. Such accounts may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Notes to Financial Statements

June 30, 2011

2. Summary of Significant Accounting Policies, continued:

Estimates - The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 21, 2011, the date the financial statements were issued. No subsequent events have been recognized or disclosed.

3. Investments:

At June 30, 2011, investments consist of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 1,393,607	\$ 1,393,620	\$ 13
Certificates of deposit	105,081	105,081	-
Mutual funds	1,371,667	1,572,430	200,763
Hedge funds	202,042	197,503	(4,539)
Equity securities	1,279,584	1,336,008	56,424
Limited partnership	556,978	732,320	175,342
	\$ 4,908,959	\$ 5,336,962	\$ 428,003

The certificates of deposit mature in less than one year.

Reflected in the statement of financial position as follows:

Cash and cash equivalents	\$ 1,393,620
Investments-current portion	105,081
Investments-noncurrent portion	3,838,261
	\$ 5,336,962

Investment income (loss) is summarized as follows:

Interest and dividends	\$ 116,594
Net increase in cash surrender value of life insurance	5,319
Net realized gains (losses) on investments	387,459
Net unrealized gains (losses) on investments	440,874
	\$ 950,246

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Notes to Financial Statements

June 30, 2011

4. Fair Value Measurements:

The Organization utilizes fair value measurements to record certain assets and to determine fair value disclosures. In accordance with FASB ASC Topic 820, "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 at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

ASC Topic 820 establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

Level 1 - Values measured using quoted prices in active markets for identical investments. Assets in this level typically include publicly traded equities, mutual fund investments, cash equivalents, and listed derivatives.

Level 2 - Values measured using observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in active markets that are not active; or other inputs that are observable by market data for substantially the full term of the assets or liabilities.

Level 3 - Values measured using unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011.

Cash and cash equivalents and certificates of deposit: Valued at cost, which approximates fair value.

Contributions receivable: For contributions receivable that are due within one year, carrying amount is a reasonable estimate of fair value. For contributions receivable that are due in more than one year, fair value is estimated at the present value of estimated future cash flows, using a discount rate reflective of current interest rates.

Mutual funds and hedge funds: Valued at the closing price reported on the active market in which the individual funds are traded.

Limited partnership: Valued at the net asset value of shares held by the Organization at year end. Net asset values are derived from the values of the underlying investments as reported by the fund managers of the private limited partnerships. Management obtains and considers the most recent audited financial statements of such investment when evaluating the overall reasonableness of carrying value. Management believes this method provides a reasonable estimate of fair value. Due to the inherent uncertainty of valuation of investment in limited partnerships, the estimated values may differ significantly from the values that would have been used had a ready market existed, and the difference could be material.

Equity securities: Valued at the closing price reported on the active market in which the individual stocks are traded.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Notes to Financial Statements

June 30, 2011

4. Fair Value Measurements, continued:

Allocations and designation payable: For allocations and designations payable that are due within one year, carrying amount is a reasonable estimate of fair value. For allocations and designations payable that are due in more than one year, fair value is estimated at the present value of estimated future cash flows, using a discount rate reflective of current interest rates.

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

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,393,620	\$ -	\$ -	\$ 1,393,620
Certificates of deposit	105,081	-	-	105,081
Mutual funds:				
Fixed income funds	1,307,067	-	-	1,307,067
Equity funds	265,363	-	-	265,363
Hedge funds	197,503	-	-	197,503
Equity securities:				
Financials	272,896	-	-	272,896
Communication	197,870	-	-	197,870
Energy	197,171	-	-	197,171
Information technology	150,922	-	-	150,922
Health care	142,286	-	-	142,286
Other	374,863	-	-	374,863
Limited partnership	-	732,320	-	732,320
	<u>\$ 4,604,642</u>	<u>\$ 732,320</u>	<u>\$ -</u>	<u>\$ 5,336,962</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	Limited Partnership
Balance as of June 30, 2010	\$ 530,882
Transfers out of Level 3	(a) (b) (530,882)
Purchases, sales, issuances and settlements	-
Balance as of June 30, 2011	<u>\$ -</u>

(a) Transferred from Level 3 to Level 2 based on observable market data.

(b) The Organization's policy is to recognize transfers in/out as of the actual date of the event or change in circumstances that caused the transfer.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.
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4. Fair Value Measurements, continued:

The following table represents fair value measurements of investments in certain entities that calculate net asset value per share:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnership	\$ 732,320	\$ -	Monthly	30 days

The limited partnership includes one private equity fund that invests primarily in stock of foreign companies that are publicly traded. The fair value of the investment has been estimated using the net asset value of the Organization's ownership interest in partners' capital.

5. Annual Campaign Pledges Receivable:

At June 30, 2011, annual campaign pledges receivable consist of the following:

2010 - 2011 campaign	\$ 902,665
2009 - 2010 campaign	127,081
	<u>1,029,746</u>
2010 - 2011 allowance for uncollectible pledges	(119,932)
2009 - 2010 allowance for uncollectible pledges	(127,081)
Annual campaign pledges receivable, net	<u>\$ 782,733</u>

6. Property and Equipment:

Property and equipment as of June 30, 2011 consist of the following:

Land	\$ 92,056
Building and improvements	390,875
Furniture and equipment	161,912
	<u>644,843</u>
Less: Accumulated depreciation	334,347
	<u>\$ 310,496</u>

Depreciation expense was \$22,438 for the year ended June 30, 2011.

7. Charitable Lead Trust:

During 2002, a donor established a trust with a local bank naming the Organization as the lead beneficiary of a charitable lead annuity trust. Under the terms of the trust split-interest agreement, the Organization is to receive 20% of the required payout from the trust for a period of ten years at an imputed discount rate of 5%. The present value of future benefits expected to be received on the date of donation was \$142,994, which was recorded in 2002 as a temporarily restricted contribution and as a contribution receivable – charitable lead trust. The Organization received \$14,197 from the trust during the current year, which was recorded as a reduction in the receivable. The Organization also recorded amortization of the discount on the estimated present value of future distributions of \$1,088 in the current period. Cash received from the trust is to only be used to provide scholarships for students meeting the criteria established by the trust. For the year ended June 30, 2011, \$15,900 was expended on scholarships for students.

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Notes to Financial Statements

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8. Gift Annuities:

The Organization administers several charitable gift annuities. A charitable gift annuity is an arrangement between a donor and the Organization in which the donor contributes assets in exchange for a promise by the Organization to pay a fixed amount for a specified period of time (typically the life of the donor or a designated beneficiary). Subject to certain reserve and other regulatory requirements, the contributed assets are held as assets of the Organization and the related annuity liability is recorded as an obligation of the Organization.

The assets received are recognized at fair market value when received, and an annuity payment liability is recognized at the present value of annuity payments expected to be paid. The annuity payment liability is based on life expectancies of the donors and discount rates ranging from 3.8% to 8.0% depending upon the year of the donation. Contribution revenue (gift value) is recognized as the difference between these two amounts. Payments to beneficiaries reduce the annuity liability. Adjustments are made to the annuity liability at the end of each subsequent year to reflect the current present value of future annuity payments. These adjustments are recognized in the statement of activities as changes in the value of gift annuities in unrestricted net assets. Reserve funds required by the State of Florida are maintained in a separate investment account at a local financial institution and amounted to \$184,037 as of June 30, 2011.

As of June 30, 2011, the present value of future annuity payments for existing gift annuities was \$147,230.

9. Employee Benefit Plans:

The Organization maintains the following employee benefit plans:

Defined contribution plan – The defined contribution plan covers all salaried employees with at least one year of service and who are at least 21 years of age. The Organization contributes 10% of the participant's salary. Participant's account balance shall be 100% non-forfeitable after completion of 3 years of vesting services or at 55 years of age. Total expense for the year ended June 30, 2011 was \$53,907. This plan was terminated effective July 1, 2011.

Tax-deferred annuity plan – The tax-deferred annuity plan qualifies under Section 403(b) of the Internal Revenue Code. The plan is available to full-time employees of the Organization. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization had \$1,324 in administrative expenses with this plan for the year ended June 30, 2011.

Effective July 1, 2011, the Organization established a 403(b) thrift plan that covers all salaried employees with at least one year of service and who are at least 21 years of age and work over 1,000 hours in the calendar year. The Organization contributes 5% of the participant's salary and will match up to 2% of the employees contributions. Participant's account balance shall be 100% non-forfeitable after completion of 3 years of vesting services or at 59.5 years of age.

10. Donated Services and Facilities:

The Organization recognizes donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the current year, donated services were as follows:

Audit fees	\$ 5,000
Printing and communication services	8,800
Program materials and services	28,934
	<u>\$ 42,734</u>

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Notes to Financial Statements

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11. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes at June 30, 2011:

Pooled income funds directed by United Way Worldwide	\$ 22,151
Scholarships to local students	22,472
Gift annuity reserves in excess of gift annuity obligations	36,807
Daytona Beach Police Foundation	130,983
Kelton family fund	76,762
Hosseini family fund	245,815
Every dollar gets empowered	53,886
Homeless children	16,604
United we smile	6,282
Families in need	1,514
Total temporarily restricted net assets	<u>\$ 613,276</u>

12. Release of Temporarily Restricted Net Assets:

Temporarily restricted net assets released from restriction by incurring expenses satisfying the restricted purpose/time restrictions for the year ended June 30, 2011 were as follows:

Scholarships to local students	\$ 15,900
Gift annuity reserves in excess of gift annuity obligations	12,659
Food brings hope	27,459
Daytona Beach Police Foundation	75,426
Hosseini family fund	7,950
United we smile	15,785
Families in need	19,858
Temporarily restricted net assets released from restrictions	<u>\$ 175,037</u>

13. Endowments:

The Organization's endowments consist of five funds established to support a variety of programs and specific agencies. Its endowments consist of only donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's Board. In accordance with SPMIFA, the Organization considers the following factors in taking a determination to appropriate or accumulate donor-restricted endowment funds:

UNITED WAY OF VOLUSIA-FLAGLER COUNTIES, INC.

Notes to Financial Statements

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13. Endowments, continued:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Organization. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies for the year ended June 30, 2011.

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 the programs and organizations supported by the endowments. The endowment assets are invested in a manner that is intended to produce positive results, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization has a policy of appropriating for distribution each year all of its endowment fund's earnings to the programs and organizations the donor has specified.

In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

Endowment net asset composition consisted of the following at June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 636,208	\$ 636,208

Changes in endowment net assets consist of the following for the year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ -	\$ -	\$ 636,208	\$ 636,208
Contributions	-	-	-	-
Endowment funds, end of year	\$ -	\$ -	\$ 636,208	\$ 636,208