

UNITED WAY SILICON VALLEY

**Financial Statements
June 30, 2009 and 2008**

**Together with
Independent Auditors' Report**

UNITED WAY SILICON VALLEY

TABLE OF CONTENTS

June 30, 2009

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way Silicon Valley

We have audited the accompanying statement of financial position of United Way Silicon Valley (the "United Way", a California public benefit corporation), as of June 30, 2009 and 2008, 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 United Way's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from United Way's 2008 financial statements and, in our report dated October 6, 2008, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the United Way's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the United Way as of June 30, 2009 and 2008, and the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the United Way adopted the provisions of Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*.



San Jose, California
September 28, 2009

UNITED WAY SILICON VALLEY**Statement of Financial Position**

June 30, 2009 (with comparative totals as of June 30, 2008)

	2009			Total	2008
	Unrestricted	Temporarily restricted	Permanently restricted		
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,902,699	\$ 1,071,237		\$ 2,973,936	\$ 2,374,158
Investments	750,000			750,000	
Pledges receivable, net of allowance for doubtful accounts of \$594,386 and \$518,521 for 2009 and 2008, respectively (Note 3)	3,787,580	65,543		3,853,123	3,765,690
Prepaid expenses	92,908			92,908	115,618
Grants and other receivables	42,400	1,074,103		1,116,503	688,066
Total current assets	6,575,587	2,210,883		8,786,470	6,943,532
Restricted cash			\$ 40,000	40,000	40,000
Long term grants receivable, net of present value discount of \$9,973 for 2009		140,027		140,027	
Long term in-kind receivable (Note 13)		2,520,932		2,520,932	2,781,389
Property and equipment, net (Note 4)	5,258,894			5,258,894	5,339,959
Other assets	71,971			71,971	127,697
Total assets	\$ 11,906,452	\$ 4,871,842	\$ 40,000	\$ 16,818,294	\$ 15,232,577
Liabilities and net assets					
Current liabilities:					
Accounts payable and accrued expenses	\$ 826,725			\$ 826,725	\$ 642,537
Deferred revenue	11,729			11,729	
Pledges due to agencies and other United Ways	1,404,347			1,404,347	1,328,900
Strategic grants payable	2,278,120			2,278,120	2,700,000
Capital lease obligations - current portion (Note 8)	25,200			25,200	7,894
Loan payable - current portion (Note 9)	50,000			50,000	
Bonds payable - current portion (Note 7)	490,000			490,000	470,000
Total current liabilities	5,086,121			5,086,121	5,149,331
Long-term liabilities:					
Capital lease obligations - less current portion (Note 8)	53,522			53,522	23,094
Loan payable - less current portion (Note 9)	912,500			912,500	
Bonds payable - less current portion (Note 7)	510,000			510,000	1,000,000
Other liabilities	37,602	\$ 300,000		337,602	49,004
Total liabilities	6,599,745	300,000		6,899,745	6,221,429
Net assets:					
Unrestricted	5,306,707			5,306,707	5,053,363
Temporarily restricted (Note 10)		4,571,842		4,571,842	3,917,785
Permanently restricted (Note 11)			\$ 40,000	40,000	40,000
Total net assets	5,306,707	4,571,842	40,000	9,918,549	9,011,148
Total liabilities and net assets	\$ 11,906,452	\$ 4,871,842	\$ 40,000	\$ 16,818,294	\$ 15,232,577

See notes to financial statements.

UNITED WAY SILICON VALLEY**Statement of Activities and Changes in Net Assets**

For the year ended June 30, 2009 (with comparative totals for the year ended June 30, 2008)

	2009			2008
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Campaign support:				
Annual campaign	\$ 12,027,348	\$ 107,223		\$ 12,134,571
Less donor designations to other organizations	(5,151,834)			(5,151,834)
Estimated uncollectible pledges	(446,741)	(64,891)		(511,632)
Net campaign support	6,428,773	42,332		6,471,105
Grants	900,851	1,394,936		2,295,787
Gifts in-kind and other support (Note 13)	185,478	132,149		317,627
Interest income	51,306			51,306
Net assets released from restrictions (Note 10)	915,360	(915,360)		
Miscellaneous income	856,171			856,171
Total revenues	9,337,939	654,057		9,991,996
Expenses:				
Program services:				
Gross funds awarded/distributed (Note 5)	8,025,870			8,025,870
Less donor designations	(5,151,834)			(5,151,834)
Net funds awarded/distributed	2,874,036			2,874,036
Community and program support	3,734,585			3,734,585
Total program services	6,608,621			6,608,621
Support services:				
Management and general	768,672			768,672
Fundraising	1,707,302			1,707,302
Total support services	2,475,974			2,475,974
Total expenses	9,084,595			9,084,595
Changes in net assets	253,344	654,057		907,401
Net assets at beginning of year	5,053,363	3,917,785	\$ 40,000	9,011,148
Net assets at end of year	\$ 5,306,707	\$ 4,571,842	\$ 40,000	\$ 9,918,549

See notes to financial statements.

UNITED WAY SILICON VALLEY

Statement of Functional Expenses

For the year ended June 30, 2009

	Program Services			Support Services			Total Expenses
	Net Funds Awarded/ Distributed	Community and Program Support	Total	Management and General	Fundraising	Total	
Funds awarded/distributed	\$ 8,025,870		\$ 8,025,870				\$ 8,025,870
Less donor designations	(5,151,834)		(5,151,834)				(5,151,834)
Sub-total	2,874,036		2,874,036				2,874,036
Salaries and wages		\$ 1,140,429	1,140,429	\$ 443,593	\$ 999,357	\$ 1,442,950	2,583,379
Fringe benefits		260,889	260,889	103,960	243,386	347,346	608,235
Office operating expenses		23,599	23,599	10,094	8,901	18,995	42,594
Publicity materials, services and supplies		80,098	80,098	19	66,800	66,819	146,917
Professional fees/technical services		593,431	593,431	80,105	45,121	125,226	718,657
Contract services		360,960	360,960				360,960
Occupancy expense		581,982	581,982	86,421	183,689	270,110	852,092
Conferences, travel and training		28,995	28,995	7,930	24,840	32,770	61,765
Special events		46,181	46,181	379	26,758	27,137	73,318
United Way of America Dues		60,500	60,500		60,500	60,500	121,000
Depreciation		380,764	380,764	15,193	33,569	48,762	429,526
Interest and bank charges		106,656	106,656	44,713	9,965	54,678	161,334
Miscellaneous expense		70,101	70,101	(23,735)	4,416	(19,319)	50,782
Total expenses	\$ 2,874,036	\$ 3,734,585	\$ 6,608,621	\$ 768,672	\$ 1,707,302	\$ 2,475,974	\$ 9,084,595

See notes to financial statements.

UNITED WAY SILICON VALLEY
Statement of Functional Expenses (continued)
For the year ended June 30, 2008

	Program Services			Support Services			Total Expenses
	Net Funds Awarded/ Distributed	Community and Program Support	Total	Management and General	Fundraising	Total	
Funds awarded/distributed	\$ 7,877,636		\$ 7,877,636				\$ 7,877,636
Less donor designations	(4,812,771)		(4,812,771)				(4,812,771)
Sub-total	3,064,865		3,064,865				3,064,865
Salaries and wages		\$ 1,017,686	1,017,686	\$ 346,615	\$ 1,063,721	\$ 1,410,336	2,428,022
Fringe benefits		241,729	241,729	81,981	252,153	334,134	575,863
Office operating expenses		22,192	22,192	9,158	10,806	19,964	42,156
Publicity materials, services and supplies		41,585	41,585	513	107,429	107,942	149,527
Professional fees/technical services		424,673	424,673	220,942	166,598	387,540	812,213
Contract services		391,392	391,392				391,392
Occupancy expense		371,807	371,807	27,433	72,124	99,557	471,364
Conferences, travel and training		34,353	34,353	13,938	33,187	47,125	81,478
Special events		38,081	38,081	674	43,966	44,640	82,721
United Way of America Dues		62,500	62,500		62,500	62,500	125,000
Depreciation		326,976	326,976	27,721	73,083	100,804	427,780
Interest and bank charges		97,474	97,474	53,850	11,848	65,698	163,172
Miscellaneous expense		67,860	67,860	9,932	33,935	43,867	111,727
Total expenses	\$ 3,064,865	\$ 3,138,308	\$ 6,203,173	\$ 792,757	\$ 1,931,350	\$ 2,724,107	\$ 8,927,280

See notes to financial statements.

UNITED WAY SILICON VALLEY

Statement of Cash Flows

For the year ended June 30, 2009 (with comparative totals for the year ended June 30, 2008)

	2009	2008
Cash flows from operating activities:		
Changes in net assets	\$ 907,401	\$ 3,378,508
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	429,526	427,780
Disposal of property and equipment	17,867	44,390
Receipt of in-kind equipment	(15,272)	(35,737)
Changes in assets and liabilities:		
Pledges receivable, net	(87,433)	(43,814)
Prepaid expenses	22,710	2,834
Grants and other receivables	(428,437)	(287,341)
Long term grants receivable	(140,027)	
Long term in-kind receivable	260,457	(2,781,389)
Other assets	55,726	(14,541)
Accounts payable and accrued expenses	184,188	101,514
Pledges due to agencies and other United Ways	75,447	81,409
Strategic grants payable	(421,880)	500,000
Deferred revenue	11,729	
Other liabilities	288,598	9,190
Net cash provided by operating activities	1,160,601	1,382,803
Cash flows used by investing activities:		
Investment in CD's	(750,000)	
Purchase of property and equipment	(291,553)	(247,487)
Net cash used by investing activities	(1,041,553)	(247,487)
Cash flows used by financing activities:		
Payment on capital lease obligations	(11,769)	(9,922)
Receipt of loan proceeds	1,000,000	
Repayment on loan	(37,500)	
Payment of bond principal	(470,000)	(450,000)
Net cash provided (used) by financing activities	480,731	(459,922)
Net increase in cash and cash equivalents	599,779	675,394
Cash and cash equivalents at beginning of year	2,374,158	1,698,764
Cash and cash equivalents at end of year	\$ 2,973,936	\$ 2,374,158
Supplemental cash flow information:		
Interest paid during the year	\$ 86,296	\$ 72,332
Noncash items:		
Equipment acquired by capitalized lease	\$ 59,503	\$ 40,910
In-kind donations - capitalized equipment	15,272	35,737
Total noncash items	\$ 63,006	\$ 107,635

See notes to financial statements.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 1 - Organization and operations:

United Way Silicon Valley (“United Way”) is an independent, locally managed nonprofit organization founded in 1922. As a voluntary health and welfare organization, United Way mobilizes the time, talent and money of people living in Santa Clara County to address the community’s most critical health and human service needs. The United Way’s results-oriented program, “Community Impact”, ensures that donor investments produce measurable improvements in people’s lives. As a leader in its community, United Way plays a significant role as an advocate for health and human service issues.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) in its Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the United Way is required to report information regarding its financial position and activities according to three classes of net assets:

- ◆ *Unrestricted net assets* - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use of management and the Board of Directors for facility maintenance and general operations.
- ◆ *Temporarily restricted net assets* - the portion of net assets which use is limited by donor - imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the United Way.
- ◆ *Permanently restricted net assets* - the portion of net assets which use is limited by donor - imposed stipulations that neither expire by passage of time nor can be removed by actions of the United Way.

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. The United Way considers all short-term, highly liquid investments, and investments with original maturity dates of three months or less at the date of purchase to be cash equivalents.

Cash and cash equivalents include funds requiring separate bank accounts for program purposes of approximately \$41,000 and \$56,500 at June 30, 2009 and 2008, respectively.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 2 - Summary of significant accounting policies (continued):

Investments - The United Way invests in certificates of deposit. Certificates of deposit are valued in accordance with generally accepted accounting principles (“GAAP”) in the United States, including SFAS No. 157, *Fair Value Measurements*, which was adopted on July 1, 2008. Certificates of deposit have a maturity term of greater than 90 days and are carried at the face value of the deposited amount. Interest accrued on the deposits through the date of the financial statements is accrued as interest receivable. All investments are at quoted prices in active markets for identical assets (level 1 inputs).

Recognition of pledges from fundraising campaign and designations - Each year, from July to June, the United Way conducts annual fundraising campaigns in Santa Clara County to raise funds to support strategic and targeted investments in its community impact focus areas. Such public support is recorded at the fair value of the pledge in the year it is received. Pledges are accounted for in accordance with the recommendations of SFAS No. 116, *Accounting for Contributions Received and Contributions Made* (“SFAS No. 116”). Under SFAS No. 116, promises to give are either unconditional or conditional. Unconditional promises to give are promises that depend only on the passage of time or the demand by the donor for performance. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the donor. There were no conditional promises to give at June 30, 2009 and 2008. Outstanding pledges, less a provision for uncollectible amounts, are recorded as pledges receivable. Included in these pledges are contributions designated for other not-for-profit organizations throughout the United States, and for other United Ways in California and other states, for which United Way serves as the primary fiscal agent in the solicitation and distribution of such pledges. These pledges are included in campaign support and are deducted as donor designations to other organizations in arriving at net campaign support. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions. As a result, such pledges receivable at the end of the fiscal year are for the year in which they were pledged and are recorded in unrestricted net assets.

The use of funds to achieve community impact outcomes is approved by the Board of Directors in June of each year. A portion of these funds are distributed to agencies in the succeeding twelve-month fiscal year provided agencies are in compliance with the agency agreements. At June 30, 2009 and 2008, strategic investments committed to be paid to agencies are recorded as a liability.

Prepaid expenses - Prepaid expenses consist of expenditures and assets that are expected to be realized in the future. Prepaid expenses occur when expenditures are made for goods and services which are expected to be received in the near future. Insurance premiums and payments made for maintenance services paid in advance of receiving the services are classified as prepaid expenses.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 2 - Summary of significant accounting policies (continued):

Grants and other receivables - Grants receivable consist of amounts that have been granted to United Way from other organizations and have not been collected at year end. Grants are accounted for in accordance with the recommendations of SFAS No. 116. There were no conditional grants at June 30, 2009 and 2008. All grants are expected to be received within the next 24 months. Long term grants are discounted at their cost of capital (approximately 3.5%). Other receivables include the value of future receipts (other than campaign pledges and grants) that are expected to be received within the next 12 months. Outstanding rent and miscellaneous fees are classified as other receivables.

Long term in-kind receivables - The portion of receivables expected to be collected during a period extending beyond one year is classified as a long term receivable and is discounted to reflect the current value of the amount to be received. United Way received an in-kind donation of office rent for the period extending from June 2008 to May 2018. The estimated fair rental value of in-kind office rent which will be realized beyond June 30, 2009 has been classified as a long term in-kind receivable (see Note 13).

Property and equipment, net - Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	27.5
Building improvements	3 - 27.5
Furniture and equipment	3 - 7

Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

Long lived assets - The United Way reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. No such impairments have been identified to date.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 2 - Summary of significant accounting policies (continued):

Other liabilities - Unrestricted other liabilities include United Way's tenant deposits and accrued bond interest. Temporarily restricted other liabilities include a contingent cash gift by a donor. These funds will be recognized as revenue or disbursed according to the result of the contingency. There is \$300,000 of cash included as part of the temporarily restricted cash balance related to this gift at June 30, 2009.

Revenue recognition - The United Way's revenue recognition policy is in accordance with SFAS No. 116. Contributed support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other contributed support is recognized as revenue when received or unconditionally promised. The United Way reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Contributed support that is expected to be collected in future years, is recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contribution revenue. Conditional promises to give, if any, are not included as support until the conditions are substantially met.

Grants and other support - United Way receives other public support outside the conduct of the annual fundraising campaign. This other support includes both public and private grants, gifts in-kind of goods and services, donor designated funds received in the course of other appeals or another United Way annual campaign outside of Santa Clara County and sponsorship revenue. Certain ceremonial, celebratory and special recognition events at United Way are underwritten by sponsorship, or the costs are offset by contributions for the specific event. Generally, the donating companies agree that their contributions may also be used for other costs related to the operation of United Way.

Donated property and services - Contributions-in-kind are recognized in accordance with SFAS No.116. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which the United Way would have paid for if not contributed, have been recorded at their estimated fair market value. In addition, a substantial number of volunteers have donated significant amounts of time in promoting the United Way's programs. The value of donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 2 - Summary of significant accounting policies (continued):

Asset retirement obligation - FASB Interpretation No. ("FIN") 47, *Accounting for Conditional Asset Retirement Obligations*, provides interpretative guidelines for Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"). FIN 47 became effective for the fiscal years ending after December 15, 2005. SFAS No. 143 and FIN 47 require recording of an asset and related liability for costs associated with its retirement when an unconditional legal obligation to effect the retirement exists. The United Way is not aware of any specific legal obligation which individually or in the aggregate, is material to the United Way's financial position.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications.

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 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 these estimates.

The allowance for uncollectible pledges is a significant estimate. The determination of the balance in this account is an estimate based on United Way's historical experience, review of significant account balances and expectations relative to current economic conditions. Uncollected pledges in excess of the allowance for uncollectible pledges are written off in the following fiscal year.

Another significant estimate related to uncollectible pledges is an account that has been established as a provision for designations that will not be paid due to the uncollectibility of the related donor pledge. This balance for designations that will not be paid is estimated based on historical experience, the level of anticipated uncollectible pledges and the rate at which donors have designated their pledges to other not-for-profit organizations. This account balance is netted against the liability for pledges due to agencies and other United Ways.

Fair value of financial instruments - Financial instruments included in the United Way's Statement of Financial Position as of June 30, 2009 include cash and cash equivalents, investments, receivables, and accounts payable and accrued expenses. Cash equivalents include overnight investments, certificates of deposits and money market funds. For cash and cash equivalents, receivables, and accounts payable and accrued expenses, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying Statement of Financial Position at their estimated fair values using methodologies described above.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 2 - Summary of significant accounting policies (continued):

Concentration of credit risk - Financial instruments that potentially subject the United Way to credit risk consist primarily of cash and cash equivalents, and pledges receivable. The United Way maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments, certificates of deposits and money market funds. At times, such amounts might exceed Federal Deposit Insurance Corporation (“FDIC”) limits. Pledges receivable are unsecured and are due from various individuals and corporations primarily located in Santa Clara County. The carrying amount is net of uncollectible amounts and is a reasonable estimate of the fair value. Additionally, any pledges that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value. It is the United Way’s opinion that it is not exposed to any significant credit risks.

Restricted cash - Restricted cash consists of a donation by a local corporation. Interest earned on this donation is to be distributed to health and human care agencies in Santa Clara County in accordance with the terms of the restriction stipulated by the donor at time of donation.

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the years ended June 30, 2009 and 2008 were approximately \$147,000 and \$64,000, respectively.

Tax-exempt status - United Way has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board under Code Sections 501(c)(3) and 23701(d), respectively.

Accounting for uncertainty in income taxes - In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes—an interpretation of SFAS Statement No. 109*, which prescribes a comprehensive model for how an organization should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the organization has taken or expects to take on a tax return. FIN 48 is effective for fiscal periods beginning on or after December 15, 2007. The United Way evaluates its tax provisions for any potential uncertain tax positions. If applicable, the United Way accrues for those positions identified which are not deemed more likely than not to be sustained if challenged. The United Way has elected to defer application of FIN 48 in accordance with FASB Staff Position (“FSP”) FIN 48-3 until the year ending June 30, 2010.

The fair value option - In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115*, (effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. United Way opted not to adopt SFAS No. 159 for the current year and will evaluate what effect, if any, the adoption of SFAS No. 159 will have on the United Way’s Financial Statements for future years.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 2 - Summary of significant accounting policies (continued):

Summarized financial information for fiscal 2008 - The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation of financial statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the June 30, 2008 financial statements of the United Way, from which the summarized information was derived.

Reclassifications - Certain prior year amounts were reclassified to conform to current year presentation. The reclassifications did not have an impact on previously reported net assets.

Recent accounting pronouncements -

Subsequent events - In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ("SFAS 165"). SFAS 165 requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For nonrecognized subsequent events that must be disclosed, an entity is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, SFAS 165 requires an entity to disclose the date through which subsequent events have been evaluated. SFAS 165 is effective for periods ending after June 15, 2009. United Way has evaluated subsequent events through the date the financial statements were available to be issued which is the date of the auditors' report.

Mergers and acquisitions - In April 2009, the FASB issued SFAS No. 164, *Not-for-Profit Entities: Mergers and Acquisitions*, (effective for reporting periods beginning after December 15, 2009). This new standard provides guidance on accounting for a combination of not-for-profit entities, which is a transaction or other event that results in a not-for-profit entity initially recognizing another not-for-profit entity, a business, or a nonprofit activity in its financial statements. This statement applies to a combination that meets the definition of either a merger of not-for profit entities or an acquisition by a not-for-profit entity.

GAAP hierarchy - On June 29, 2009, FASB issued SFAS 168, *The FASB Accounting Standards CodificationTM (Codification or the ASC) and the Hierarchy of Generally Accepted Accounting Principles (GAAP), a replacement of FASB Statement No. 162*. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The objective of SFAS 168 is to replace SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles*, and to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP.

The above standards and other accounting standards that have been issued or proposed by FASB or other standards-setting bodies that do not require adoption until a future date, are not expected to have a material impact on the United Way's financial statements upon adoption.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 3 - Pledges receivable:

Pledges receivable and changes in the allowance for uncollectible amounts during the years ended June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Total pledges receivable	\$ 4,447,509	\$ 4,284,211
Allowance for uncollectible amounts:		
Balance, beginning of year	518,521	555,067
Add provision for uncollectible	511,632	335,421
Less write-off of uncollectible pledges	<u>(435,767)</u>	<u>(371,967)</u>
Balance, end of year	<u>594,386</u>	<u>518,521</u>
Net pledges receivable	<u>\$ 3,853,123</u>	<u>\$ 3,765,690</u>

The provision for uncollectible pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

Note 4 - Property and equipment, net:

Property and equipment, net consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Building and building improvements - held for rent	\$ 7,516,693	\$ 7,416,087
Land and land improvements - held for rent	1,967,920	1,967,920
Furniture and equipment	1,096,927	3,437,397
Building and building improvements	277,946	-
Construction in progress	<u>84,644</u>	<u>164,813</u>
	10,944,130	12,986,217
Less: accumulated depreciation	<u>(5,685,236)</u>	<u>(7,646,258)</u>
	<u>\$ 5,258,894</u>	<u>\$ 5,339,959</u>

Land, building, and related improvements serve as collateral for bonds payable (Note 7).

Depreciation expenses for the years ended June 30, 2009 and 2008 were \$429,526 and \$427,780, respectively.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 5 - Distributions to the community and benefiting organizations:

United Way's various fundraising campaigns and activities resulted in the following distributions to United Way partner agencies and other benefiting organizations for the years ended June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Distributed funds determined by the		
Board of Directors to partner agencies	\$ 2,210,000	\$ 2,245,000
Designations directed by donors	5,151,834	4,812,771
Program grants to agencies	664,036	819,865
	<u>\$ 8,025,870</u>	<u>\$ 7,877,636</u>

Note 6 - Rental income activity:

United Way occupied and utilized approximately 25% of a building held for rent for its own operation and made available the remaining portion of the building on a long-term rental basis to not-for-profit operations until June 2008, as part of its community support efforts. United Way moved its primary offices out of the building in 2008 and continues to support the community by renting the entire building to the not-for-profit community.

Rental income under long term lease agreements approximated \$520,000 and \$534,000 for the fiscal years ended June 30, 2009 and 2008, respectively. Long-term rental income commitments which extend into 2014 are as follows:

<u>For the years ending June 30,</u>	
2010	\$ 414,000
2011	165,000
2012	127,000
2013	43,000
2014	9,000
Totals	<u>\$ 758,000</u>

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 7 - Bonds payable:

United Way entered into a financing arrangement with ABAG Finance Authority for Nonprofit Corporations (the "Authority") on April 1, 2001. The Authority offered and United Way received all proceeds from a bond offering for \$4,310,000, less \$130,000 of issuance costs. Total bond costs are being amortized over the life of the bonds. The bonds are guaranteed by The David and Lucille Packard Foundation. The bonds mature at set amounts each year from \$490,000 in 2010 to \$510,000 in 2011. The interest rate varies from 3% to 4.05% with payments due semiannually. Interest expense for the bonds was approximately \$59,000 and \$72,000 for the years ended June 30, 2009 and 2008, respectively.

United Way is required to make principal payments to US Bank, the trustee. Future principal and interest payments are as follows:

For the years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 490,000	\$ 40,255	\$ 530,255
2011	510,000	20,655	530,655
Totals	<u>\$ 1,000,000</u>	<u>\$ 60,910</u>	<u>\$ 1,060,910</u>

Note 8 - Capital lease obligations:

The United Way has entered into capital lease agreements for equipment with a cost of approximately \$100,400 and related accumulated depreciation of approximately \$20,100. The leases expire at various times through 2012, require aggregate monthly payments of approximately \$2,300 and bear interest at 3.5% to 5% per annum. At June 30, 2009, the present value of future minimum annual obligations under the agreements was as follows:

Total payments	\$ 83,632
Less amounts representing interest	<u>(4,910)</u>
Present value of minimum lease payments	78,722
Less portion due within one year	<u>(25,200)</u>
Portion due after one year	<u>\$ 53,522</u>

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 9 - Credit facility:

The United Way entered into a credit agreement (“credit agreement”) with a bank on September 13, 2007 and renewed and modified certain provisions of the agreement on September 19, 2008. The credit agreement provides for a \$1,000,000 line of credit (“line of credit”) to support general working capital needs and a \$1,000,000 term commitment (“term commitment”) to finance certain tenant improvements for the owned premises in San Jose, California. As provided for under the term commitment, United Way drew \$1,000,000 in September 2008, which then converted to a term loan effective October 1, 2008. The term commitment accrues interest at a fixed rate of 3.25% per the credit agreement and is payable monthly. The outstanding balance of the term commitment amortizes based on a 20-year amortization schedule, is payable monthly and comes due with a final payment on September 1, 2010. Interest on the line of credit accrues at a rate equal to the prime rate and is payable monthly. Any unpaid principal on the line of credit is due September 1, 2010. United Way has repaid \$37,500 of the term commitment as of June 30, 2009. At June 30, 2009 the term commitment had an outstanding balance of \$962,500. Future minimum payments are \$50,000 and \$912,500 for the years ended June 30, 2010 and 2011, respectively. These obligations are secured by all accounts receivable, general intangibles, inventory, machinery and equipment, and a first priority deed of trust encumbering the building. The credit agreement requires that the United Way comply with certain loan covenants as defined. As of June 30, 2009, the United Way had not drawn on the line of credit and therefore there was no outstanding balance.

On June 30, 2009 United Way accepted a term commitment to enter into a new credit agreement with the same bank for the purpose of refinancing the existing term facility and funding the remaining bond payments and tenant improvements for the same owned premises. The term commitment provides for a \$2,600,000 commitment over 5 years. The term facility will accrue interest only during the initial two-year draw period at the libor rate plus 3.50% or prime rate plus 1.50%. The interest rate will be fixed for the remaining three year period, the interest rate to be set is based on an interest rate swap and market conditions at the time of funding. Beginning September 1, 2011, the total amount advanced under the commitment will amortize based on a 20-year amortization schedule, with principal due on a monthly basis and final payment due September 1, 2014. The term facility is secured by the first deed of trust on the owned premises and a \$500,000 CD to be held at the bank during the two-year draw period. The agreement requires that the United Way comply with certain covenants as defined. A board of director member who is also an audit committee member is employed by the bank that issued the line of credit and term loan.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 10 - Temporarily restricted net assets:

Temporarily restricted net assets were restricted for the following purposes as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Future year donor pledge	\$ 2,906,542	\$ 3,167,012
Destination: Home	961,498	97,347
Bank on San Jose	192,041	-
Alternative Education Collaborative	159,567	137,864
Emergency loan fund	107,078	124,394
Partnership for School Readiness	101,086	98,181
Covering California's Children	68,648	63,207
Emergency Assistance Network	33,970	38,244
San Benito County Funds	28,878	-
Donor designated interest	5,600	4,800
Homeless Connect	4,016	5,451
United Ways of California	2,126	12,945
Success by 6	792	-
2-1-1 Santa Clara County	-	108,609
Evaluation and measurement systems	-	59,731
	<u>\$ 4,571,842</u>	<u>\$ 3,917,785</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrences of other events specified by donors for the years ended June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Future year donor pledge	\$ 385,633	\$ 50,000
2-1-1 Santa Clara County	108,609	255,069
Partnership for School Readiness	98,181	85,017
Alternative Education Collaborative	91,927	194,027
Destination: Home	90,169	-
Evaluation and measurement systems	59,731	129,519
Emergency Assistance Network	38,244	71,005
Covering California's Children	27,592	15,467
United Ways of California	10,818	-
Homeless Connect	4,456	10
IDA (Women Leading Change)	-	75,934
Success By 6	-	2,606
	<u>\$ 915,360</u>	<u>\$ 878,654</u>

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 11 - Permanently restricted net assets:

Permanently restricted net assets consist of a gift accepted with donor stipulation that the principal be maintained intact in perpetuity. Income generated from these funds can be utilized for a variety of programs as directed by the donor. Permanently restricted net assets at June 30, 2009 and 2008 were \$40,000.

Note 12 - Pension plans:

Effective August 1, 1995, United Way implemented a defined contribution pension plan available to all employees with over one year of employment. The plan calls for employer contributions at an amount to be determined annually by United Way. Employees do not contribute to this plan. Participants' benefits vest ratably over five years. Pension expense under this plan totaled approximately \$127,000 and \$114,000 for the years ended June 30, 2009 and 2008, respectively.

United Way offers an additional defined contribution plan for all full time employees. The plan provides for employee contributions but no employer contributions.

Note 13 - In-kind donations:

During the year ended June 30, 2009, United Way received in-kind donations of computer equipment, media production and professional services. The estimated fair value of these donations totaled approximately \$41,000, \$11,000 and \$5,000, respectively, which is reflected in other support in the accompanying statement of activities and changes in net assets. United Way capitalized approximately \$15,000 of the computer equipment. The balance of computer equipment was gifted at the discretion of United Way.

During the year ended June 30, 2008, United Way accepted the pro-bono service of an interim Chief Executive Officer on a part-time basis for a period of approximately 4 months. The value of this service is estimated at \$38,000 based on the compensation of the former CEO. The estimated value of the donated advertising space and the production value for a campaign video are approximately \$61,000 and \$27,000, respectively. United Way received in-kind donations of office rent, professional services, advertising, and media production. The donation of office rent extends over a period of ten years with an estimated net present value of \$3,200,000 after applying a 4.5% discount for future rents.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2009

Note 13 - In-kind donations (continued):

Present value of future rent receivable is as follows:

For the years ending June 30,	
2010	\$ 385,623
2011	369,017
2012	353,127
2013	337,920
2014	323,369
Thereafter	<u>1,137,499</u>
Present value of future rent receivable	2,906,555
Less long term in-kind receivable	<u>(2,520,932)</u>
Current portion of in-kind receivable	<u><u>\$ 385,623</u></u>

The current portion of the in-kind receivable is included in grants and other receivables at June 30, 2009 and 2008.

Note 14 - Related party transactions:

The United Way Board of Directors' members are active in both the oversight of the United Way and its various fund raising events. Contributions received from the Board of Directors' members were approximately \$680,000 and \$655,000 for the years ended June 30, 2009 and 2008, respectively.