

**UNITED WAY SILICON VALLEY**

**Financial Statements  
June 30, 2010 and 2009**

**Together with  
Independent Auditors' Report**

# **UNITED WAY SILICON VALLEY**

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June 30, 2010

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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, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of United Way's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the United Way as of June 30, 2009, which are presented in summary, were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated September 28, 2009.

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 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 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 the United Way as of June 30, 2010, and the results of its activities and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Robert Lee & Associates, LLP*

San Jose, California  
October 14, 2010

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

June 30, 2010 (with comparative totals as of June 30, 2009)

	2010			2009	
	Unrestricted	Temporarily restricted	Permanently restricted		Total
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 941,629	\$ 899,194		\$ 1,840,823	\$ 2,973,936
Investments	2,000,000			2,000,000	750,000
Pledges receivable, net of allowance for doubtful accounts of \$475,488 and \$594,387 for 2010 and 2009, respectively (Note 3)	3,641,115	26,040		3,667,155	3,853,123
Prepaid expenses	127,422			127,422	92,908
Grants and other receivables	124,016	1,049,189		1,173,205	1,116,503
<b>Total current assets</b>	<b>6,834,181</b>	<b>1,974,424</b>		<b>8,808,605</b>	<b>8,786,470</b>
Restricted cash					40,000
Long-term investments	250,000			250,000	
Long-term grants receivable, net of present value discount of \$9,973 for 2009					140,027
Long-term receivable		2,248,753		2,248,753	2,520,932
Property and equipment, net (Note 4)	5,079,678			5,079,678	5,258,894
Other assets	47,158			47,158	71,971
<b>Total assets</b>	<b>\$ 12,211,017</b>	<b>\$ 4,223,177</b>		<b>\$ 16,434,194</b>	<b>\$ 16,818,294</b>
<b>Liabilities and net assets</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	\$ 754,922			\$ 754,922	\$ 826,725
Deferred revenue	2,760			2,760	11,729
Pledges due to agencies and other United Ways	1,548,896			1,548,896	1,404,347
Strategic grants payable	2,047,275			2,047,275	2,278,120
Capital lease obligations - current portion (Note 7)	29,398			29,398	25,200
Bonds payable - current portion (Note 8)	510,000			510,000	490,000
Loan payable - current portion (Note 9)					50,000
<b>Total current liabilities</b>	<b>4,893,251</b>			<b>4,893,251</b>	<b>5,086,121</b>
Capital lease obligations - less current portion (Note 7)	39,184			39,184	53,522
Bonds payable - less current portion (Note 8)					510,000
Loan payable - less current portion (Note 9)	1,446,090			1,446,090	912,500
Other liabilities	42,469			42,469	337,602
<b>Total liabilities</b>	<b>6,420,994</b>			<b>6,420,994</b>	<b>6,899,745</b>
<b>Net assets:</b>					
Unrestricted	5,790,023			5,790,023	5,306,707
Temporarily restricted (Note 10)		\$ 4,223,177		4,223,177	4,571,842
Permanently restricted					40,000
<b>Total net assets</b>	<b>5,790,023</b>	<b>4,223,177</b>		<b>10,013,200</b>	<b>9,918,549</b>
<b>Total liabilities and net assets</b>	<b>\$ 12,211,017</b>	<b>\$ 4,223,177</b>		<b>\$ 16,434,194</b>	<b>\$ 16,818,294</b>

See notes to financial statements.

**UNITED WAY SILICON VALLEY**  
**Statement of Activities and Changes in Net Assets**  
June 30, 2010 (with comparative totals as of June 30, 2009)

	2010			2009	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Revenues:					
Campaign support:					
Annual campaign	\$ 11,917,799	\$ 38,292		\$ 11,956,091	\$ 12,134,571
Less donor designations to other organizations	(5,702,171)	(2,710)		(5,704,881)	(5,151,834)
Estimated uncollectible pledges	(301,527)	(15,624)		(317,151)	(511,632)
Net campaign support	5,914,101	19,958		5,934,059	6,471,105
Grants	1,769,033	818,186		2,587,219	2,295,787
Gifts in-kind and other support (Note 13)	295,327	114,233		409,560	317,627
Interest income	18,735			18,735	51,306
Net assets released from restrictions (Note 10)	1,341,042	(1,301,042)	\$ (40,000)		
Miscellaneous income	820,994			820,994	856,171
Total revenues	10,159,232	(348,665)	(40,000)	9,770,567	9,991,996
Expenses:					
Program services:					
Gross funds awarded/distributed	9,245,606			9,245,606	8,025,870
Less donor designations	(5,704,881)			(5,704,881)	(5,151,834)
Net funds awarded/distributed	3,540,725			3,540,725	2,874,036
Community and program support	3,653,321			3,653,321	3,734,585
Total program services	7,194,046			7,194,046	6,608,621
Support services:					
Management and general	780,266			780,266	768,672
Fundraising	1,701,604			1,701,604	1,707,302
Total support services	2,481,870			2,481,870	2,475,974
Total expenses	9,675,916			9,675,916	9,084,595
Changes in net assets	483,316	(348,665)	(40,000)	94,651	907,401
Net assets at beginning of year	5,306,707	4,571,842	40,000	9,918,549	9,011,148
Net assets at end of year	\$ 5,790,023	\$ 4,223,177		\$ 10,013,200	\$ 9,918,549

See notes to financial statements.

**UNITED WAY SILICON VALLEY**

**Statement of Functional Expenses**

June 30, 2010 (with comparative totals as of June 30, 2009)

	2010						
	Program Services			Support Services			
	Net Funds Awarded/ Distributed	Community and Program Support	Total	Management and General	Fundraising	Total	Total Expenses
Funds awarded/distributed	\$ 9,245,606		\$ 9,245,606				\$ 9,245,606
Less donor designations	(5,704,881)		(5,704,881)				(5,704,881)
Sub-total	3,540,725		3,540,725				3,540,725
Salaries and wages		\$ 1,176,689	1,176,689	\$ 422,087	\$ 955,738	\$ 1,377,825	2,554,514
Occupancy expense		602,504	602,504	88,515	194,746	283,261	885,765
Professional fees/technical services		411,574	411,574	117,685	89,073	206,758	618,332
Fringe benefits		275,140	275,140	98,445	223,276	321,721	596,861
Depreciation		409,687	409,687	18,549	39,308	57,857	467,544
Contract services		384,321	384,321				384,321
Interest and bank charges		94,311	94,311	51,621	16,483	68,104	162,415
United Way of America Dues		59,500	59,500		59,500	59,500	119,000
Special events		54,414	54,414	700	34,044	34,744	89,158
Publicity materials, services and supplies		9,261	9,261	233	67,186	67,419	76,680
Office operating expenses		38,467	38,467	12,334	14,553	26,887	65,354
Conferences, travel and training		27,892	27,892	10,387	26,545	36,932	64,824
Miscellaneous expense		109,561	109,561	(40,290)	(18,848)	(59,138)	50,423
<b>Total expenses</b>	<b>\$ 3,540,725</b>	<b>\$ 3,653,321</b>	<b>\$ 7,194,046</b>	<b>\$ 780,266</b>	<b>\$ 1,701,604</b>	<b>\$ 2,481,870</b>	<b>\$ 9,675,916</b>

See notes to financial statements.

**UNITED WAY SILICON VALLEY**

**Statement of Functional Expenses**

June 30, 2010 (with comparative totals as of June 30, 2009)

	2009						
	Program Services			Support Services			
	Net Funds Awarded/ Distributed	Community and Program Support	Total	Management and General	Fundraising	Total	Total Expenses
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
Occupancy expense		581,982	581,982	86,421	183,689	270,110	852,092
Professional fees/technical services		593,431	593,431	80,105	45,121	125,226	718,657
Fringe benefits		260,889	260,889	103,960	243,386	347,346	608,235
Depreciation		380,764	380,764	15,193	33,569	48,762	429,526
Contract services		360,960	360,960				360,960
Interest and bank charges		106,656	106,656	44,713	9,965	54,678	161,334
United Way of America Dues		60,500	60,500		60,500	60,500	121,000
Special events		46,181	46,181	379	26,758	27,137	73,318
Publicity materials, services and supplies		80,098	80,098	19	66,800	66,819	146,917
Office operating expenses		23,599	23,599	10,094	8,901	18,995	42,594
Conferences, travel and training		28,995	28,995	7,930	24,840	32,770	61,765
Miscellaneous expense		70,101	70,101	(23,735)	4,416	(19,319)	50,782
<b>Total expenses</b>	<b>\$ 2,874,036</b>	<b>\$ 3,734,585</b>	<b>\$ 6,608,621</b>	<b>\$ 768,672</b>	<b>\$ 1,707,302</b>	<b>\$ 2,475,974</b>	<b>\$ 9,084,595</b>

See notes to financial statements.

**UNITED WAY SILICON VALLEY****Statement of Cash Flows**

June 30, 2010 (with comparative totals as of June 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Changes in net assets	\$ 94,651	\$ 907,401
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	467,544	429,526
Bond amortization	22,448	22,448
Loss on disposal of property and equipment	91,898	17,867
Receipt of in-kind equipment	(126,614)	(15,272)
Release of permanently restricted funds	40,000	
Changes in assets and liabilities:		
Pledges receivables, net	185,968	(87,433)
Prepaid expenses	(34,514)	22,710
Grants and other receivables	(56,702)	(428,437)
Long-term grants receivable	140,027	(140,027)
Long-term in-kind receivable	272,178	260,457
Other assets	2,365	33,278
Accounts payable and accrued expenses	(71,803)	184,188
Pledges due to agencies and other United Ways	144,549	75,447
Strategic grants payable	(230,845)	(421,880)
Deferred income	120	11,729
Other liabilities	(295,133)	288,598
Net cash provided by operating activities	<u>646,137</u>	<u>1,160,600</u>
Cash flows used by investing activities:		
Investment in CD's	(1,500,000)	(750,000)
Purchase of property and equipment	(246,573)	(291,553)
Net cash used by investing activities	<u>(1,746,573)</u>	<u>(1,041,553)</u>
Cash flows used by financing activities:		
Payment on capital lease obligations	(26,267)	(11,769)
Receipt of loan proceeds	500,257	1,000,000
Repayment of loan	(16,667)	(37,500)
Payment on bond principal	(490,000)	(470,000)
Net cash used by financing activities	<u>(32,677)</u>	<u>480,731</u>
Net increase (decrease) in cash and cash equivalents	(1,133,113)	599,778
Cash and cash equivalents at beginning of year	2,973,936	2,374,158
Cash and cash equivalents at end of year	<u>\$ 1,840,823</u>	<u>\$ 2,973,936</u>
Supplemental cash flow information:		
Interest paid during the year	<u>\$ 81,738</u>	<u>\$ 86,296</u>
Non-cash items:		
Equipment acquired by capitalized lease	16,126	59,503
In-kind donations - capitalized equipment	126,614	15,272
Total non-cash items	<u>\$ 142,740</u>	<u>\$ 74,775</u>

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. United Way Silicon Valley is leading a movement to improve community conditions in Santa Clara County by helping local people become financially stable and independent. To drive positive change, United Way Silicon Valley helps people help themselves by identifying critical needs, mobilizing the caring power of the community, and aligning resources to achieve the best solutions. United Way is focused on the building blocks for a good life: income, education and health.

### **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 - In accordance with Generally Accepted Accounting Principles (“GAAP”), United Way reports 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 whose 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 whose use is limited by donor - imposed stipulations that neither expire by passage of time nor can be removed by actions of the United Way.

# **UNITED WAY SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2010

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

Use of estimates - The preparation of financial statements, in conformity with GAAP, 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.

Revenue recognition - United Way's revenue recognition policy is in accordance with GAAP. 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 un-conditionally 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 are expected to be collected in future years, are 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.

# **UNITED WAY SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2010

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

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 and promises to give are accounted for in accordance with GAAP as 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, 2010 and 2009. 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 periods are reported as unrestricted contributions. As a result, all 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, 2010 and 2009, strategic investments committed to be paid to agencies are recorded as liabilities.

Donated property and services - 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.

Other contributions and 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.

# **UNITED WAY SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2010

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

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.

Concentration of credit risk - Financial instruments that potentially subject the United Way to credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable. The United Way maintains cash and cash equivalents with domestic institutions that are federally insured, up to the limits of the Federal Deposit Insurance Corporation ("FDIC") deposit insurance. Cash equivalents may include U.S. treasury and agency securities, certificates of deposits, savings accounts, money market funds or depository receipts of highly rated domestic financial institutions, and corporate commercial paper and notes. The obligor of all investments must meet certain credit requirements as indicated by at least two Nationally Recognized Statistical Rating Organizations (NRSRO). 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.

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 \$40,000 at June 30, 2009. There were no such requirements at June 30, 2010.

Investments - United Way investment policy authorizes investments in U.S. treasury and agency securities, certificates of deposits, savings accounts, money market funds or depository receipts of highly rated domestic financial institutions, and corporate commercial paper and notes. All investments are valued in accordance GAAP in the United States. Investments must be readily convertible into cash and diversified by security type with maturities ranging from 3 months to 2 years as specified by the purpose for which the funds are held. Interest accrued on investments through the date of the financial statements is accrued as interest receivable.

## **UNITED WAY SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2010

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

Fair value of financial instruments - Financial instruments included in the United Way's Statement of Financial Position as of June 30, 2010 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.

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.

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 GAAP. There were no conditional grants at June 30, 2010 and 2009. All grants are expected to be received within the next 12 months. 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.

Restricted cash - Restricted cash consisted of a donation by a local corporation. During fiscal year 2010, at the donor's request, this balance and all related interest earned on this donation was distributed to health and human care agencies in Santa Clara County.

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, 2010 has been classified as a long term in-kind receivable (see Note 13).

# **UNITED WAY SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2010

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

Property, equipment, depreciation and amortization - 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 - 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.

Asset retirement obligation - The United Way is not aware of any asset retirement obligation which individually or in the aggregate, is material to the United Way's financial position.

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the years ended June 30, 2010 and 2009 were approximately \$77,000 and \$147,000, respectively.

Tax-exempt status - Income taxes are not provided for in the financial statements since United Way is an exempt organization for Federal and state income tax purposes under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code. The Organization is not classified as a private foundation.

## **UNITED WAY SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2010

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

Accounting for uncertainty in income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2010 management did not identify any uncertain tax positions. The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2007 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2006 and forward.

Subsequent events - Subsequent events are evaluated through the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2010.

Summarized financial information for fiscal 2009 - The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category, and does not include footnotes to the financial statements. 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, 2009 financial statements of the United Way, from which the summarized information was derived.

Reclassifications - Certain 2009 balances have been reclassified to conform to the 2010 financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Recent accounting pronouncements - In January 2010, the FASB issued ASU No.2010-06, Improving Disclosure about Fair Value Measurements. This amends ASC 820 (formerly FAS 157) to require additional disclosures. The guidance requires entities to disclose transfer of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. ASU 2010-06 is effective January 2010. In addition, the guidance requires separate presentation of purchase and sales in the Level 3 asset reconciliation which is effective January 2011. The adoption of this guidance is not expected to have a material impact on the Organization's financial statements.

## **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, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Total pledges receivable	\$ 4,142,642	\$ 4,447,509
Allowance for uncollectible amounts:		
Balance, beginning of year	594,386	518,521
Add provision for uncollectible	317,151	511,632
Less write-off of uncollectible pledges	<u>(436,050)</u>	<u>(435,767)</u>
Balance, end of year	<u>475,487</u>	<u>594,386</u>
Net pledges receivable	<u>\$ 3,667,155</u>	<u>\$ 3,853,123</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:**

Property and equipment consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Building and building improvements - held for rent	\$ 7,740,691	\$ 7,516,693
Land and land improvements - held for rent	1,967,920	1,967,920
Furniture and equipment	898,998	1,096,927
Building and building improvements	280,131	277,946
Construction in progress	<u>-</u>	<u>84,644</u>
	10,887,740	10,944,130
Less: accumulated depreciation	<u>(5,808,062)</u>	<u>(5,685,236)</u>
	<u>\$ 5,079,678</u>	<u>\$ 5,258,894</u>

Land, building, and related improvements serve as collateral for bonds payable (Note 8).

Depreciation expenses for the years ended June 30, 2010 and 2009 were approximately \$468,000 and \$430,000, respectively.

## **UNITED WAY SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2010

#### **Note 5 - Investments:**

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of significant unobservable inputs and have the lowest priority. All investments are at quoted prices in active markets for identical assets (level 1 inputs) as follows:

	June 30,	
	2010	2009
Certificates of deposit	\$ 2,250,000	\$ 750,000
Total investments	\$ <u>2,250,000</u>	\$ <u>750,000</u>

#### **Note 6 - 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, 2010 and 2009:

	2010	2009
Distributed funds determined by the Board of Directors to partner agencies	\$ 2,000,000	\$ 2,210,000
Designations directed by donors	5,704,880	5,151,834
Program grants to agencies	<u>1,540,726</u>	<u>664,036</u>
Total distributions	\$ <u>9,245,606</u>	\$ <u>8,025,870</u>

## **UNITED WAY SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2010

#### **Note 7 - 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 \$549,000 and \$520,000 for the fiscal years ended June 30, 2010 and 2009, respectively. Long-term rental income commitments which extend into 2014 are as follows:

Year Ending June 30,	Amount
2011	\$ 289,000
2012	189,000
2013	93,000
2014	11,000
Totals	\$ <u>582,000</u>

#### **Note 8 - Capital lease obligations:**

The United Way has entered into capital lease agreements for equipment with a cost of approximately \$116,540 and related accumulated depreciation of approximately \$15,835. The leases expire at various times through 2013, require aggregate monthly payments of approximately \$2,786 and bear interest of 3.5% to 5.82% per annum. At June 30, 2010, the present value of future minimum annual obligations under the agreements was as follows:

For the years ending June 30,	Amount
2011	\$ 31,546
2012	30,076
2013	9,326
2014	970
Total payments	71,918
Less amounts representing interest	<u>(3,336)</u>
Present value of minimum lease payments	68,582
Less portion due within one year	<u>(29,398)</u>
Portion due after one year	\$ <u>39,184</u>

## **UNITED WAY SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2010

#### **Note 9 - 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 a set amount of \$510,000 in 2011. The interest rate varies from 3% to 4.05% with payments due semiannually. Interest expense for the bonds was approximately \$40,000 and \$59,000 for the years ended June 30, 2010 and 2009, respectively.

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 510,000	20,655	\$ <u>530,655</u>

#### **Note 10 - Credit Facility:**

On October 20, 2009 United Way entered into a new credit agreement with a bank for the purpose of refinancing an existing term facility and funding the remaining bond payments and tenant improvements for an owned premise. The credit agreement provides for a \$2,600,000 commitment over 5 years. On November 3, 2009, United Way drew approximately \$946,000 in order to refund the remaining outstanding balance for principal and accrued interest on the previously existing credit facility. In June 2010, United Way also drew \$500,000 in accordance with the credit agreement coincident with the annual principal payment on the outstanding bond. The term facility accrues 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 is to be fixed for the remaining three year period, the interest rate to be set based on an interest rate swap and market conditions at the time of funding. On October 20, 2011, the total amount advanced under the commitment, not to exceed \$2,600,000, will be converted to a term loan amortized based on a 20-year amortization schedule, with principal due on a monthly basis and final payment due October 20, 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 Treasurer and a finance committee member is employed by the bank that issued the line of credit and term loan. During the year ended June 30, 2010, the United Way withdrew approximately \$500,000 on the credit facility. At June 30, 2010 there was an outstanding balance of \$1,446,090.

## **UNITED WAY SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2010

#### **Note 10 - Credit Facility (continued):**

Prior to October 20, 2009, United Way had entered into a credit agreement with the same bank on September 13, 2007 and renewed and modified certain provisions of the agreement on September 19, 2008. The credit agreement provided for a \$1,000,000 line of credit to support general working capital needs and a \$1,000,000 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 accrued interest at a fixed rate of 3.25% per the credit agreement and was payable monthly. The outstanding balance of this loan amortized based on a 20-year amortization schedule and was refunded in full on November 3, 2009 in accordance with the credit agreement entered into on October 20, 2009. United Way drew no funds provided for under the line of credit during the term of the agreement. The credit agreement required that the United Way comply with certain loan covenants as defined. During the year ended June 30, 2009, the United Way withdrew \$1,000,000 on the term commitment and repaid \$37,500. At June 30, 2009 there was an outstanding balance of \$962,500. During the year ended June 30, 2010, the United Way repaid additional principal of approximately \$17,000 on the term commitment prior to its refinancing.

#### **Note 11 - Temporarily restricted net assets:**

Temporarily restricted net assets were restricted for the following purposes as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Future year donor pledge	\$ 2,634,353	\$ 2,906,542
Destination: Home	617,080	961,498
Nonprofit Effectiveness-Packard Fund	452,706	-
Financial Stability Partnership	113,070	192,041
Koret Foundation	100,000	-
Emergency loan fund	107,189	107,078
Covering California's Children	54,510	68,648
San Benito County	46,207	28,878
Alternative Education Collaborative	30,868	159,567
Emergency Assistant Network	27,542	33,970
Volunteer Assessment	21,381	-
Earn it Keep it Save it	14,441	-
United Way of California	2,126	2,126
Homeless Connect	1,702	4,016
Partnership for School Readiness	-	101,086
Donor designated interest	-	5,600
Success by 6	-	792
	<u>\$ 4,223,177</u>	<u>\$ 4,571,842</u>

## **UNITED WAY SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2010

#### **Note 11 - Temporarily restricted net assets (continued):**

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, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Destination: Home	\$ 451,391	\$ 90,169
Future year donor pledge	385,632	385,633
Alternative Education Collaborative	145,723	91,927
Financial Stability Partnership	140,939	-
Partnership for School Readiness	101,086	98,181
Emergency Assistant Network	33,970	38,244
Covering California's Children	32,062	27,592
Interest Earned on Perm Rest	5,600	-
Homeless Connect	3,397	4,456
Success by 6	792	-
San Benito County	450	-
2-1-1 Santa Clara County	-	108,609
Evaluation and measurement systems	-	59,731
United Way of California	-	10,818
	<u>\$ 1,301,042</u>	<u>\$ 915,360</u>

#### **Note 12 - 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 is to be utilized for a variety of programs as directed by the donor. Permanently restricted net assets at June 30, 2009 were \$40,000. During the year ending June 30, 2010, the donor released all stipulations and the gifted funds were distributed in accordance with the donor's instructions.

#### **Note 13 - 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 \$137,000 and \$127,000 for the years ended June 30, 2010 and 2009, respectively.

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

## **UNITED WAY SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2010

#### **Note 14 - In-kind donations:**

During the year ended June 30, 2010, United Way received in-kind donations of computer equipment and printers. The estimated fair value of these donations totaled approximately \$127,000, which is reflected in other support in the accompanying statement of activities and changes in net assets. United Way capitalized the entire value of the equipment.

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.

United Way received an in-kind donation of office rent beginning June 2008. The donated 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. The portion of the discounted future rents earned totaled approximately \$113,000 and \$125,000 for the years ended June 30, 2010 and 2009, respectively.

Present value of future rent receivable is as follows:

For the years ending June 30,		
2011	\$	385,623
2012		369,017
2013		353,127
2014		337,920
2015		323,369
Thereafter		<u>865,320</u>
Present value of future rent receivable		2,634,376
Less long-term in-kind receivable		<u>(2,248,753)</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, 2010 and 2009.

#### **Note 15 - 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 \$700,000 and \$680,000 for the years ended June 30, 2010 and 2009, respectively.