

Audited Financial Statements

United Way for Southeastern Michigan

Year ended June 30, 2009
with Report of Independent Auditors

Audited Financial Statements
United Way for Southeastern Michigan

Year ended June 30, 2009

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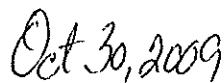
Management Certifications

I hereby certify that:

1. I have reviewed the audited financial statements of United Way for Southeastern Michigan for the year ended June 30, 2009.
2. Based on my knowledge, these financial statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the financial statements, in light of the circumstances under which such statements were made, not misleading.
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of United Way for Southeastern Michigan as of and for the year ended June 30, 2009.



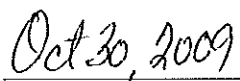
Michael J. Brennan
Chief Executive Officer



Date



Kelly M. Green
Vice President of Strategy and Operations



Date



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

Board of Directors
United Way for Southeastern Michigan
Detroit, Michigan

We have audited the accompanying statement of financial position of United Way for Southeastern Michigan (UWSEM) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of UWSEM'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 for Southeastern Michigan as of June 30, 2009 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009 on our consideration of United Way for Southeastern Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan
October 30, 2009

United Way for Southeastern Michigan

Statement of Financial Position
June 30, 2009

Assets

| | |
|--|-----------------------------|
| Cash and cash equivalents | \$ 8,123,389 |
| Marketable securities | 25,572,154 |
| Pledges receivable, less allowance of \$5,158,800 for collection loss | 18,912,411 |
| Grants receivable | 3,985,165 |
| Prepaid and other assets | 2,211,624 |
| Capital assets, net | <u>6,062,770</u> |
| Total assets | <u><u>\$ 64,867,513</u></u> |

Liabilities and Net Assets

Liabilities

| | |
|---|-------------------|
| Accounts payable and accrued liabilities | \$ 6,329,317 |
| Undistributed grants to community impact partners | 17,894,037 |
| Undistributed donor designations | 7,180,782 |
| Undistributed pledges for agencies | <u>584,600</u> |
| Total liabilities | <u>31,988,736</u> |

Net assets

| | |
|-----------------------------------|-------------------|
| Unrestricted: | |
| For current operations | 1,302,764 |
| Net investment in capital assets | 5,529,308 |
| Designated by board of directors: | |
| Emergency and stabilization | 5,157,024 |
| Funds functioning as endowment | 12,080,700 |
| Other programs | <u>1,232,627</u> |
| Total unrestricted | <u>25,302,423</u> |
| Temporarily restricted: | |
| Restricted for Capital Fund | 2,779,359 |
| Restricted for Grant Fund | <u>4,796,995</u> |
| Total temporarily restricted | <u>7,576,354</u> |
| Total net assets | <u>32,878,777</u> |

| | |
|---|-----------------------------|
| Total liabilities and net assets | <u><u>\$ 64,867,513</u></u> |
|---|-----------------------------|

United Way for Southeastern Michigan

Statement of Activities
For the year ended June 30, 2009

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|----------------------|
| Public support and revenue: | | | |
| Gross campaign results: | | | |
| Annual campaigns | \$ 44,885,235 | \$ - | \$ 44,885,235 |
| Less donor designations | (14,169,738) | - | (14,169,738) |
| Less provision for uncollectible pledges | (766,195) | - | (766,195) |
| Net campaign revenue | <u>29,949,302</u> | <u>-</u> | <u>29,949,302</u> |
| Administrative fees earned on designations | 1,863,189 | - | 1,863,189 |
| Federal grants | 568,959 | - | 568,959 |
| State grants | 7,504,087 | 612,295 | 8,116,382 |
| County grants | 381,103 | - | 381,103 |
| Foundation grants | 2,529,373 | 3,804,350 | 6,333,723 |
| Other contributions and bequests | 1,229,460 | 992,644 | 2,222,104 |
| Interest and dividend income | 924,436 | 58,593 | 983,029 |
| Net unrealized and realized gains (losses) on investments | (2,437,518) | 41,424 | (2,396,094) |
| Rental fees | 192,150 | - | 192,150 |
| Impairment of capital assets | (2,000,161) | - | (2,000,161) |
| Miscellaneous | 56,733 | - | 56,733 |
| Net assets released from restrictions | <u>3,048,850</u> | <u>(3,048,850)</u> | <u>-</u> |
| | | | - |
| Total public support and revenue | <u>43,809,963</u> | <u>2,460,456</u> | <u>46,270,419</u> |
| Expenses: | | | |
| Program services: | | | |
| Grants to community impact partners | 34,784,055 | - | 34,784,055 |
| Other program services | 10,803,610 | - | 10,803,610 |
| Total program services | <u>45,587,665</u> | <u>-</u> | <u>45,587,665</u> |
| Supporting services | 7,866,609 | - | 7,866,609 |
| United Way of America dues | 428,968 | - | 428,968 |
| Total expenses | <u>53,883,242</u> | <u>-</u> | <u>53,883,242</u> |
| Increase (decrease) in net assets | (10,073,279) | 2,460,456 | (7,612,823) |
| Net assets, beginning of period | <u>35,375,702</u> | <u>5,115,898</u> | <u>40,491,600</u> |
| Net assets, end of period | <u>\$ 25,302,423</u> | <u>\$ 7,576,354</u> | <u>\$ 32,878,777</u> |

United Way for Southeastern Michigan

Statement of Functional Expenses
For the year ended June 30, 2009

| | Program Services | | | | Supporting Services | | | | Total |
|--------------------------------------|---------------------------------------|---------------|------------------------|---------------------------|---------------------|------------------------|------------|------------------------------|---------------|
| | Community Investment and Partnerships | 2-1-1 Program | Other Program Services | Subtotal Program Services | Fund Raising | Management and General | UWA Dues | Subtotal Supporting Services | |
| Grants and functional expenses: | | | | | | | | | |
| Grants: | | | | | | | | | |
| Grants to community impact partners | \$ 23,848,051 | \$ - | \$ 10,936,004 | \$ 34,784,055 | \$ - | \$ - | \$ - | \$ - | \$ 34,784,055 |
| Functional expenses: | | | | | | | | | |
| Salaries and related expenses: | | | | | | | | | |
| Salaries | 920,869 | 827,348 | 3,135,247 | 4,883,464 | 1,628,961 | 1,926,916 | - | 3,555,877 | 8,439,341 |
| Employee benefits | 238,991 | 214,720 | 813,684 | 1,267,395 | 422,761 | 500,088 | - | 922,849 | 2,190,244 |
| Payroll taxes and insurance | 70,807 | 63,616 | 241,073 | 375,496 | 125,253 | 148,163 | - | 273,416 | 648,912 |
| Total salaries and related expenses | 1,230,667 | 1,105,684 | 4,190,004 | 6,526,355 | 2,176,975 | 2,575,167 | - | 4,752,142 | 11,278,497 |
| Other expenses: | | | | | | | | | |
| Printing and publications | 44,409 | 39,899 | 151,197 | 235,505 | 78,556 | 92,926 | - | 171,482 | 406,987 |
| Occupancy | 157,049 | 141,100 | 534,701 | 832,850 | 277,811 | 328,626 | - | 606,437 | 1,439,287 |
| Supplies | 12,225 | 10,983 | 41,623 | 64,831 | 21,625 | 25,582 | - | 47,207 | 112,038 |
| Professional fees | 332,453 | 298,690 | 1,131,889 | 1,763,032 | 588,088 | 695,656 | - | 1,283,744 | 3,046,776 |
| Employee travel and training | 46,749 | 42,001 | 159,164 | 247,914 | 82,696 | 97,822 | - | 180,518 | 428,432 |
| Meeting and event cost | 24,500 | 22,012 | 83,415 | 129,927 | 43,339 | 51,267 | - | 94,606 | 224,533 |
| Insurance | 13,283 | 11,934 | 45,225 | 70,442 | 23,497 | 27,795 | - | 51,292 | 121,734 |
| Communication | 35,146 | 31,577 | 119,660 | 186,383 | 62,171 | 73,543 | - | 135,714 | 322,097 |
| Equipment expenses | 30,876 | 27,740 | 105,122 | 163,738 | 54,617 | 64,608 | - | 119,225 | 282,963 |
| Postage and shipping | 10,815 | 9,717 | 36,821 | 57,353 | 19,131 | 22,630 | - | 41,761 | 99,114 |
| National and state dues | 24,324 | 21,853 | 82,813 | 128,990 | 43,027 | 50,897 | - | 93,924 | 222,914 |
| Membership dues | 2,958 | 2,658 | 10,072 | 15,688 | 5,233 | 6,190 | - | 11,423 | 27,111 |
| Miscellaneous | 5,884 | 5,286 | 20,033 | 31,203 | 10,408 | 12,312 | - | 22,720 | 53,923 |
| Depreciation | 65,886 | 59,195 | 224,318 | 349,399 | 116,548 | 137,866 | - | 254,414 | 603,813 |
| Total other expenses | 806,557 | 724,645 | 2,746,053 | 4,277,255 | 1,426,747 | 1,687,720 | - | 3,114,467 | 7,391,722 |
| Total functional expenses before | | | | | | | | | |
| United Way of America dues | 2,037,224 | 1,830,329 | 6,936,057 | 10,803,610 | 3,603,722 | 4,262,887 | - | 7,866,609 | 18,670,219 |
| United Way of America dues | - | - | - | - | - | - | 428,968 | 428,968 | 428,968 |
| Total grants and functional expenses | \$ 25,885,275 | \$ 1,830,329 | \$ 17,872,061 | \$ 45,587,665 | \$ 3,603,722 | \$ 4,262,887 | \$ 428,968 | \$ 8,295,577 | \$ 53,883,242 |

United Way for Southeastern Michigan

Statement of Cash Flows
For the year ended June 30, 2009

Cash flows from operating activities:

| | |
|---|----------------------------|
| Change in net assets | \$ (7,612,823) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | |
| Depreciation | 603,813 |
| Impairment of capital assets | 2,000,161 |
| Unrealized loss on marketable securities | 1,160,070 |
| Realized loss on marketable securities | 1,236,024 |
| Changes in operating assets and liabilities which (used) provided cash: | |
| Annual campaign pledges receivable | 2,516,596 |
| Grants receivable | (3,985,165) |
| Prepaid and other assets | 207,504 |
| Accounts payable and accrued liabilities | 2,268,746 |
| Undistributed grants to community impact partners | (3,015,113) |
| Undistributed donor designations | 1,714,320 |
| Undistributed pledges for agencies | <u>(735,600)</u> |
| Net cash used in operating activities | <u>(3,641,467)</u> |
| Cash flows from investing activities: | |
| Purchases of capital assets | (3,429,579) |
| Purchases of marketable securities | (36,195,352) |
| Proceeds from sales of marketable securities | <u>47,348,585</u> |
| Net cash provided by investing activities | <u>7,723,654</u> |
| Net increase in cash and cash equivalents | 4,082,187 |
| Cash and cash equivalents, beginning of year | <u>4,041,202</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 8,123,389</u></u> |

Supplemental cash flow disclosure

| | |
|--|------------|
| Schedule of noncash investing and financing transactions | |
| Capital lease obligation incurred for office furniture | \$ 533,461 |

United Way for Southeastern Michigan

Notes to Financial Statements

June 30, 2009

1. **Mission and Summary of Significant Accounting Policies**

Formation

In March 2005, the Boards of Directors of United Way of Oakland County (UWOC) and United Way Community Services (UWCS) agreed to consolidate their operations. The consolidation was accomplished when UWOC and UWCS formed a new entity, "United Way for Southeastern Michigan" (UWSEM) and each contributed their net assets as of the legal inception date of UWSEM, which was October 15, 2005. Both UWOC and UWCS ceased to operate as of that date and each was dissolved.

Mission

UWSEM is a Michigan nonprofit corporation dedicated to mobilizing the caring power of Detroit and Southeastern Michigan to improve communities and individual lives in measurable and lasting ways.

Summary of Significant Accounting Policies

General

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The statements are in conformity with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS No. 117); The Industry Audit Guide, *Not-for-Profit Organizations*, issued by the American Institute of Certified Public Accountants, and other practices adopted by the United Way of America.

Under the provisions of SFAS No. 117, UWSEM's net assets are classified as follows:

Unrestricted Net Assets - The amount of net assets which are available for general operations and are not subject to any donor-imposed restrictions. Revenues earned from program services provided, unrestricted contributions, investment income available for general operations, and all operating expenses are reported in this category.

United Way for Southeastern Michigan

Notes to Financial Statements (continued)

1. Mission and Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets - The amount of net assets which are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the 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.

Permanently Restricted Net Assets - The amount of net assets which result from donor gifts and bequests that create permanent endowment funds. According to the donor's instructions, income, gains, or losses from the permanently restricted net assets should also be classified as such or reclassified to the unrestricted or temporarily restricted categories. As of June 30, 2009, UWSEM had no permanently restricted net assets.

As permitted under the provisions of SFAS No. 117, UWSEM records donor-restricted contributions whose restrictions have been satisfied in the same reporting period as unrestricted support in such year.

Pledges Receivable, Revenue, and Expense Recognition

UWSEM accounts for pledges receivable in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Under the provisions of SFAS No. 116, all contribution revenue is recognized in the period received unless it contains a donor-imposed condition. A donor-imposed condition represents a future and uncertain event, the occurrence of which or failure to occur gives the donor the right of return of the assets contributed or to dishonor the pledge and, as such, may result in the deferral or nonrecognition of revenue. Such contributions are recognized when the donor-imposed conditions are met. In addition, the provisions of SFAS No. 116 require the expense recognition of all pledges to give, including the future grants to community impact partners, which are included in the accompanying statement of financial position as "Undistributed grants to community impact partners" and "Undistributed donor designations."

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

1. Mission and Summary of Significant Accounting Policies (continued)

Agent Transactions

In accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, UWSEM acts as an agent of New Detroit, Inc. UWSEM also acts as an agent for the Southeastern Michigan Area Combined Federal Campaign in its capacity as the “Principal Combined Fund Organization.” In its capacity as an agent, UWSEM collects contributions from donors that are designated for the benefit of New Detroit, Inc. and the Combined Federal Campaign, and distributes such contributions in accordance with donor designations. Certain other donor pledges are designated for the benefit of other nonprofit agencies. All third-party designations are regarded as transfers of assets from donors through UWSEM (as an agent) to third-party recipients specified by the donor and are presented as gross campaign contributions received, less amounts raised on behalf of others in the financial statements of UWSEM. Amounts collected under these arrangements but not yet distributed in accordance with donor stipulations are recorded in the accompanying statement of financial position as “Undistributed pledges for agencies” or “Undistributed donor designations.”

Contributed Services

UWSEM receives services from a large number of volunteers who give significant amounts of their time to UWSEM’s programs, fund-raising campaigns, and management. Such services may include those that (a) create or enhance nonfinancial assets, or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not contributed. However, no amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

Fair Value Measurements

Effective July 1, 2008, UWSEM adopted SFAS No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

1. Mission and Summary of Significant Accounting Policies (continued)

As defined in SFAS No. 157, 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. In determining fair value, UWSEM uses various methods including market, income, and cost approaches. Based on these approaches, UWSEM often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. UWSEM utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, UWSEM is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, UWSEM performed a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3, of which there were none at June 30, 2009.

For the fiscal year ended June 30, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent.

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

1. Mission and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

UWSEM considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. UWSEM invests its excess cash primarily in deposits with major banks within the State of Michigan and in other high quality short-term liquid money market investments. Certain grant agreements require there to be, and have, separate bank accounts. UWSEM maintains a policy of making investments only with institutions with at least an investment grade credit rating.

Marketable Securities

Marketable securities consist of investments in commercial paper, certificates of deposit, U.S. Government agency securities, equity securities, and debt securities.

UWSEM accounts for investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, UWSEM reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value, with gains and losses included in the statement of activities. Investments in debt and equity securities with readily available fair market values are stated at fair market value as determined by quoted market prices, with unrealized gains and losses recognized in the statement of activities.

At June 30, 2009, all of UWSEM's marketable securities are classified as Level 1 investments.

Capital Assets

Capital assets are recorded at cost or, if donated, at the fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of capital assets are recorded as unrestricted support. Depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Management annually reviews these assets for impairment.

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

1. Mission and Summary of Significant Accounting Policies (continued)

Income Taxes

UWSEM is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. It is similarly exempt from Michigan taxes under the provisions of the Michigan tax regulations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. The most significant estimate is the allowance for collection loss. This estimate is based on historical collection data as well as current economic factors. Other estimates embodied in the statements include the estimated useful lives of fixed assets and the actuarial valuation of pension and postretirement life insurance benefits. Actual results could differ from estimates.

Exchange Transactions

UWSEM earns revenue under certain grant agreements. Revenues and related receivables from such agreements, which are considered “exchange transactions” pursuant to SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, are recorded in the period in which the Agency renders its service. Any payments received in advance of services rendered are considered deferred.

Subsequent Events

Subsequent events have been evaluated through October 30, 2009, which is the date the financial statements were available to be issued.

2. Concentration Risks

Cash and Cash Equivalents

During the year and at year end, UWSEM maintained bank deposits in excess of federally insured amounts. Management does not believe this exposes UWSEM to significant credit or other risk.

United Way for Southeastern Michigan

Notes to Financial Statements (continued)

2. Concentration Risks (continued)

Revenue and Pledges Receivable

A significant portion of UWSEM's campaign revenues and pledges receivable is derived from employee contributions and firm gifts from the "Big Three" automotive manufacturers. This amount is approximately \$15 million of gross revenue and \$7.8 million of gross pledges receivable at year end. The current and future economic health of the domestic automotive industry impacts collection of these revenues and future contribution levels, and could result in a severe near term impact to UWSEM.

3. Marketable Securities

Marketable securities consist of the following investments as of June 30, 2009:

| | <u>Cost</u> | <u>Fair value</u> | <u>Unrealized gain (loss)</u> |
|--|----------------------|----------------------|-------------------------------|
| Money market and certificates of deposit | \$ 13,377,969 | \$ 13,379,529 | \$ 1,560 |
| U.S. Government agencies | 999,346 | 1,032,190 | 32,844 |
| Equity securities | 8,825,953 | 6,924,393 | (1,901,560) |
| Debt securities | <u>4,458,182</u> | <u>4,236,042</u> | <u>(222,140)</u> |
| Total | <u>\$ 27,661,450</u> | <u>\$ 25,572,154</u> | <u>\$(2,089,296)</u> |

Net realized losses on sales of marketable securities included in the accompanying statement of activities amounted to \$1,236,024 for the year ended June 30, 2009. UWSEM intends to use the money market and certificates of deposit amount for short-term investment purposes and therefore this amount has been classified as marketable securities rather than cash and cash equivalents.

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

4. Capital Assets

Capital assets consisted of the following components as of June 30, 2009:

| | |
|---|-------------------------|
| Land and land improvements | \$ 515,795 |
| Buildings and leasehold improvements | 5,761,615 |
| Furniture and equipment | <u>1,522,893</u> |
| Total capital assets | 7,800,303 |
| Less accumulated depreciation | <u>1,737,533</u> |
| Capital assets, net | <u>\$ 6,062,770</u> |

During 2009, UWSEM vacated its main administrative headquarters on Griswold in Detroit, and moved to a leased location on Woodward Avenue also within the city of Detroit. As a result, the Griswold location was held for sale at June 30, 2009. Subsequent to year-end, a purchase agreement was secured with a buyer for the Griswold location. As a result, UWSEM has recorded an impairment loss on the Griswold location of approximately \$2.0 million, reducing the book value of that asset to \$1.75 million, which approximates the selling price, and is included in Buildings and leasehold improvements, above.

5. Pension Plans

A significant number of employees of UWSEM participate in a multiple employer defined benefit pension plan (the multiple employer plan) involving approximately 22 participating agencies, of which UWSEM is the plan sponsor. The pension benefits under the multiple employer plan are based on years of service and the employee's compensation over the last three years of employment. UWSEM's funding policy is to contribute an amount equal to at least the actuarially determined minimum funding requirement. Contributions are intended to provide for benefits attributed to service to date and for those expected to be earned in the future. At July 1, 2008, UWSEM had a prepaid pension expense balance of \$1,266,409. During the year ended June 30, 2009, \$674,364 was expensed for the period on behalf of its employees, and the remaining \$592,045 represented a prepaid expense to be applied in future periods. UWSEM made no other contributions to the multiple employer plan during the year ended June 30, 2009. The amount of any future contributions has not been determined.

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

5. Pension Plans (continued)

Benefits and participation under the multiple employer plan were frozen on March 15, 2005 in accordance with provisions of the official plan document. No new participants will be admitted into the multiple employer plan after that date and the amount of a participant's benefit at retirement was frozen at the amount accrued as of March 15, 2005.

In addition, as a result of the merger discussed in Note 1, UWSEM assumed a UWOC defined benefit plan (the UWOC plan) covering substantially all former full-time UWOC employees. Benefits are based on years of service and the employee's compensation during the last year of employment. UWSEM's funding policy is to make the minimum annual contribution required by applicable regulations.

Information pertaining to the UWOC plan is as follows for the year ended June 30, 2009:

Change in benefit obligation:

| | |
|-----------------------------------|---------------------|
| Benefit obligation, July 1, 2008 | \$ 1,003,863 |
| Service cost | 38,262 |
| Interest cost | 55,572 |
| Change due to assumption change | (77,135) |
| Actuarial gain | (14,348) |
| Expense charges | (4,320) |
| Benefit obligation, June 30, 2009 | <u>\$ 1,001,894</u> |

Change in plan assets:

| | |
|--|-------------------|
| Fair value of plan assets, July 1, 2008 | \$ 789,392 |
| Actual return on plan assets | (81,155) |
| Employer contributions | 47,229 |
| Expense charges | (4,320) |
| Fair value of plan assets, June 30, 2009 | <u>\$ 751,146</u> |

Funded status:

| | |
|---|---------------------|
| Projected benefit obligation in excess of plan assets, recognized in statement of financial position | <u>\$ (250,748)</u> |
|---|---------------------|

Components of net periodic benefit cost:

| | |
|--------------------------------|------------------|
| Service cost | \$ 38,262 |
| Interest cost | 55,572 |
| Expected return on plan assets | (60,125) |
| Net periodic benefit cost | <u>\$ 33,709</u> |

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

5. Pension Plans (continued)

The following assumptions were used in developing the net pension cost and funded status information:

| | |
|--|-------|
| Discount rate for pension benefit obligation | 6.25% |
| Rate of compensation increase | 5.00% |
| Long-term rate of return on plan assets | 8.00% |

The expected long-term rate of return on plan assets assumption of 8.00% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. A best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range of 6.92% – 8.54%. A rate near the midpoint of the best estimate range of 8.00% was selected.

Weighted-average asset allocations by asset categories are as follows:

| | | |
|-----------------|-------------------|-------------|
| Equity | \$ 292,406 | 39% |
| General account | 458,740 | 61% |
| Total | <u>\$ 751,146</u> | <u>100%</u> |

UWSEM’s contributions to the plan for the year ended June 30, 2009 were \$47,229. UWSEM expects to contribute the actuarially determined minimum annual contribution to this pension plan for the fiscal year ended June 30, 2010.

Expected pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten years are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2010 | \$ 110,000 |
| 2011 | 379,000 |
| 2012 | - |
| 2013 | 184,000 |
| 2014 | - |
| 2015-2019 | 240,000 |

United Way for Southeastern Michigan

Notes to Financial Statements (continued)

6. Other Postretirement Employee Benefits

Until April 1, 2009, employees retiring from UWSEM were entitled to postretirement life insurance benefits (the postretirement plan), in addition to the aforementioned pension plan benefits. As of April 1, 2009, active employees are no longer eligible for postretirement life insurance benefits. Retirees who are currently enrolled in the plan remain eligible for benefits.

Information pertaining to the activity in the postretirement plan, is as follows for the year ended June 30, 2009:

| | |
|--|---------------------|
| Change in benefit obligation: | |
| Benefit obligation, July 1, 2008 | \$ 958,919 |
| Service cost | 23,766 |
| Interest cost | 52,429 |
| Amendments (effect of curtailment) | (395,010) |
| Actuarial loss due to census | 12,538 |
| Actuarial gain due to assumptions | (13,584) |
| Benefits paid | (6,115) |
| Benefit obligation, June 30, 2009 | <u>\$ 632,943</u> |
| Change in plan assets: | |
| Fair value of plan assets, July 1, 2008 | \$ - |
| Employer contributions | 6,115 |
| Benefits paid | (6,115) |
| Fair value of plan assets, June 30, 2009 | <u>\$ -</u> |
| Funded status: | |
| Benefit obligation in excess of plan assets, recognized in statement of financial position | <u>\$ (632,943)</u> |
| Components of net periodic benefit cost: | |
| Service cost | \$ 23,766 |
| Interest cost | 52,429 |
| Recognition of net actuarial loss | 7,162 |
| Net periodic benefit cost | <u>\$ 83,357</u> |

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

6. Other Postretirement Employee Benefits (continued)

Significant assumptions used in determining projected benefit obligation and net periodic benefit cost for the postretirement plan were as follows at June 30, 2009:

| | |
|--|-------|
| Rate of compensation increase for benefit obligation | N/A |
| Discount rate for benefit obligation at end of year | 5.75% |

UWSEM contributed \$6,115 to the postretirement plan for the year ended June 30, 2009. UWSEM expects to contribute approximately \$47,217 to the postretirement plan for the 2010 fiscal year.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the following years:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2010 | \$ 47,217 |
| 2011 | 48,647 |
| 2012 | 50,042 |
| 2013 | 51,257 |
| 2014 | 52,192 |
| 2015-2019 | 261,204 |

7. United Way of America

UWSEM pays annual dues for use of the trademark, nationwide marketing, and training services to United Way of America, which is a separate and autonomous organization from UWSEM. The annual dues are based on the preceding calendar year's campaign, and are payable during the next calendar year. As of June 30, 2009, \$325,662 was payable to United Way of America based on the 2008 campaign.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets constitute the capital fund and grant fund net assets. Capital fund net assets are temporarily restricted to fund assessments and capital improvements for qualifying non-profit organizations. Grant fund net assets which contain donor-imposed restrictions as to purpose and time are temporarily restricted until those donor-imposed conditions are satisfied.

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

9. Operating Lease

UWSEM leases its main administrative headquarters under a ten-year noncancelable operating lease expiring in November 2018. There are two additional five-year renewal options at the agreed-upon prevailing market rate per rentable square foot at the time of extension.

UWSEM also has the option to purchase the leased premises anytime during the first twenty-four months of the lease.

The following is a schedule of the future minimum rental payments under the above lease.

| <u>Year ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2010 | \$ 391,221 |
| 2011 | 391,221 |
| 2012 | 391,221 |
| 2013 | 391,221 |
| 2014 | 391,221 |
| 2015 - 2018 | <u>2,510,335</u> |
| Total | <u>\$ 4,466,440</u> |

Rental expense under this lease was \$233,762 for the year ended June 30, 2009.

10. Capital Lease

UWSEM leases certain office furniture under a 36 month capital lease commencing in June 2009. The assets and liabilities under the capital lease are recorded at the present value of the minimum lease payments. The assets are amortized over their expected useful life. Amortization of the assets under the capital lease is included in depreciation expense.

Following is a summary of assets held under the capital lease:

| | |
|--------------------------|-------------------|
| Office furniture | \$ 533,461 |
| Accumulated amortization | <u>-</u> |
| Total | <u>\$ 533,461</u> |

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

10. Capital Lease (continued)

The following is a schedule of the minimum future lease payments under the capital lease.

| Year ending June 30, | Amount |
|--|---------------|
| 2010 | \$ 203,125 |
| 2011 | 185,127 |
| 2012 | 167,128 |
| Total | 555,380 |
| Less: amount representing interest | (21,919) |
| Present value of minimum lease payments | \$ 533,461 |

The present value of the minimum lease payments is included within accounts payable and accrued liabilities on the statement of financial position. The interest rate on this capital lease is 2.98% and was determined based the lessor's explicit rate of return in the lease agreement.

11. Commitments

As of June 30, 2009, United Way for Southeastern Michigan has made financial commitments to qualifying non-profit organizations to provide funding to assist with future capital assessments and improvements. The value of these commitments was \$750,000 as of June 30, 2009.

12. Tax Deferred Thrift Plan

UWSEM's employees participate in a tax deferred annuity plan. Under the terms of the thrift plan, employees can elect to contribute a percentage of their annual compensation. Through March 2009, UWSEM contributed on behalf of the employee 3% of the employee's compensation, plus an amount up to 100% of the salary reduction amount contributed by the employee, not exceeding 2% of the employee's compensation. UWSEM suspended the matching contribution of 2% effective April 1, 2009, for non-union employees. Employer contributions to the thrift plan for the year ended June 30, 2009 amounted to \$331,451.

United Way for Southeastern Michigan
Notes to Financial Statements (continued)

13. Related Party Transactions

Expenses include payments to entities that are affiliated with Board members of approximately \$101,401 for legal and consulting services.

14. Contingencies

In the normal course of business operations, UWSEM is involved in litigation from time to time. In the opinion of management, the ultimate liability, if any, for these matters is not expected to be significant or have an adverse effect on UWSEM.