

**Audited Financial Statements**

**United Way for Southeastern Michigan**

*Years ended June 30, 2010 and 2009  
with Report of Independent Auditors*

Audited Financial Statements  
United Way for Southeastern Michigan  
Years ended June 30, 2010 and 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 years ended June 30, 2010 and 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 years ended June 30, 2010 and 2009.



Michael J. Brennan  
Chief Executive Officer

JANUARY 18, 2011

Date



Douglas E. Plant  
Vice President

JANUARY 18, 2011

Date

## Report of Independent Auditors

Board of Directors  
United Way for Southeastern Michigan  
Detroit, Michigan

We have audited the accompanying statements of financial position of United Way for Southeastern Michigan (UWSEM) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 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 UWSEM's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way for Southeastern Michigan as of June 30, 2010 and 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 January 18, 2011 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.

As discussed in Note 5, during the year ended June 30, 2010 UWSEM withdrew from participation in the multiple employer defined benefit pension plan. During the year ended June 30, 2010, UWSEM also filed for a distress termination of the multiple employer plan with the Pension Benefit Guaranty Corporation.

*Andrews Hooper Paulik PLC*

Auburn Hills, Michigan  
January 18, 2011

United Way for Southeastern Michigan

Statements of Financial Position

	June 30	
	2010	2009
<b>Assets</b>		
Cash and cash equivalents	\$ 6,596,749	\$ 8,123,389
Marketable securities	24,348,691	25,572,154
Pledges receivable, less allowance of \$3,955,092 and \$5,158,800 for collection loss	15,765,183	19,216,528
Grants receivable	6,992,527	3,985,165
Prepaid and other assets	1,538,041	2,158,811
Capital assets, net	4,092,874	6,062,770
<b>Total assets</b>	<b>\$ 59,334,065</b>	<b>\$ 65,118,817</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 5,871,662	\$ 6,329,317
Undistributed grants to community impact partners	14,938,820	17,894,037
Undistributed donor designations	4,991,183	7,432,086
Undistributed pledges for agencies	427,500	584,600
<b>Total liabilities</b>	<b>26,229,165</b>	<b>32,240,040</b>
<b>Net assets</b>		
Unrestricted:		
For current operations	1,064,040	1,302,764
Net investment in capital assets	3,744,093	5,529,308
Designated by board of directors:		
Emergency and stabilization	4,662,463	5,157,024
Funds functioning as endowment	13,864,623	12,080,700
Other programs	1,238,027	1,232,627
Total unrestricted	24,573,246	25,302,423
Temporarily restricted:		
Restricted for Capital Fund	1,902,293	2,779,359
Restricted for Grant Fund	6,629,361	4,796,995
Total temporarily restricted	8,531,654	7,576,354
<b>Total net assets</b>	<b>33,104,900</b>	<b>32,878,777</b>
<b>Total liabilities and net assets</b>	<b>\$ 59,334,065</b>	<b>\$ 65,118,817</b>

United Way for Southeastern Michigan

Statement of Activities  
For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support and revenue:			
Gross campaign results:			
Annual campaigns	\$ 37,419,599	\$ -	\$ 37,419,599
Less donor designations	(12,193,270)	-	(12,193,270)
Less provision for uncollectible pledges	(2,483,961)	-	(2,483,961)
Net campaign revenue	22,742,368	-	22,742,368
Administrative fees earned on designations	1,569,145	-	1,569,145
Federal grants	1,766,652	-	1,766,652
State grants	8,359,906	1,411,650	9,771,556
County grants	1,060,825	-	1,060,825
Foundation grants	621,538	6,455,952	7,077,490
Other contributions and bequests	504,466	613,851	1,118,317
Interest and dividend income	417,380	46,857	464,237
Net unrealized and realized gains (losses) on investments	1,347,680	(30,611)	1,317,069
Rental fees	70,619	-	70,619
Miscellaneous	(53,643)	2,500	(51,143)
Net assets released from restrictions	7,544,899	(7,544,899)	-
Total public support and revenue	45,951,835	955,300	46,907,135
Expenses:			
Program services:			
Grants to community impact partners	31,084,051	-	31,084,051
Other program services	9,463,145	-	9,463,145
Total program services	40,547,196	-	40,547,196
Supporting services	5,752,166	-	5,752,166
United Way Worldwide dues	381,650	-	381,650
Total expenses	46,681,012	-	46,681,012
Increase (decrease) in net assets	(729,177)	955,300	226,123
Net assets, beginning of period	25,302,423	7,576,354	32,878,777
Net assets, end of period	<u>\$ 24,573,246</u>	<u>\$ 8,531,654</u>	<u>\$ 33,104,900</u>

United Way for Southeastern Michigan

Statement of Activities  
For the year ended June 30, 2009

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Total</b>
<b>Public support and revenue:</b>			
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	29,949,302	-	29,949,302
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	3,048,850	(3,048,850)	-
<b>Total public support and revenue</b>	<b>43,809,963</b>	<b>2,460,456</b>	<b>46,270,419</b>
<b>Expenses:</b>			
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	45,587,665	-	45,587,665
Supporting services	7,866,609	-	7,866,609
United Way Worldwide dues	428,968	-	428,968
<b>Total expenses</b>	<b>53,883,242</b>	<b>-</b>	<b>53,883,242</b>
Increase (decrease) in net assets	(10,073,279)	2,460,456	(7,612,823)
Net assets, beginning of period	35,375,702	5,115,898	40,491,600
Net assets, end of period	\$ 25,302,423	\$ 7,576,354	\$ 32,878,777

United Way for Southeastern Michigan

Statement of Functional Expenses  
For the year ended June 30, 2010

	Program Services				Supporting Services				Total
	Community Investment and Partnerships	2-1-1 Program	Other Program Services	Subtotal Program Services	Fund Raising	Management and General	UWW Dues	Subtotal Supporting Services	
Grants and functional expenses:									
Grants:									
Grants to community impact partners	\$ 18,978,042	\$ -	\$ 12,106,009	\$ 31,084,051	\$ -	\$ -	\$ -	\$ -	\$ 31,084,051
Functional expenses:									
Salaries and related expenses:									
Salaries	405,595	630,189	2,597,314	3,633,098	1,234,612	1,275,864	-	2,510,476	6,143,574
Employee benefits	124,007	192,675	794,108	1,110,790	377,473	390,085	-	767,558	1,878,348
Payroll taxes and insurance	38,761	60,224	248,214	347,199	117,986	121,929	-	239,915	587,114
Total salaries and related expenses	568,363	883,088	3,639,636	5,091,087	1,730,071	1,787,878	-	3,517,949	8,609,036
Other expenses:									
Printing and publications	14,591	36,399	244,624	295,614	94,752	44,147	-	138,899	434,513
Occupancy	57,800	89,513	369,850	517,163	175,367	181,226	-	356,593	873,756
Supplies	3,400	5,318	16,177	24,895	8,710	7,296	-	16,006	40,901
Professional fees	101,010	419,990	1,539,227	2,060,227	614,036	357,568	-	971,604	3,031,831
Employee travel and training	19,562	25,889	172,815	218,266	73,613	15,042	-	88,655	306,921
Meeting and event cost	5,938	4,518	71,161	81,617	75,475	4,138	-	79,613	161,230
Insurance	6,293	9,778	40,301	56,372	19,157	19,797	-	38,954	95,326
Communication	7,681	94,454	83,158	185,293	23,397	23,432	-	46,829	232,122
Equipment expenses	27,489	22,015	73,473	122,977	35,817	36,092	-	71,909	194,886
Postage and shipping	4,023	6,543	30,052	40,618	15,311	9,074	-	24,385	65,003
National and state dues	13,042	20,264	83,519	116,825	39,700	41,027	-	80,727	197,552
Membership dues	2,634	2,013	5,461	10,108	2,292	1,868	-	4,160	14,268
Miscellaneous	599	3,085	185,899	189,583	1,724	1,481	-	3,205	192,788
Depreciation	50,517	78,490	323,493	452,500	153,770	158,908	-	312,678	765,178
Total other expenses	314,579	818,269	3,239,210	4,372,058	1,333,121	901,096	-	2,234,217	6,606,275
Total functional expenses before									
United Way Worldwide dues	882,942	1,701,357	6,878,846	9,463,145	3,063,192	2,688,974	-	5,752,166	15,215,311
United Way Worldwide dues	-	-	-	-	-	-	381,650	381,650	381,650
Total grants and functional expenses	\$ 19,860,984	\$ 1,701,357	\$ 18,984,855	\$ 40,547,196	\$ 3,063,192	\$ 2,688,974	\$ 381,650	\$ 6,133,816	\$ 46,681,012

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	UWW 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 Worldwide 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 Worldwide 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  
 Statements of Cash Flows  
 For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 226,123	\$ (7,612,823)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	765,178	603,813
Impairment of capital assets	66,494	2,000,161
Unrealized (gain) loss on marketable securities	(2,093,501)	1,160,070
Realized loss on marketable securities	776,432	1,236,024
Changes in operating assets and liabilities which (used) provided cash:		
Annual campaign pledges receivable	3,451,345	2,212,479
Grants receivable	(3,007,362)	(3,985,165)
Prepaid and other assets	620,770	260,317
Accounts payable and accrued liabilities	(457,655)	2,268,746
Undistributed grants to community impact partners	(2,955,217)	(3,015,113)
Undistributed donor designations	(2,440,903)	1,965,624
Undistributed pledges for agencies	(157,100)	(735,600)
	<u>(5,205,396)</u>	<u>(3,641,467)</u>
<b>Cash flows from investing activities:</b>		
Purchases of capital assets	(458,165)	(3,429,579)
Proceeds from sale of capital assets	1,596,389	-
Purchases of marketable securities	(50,271,193)	(36,195,352)
Proceeds from sales of marketable securities	52,811,725	47,348,585
	<u>3,678,756</u>	<u>7,723,654</u>
Net cash provided by investing activities		
	<u>3,678,756</u>	<u>7,723,654</u>
Net increase (decrease) in cash and cash equivalents	(1,526,640)	4,082,187
Cash and cash equivalents, beginning of year	8,123,389	4,041,202
	<u>8,123,389</u>	<u>4,041,202</u>
Cash and cash equivalents, end of year	<u>\$ 6,596,749</u>	<u>\$ 8,123,389</u>
<b>Supplemental cash flow disclosure</b>		
Schedule of noncash investing and financing transactions		
Capital lease obligation incurred for office furniture	\$ 33,060	\$ 533,461

# United Way for Southeastern Michigan

## Notes to Financial Statements

June 30, 2010 and 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 professional accounting standards, the Industry Audit Guide, *Not-for-Profit Organizations*, issued by the American Institute of Certified Public Accountants, and other practices adopted by United Way Worldwide.

In accordance with professional accounting standards, 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.

*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.

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

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

**General (continued)**

*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, 2010 and 2009, UWSEM had no permanently restricted net assets.

As permitted under the provisions of professional accounting standards, 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**

In accordance with professional accounting standards, 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 accounting standards 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.”

**Agent Transactions**

UWSEM acts as an agent of New Detroit, Inc. and 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 grants to community impact partners” or “Undistributed donor designations.”

## United Way for Southeastern Michigan

### Notes to Financial Statements (continued)

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

##### 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

As defined by professional accounting standards, 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.

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

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

**Fair Value Measurements (continued)**

In determining the appropriate levels, UWSEM performed a detailed analysis of the assets and liabilities that are subject to fair value measurements. 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, 2010 and 2009.

For the fiscal years ended June 30, 2010 and 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent.

**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 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, 2010 and 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. Accordingly, no provision for income taxes is included in the accompanying financial statements.

UWSEM adopted the provisions of Financial Accounting Standards Board Codification Section 740-10 related to uncertain tax positions on July 1, 2009. The adoption of this standard had no material effect on UWSEM.

**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” are recorded in the period in which the agency renders its service. Any payments received in advance of services rendered are considered deferred.

**Reclassifications**

Certain amounts from the prior year have been reclassified to conform to the current year presentation.

**Subsequent Events**

Subsequent events have been evaluated through January 18, 2011, which is the date the financial statements were available to be issued.

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

**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.

**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 \$14 million of gross revenue and \$7.4 million of gross pledges receivable at June 30, 2010; and \$15 million of gross revenue and \$7.8 million of gross pledges receivable at June 30, 2009. 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, 2010 and 2009:

**June 30, 2010:**

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized gain (loss)</u>
Money market and certificates of deposit	\$ 10,437,500	\$ 10,437,500	\$ -
U.S. Government agencies	999,957	1,002,191	2,234
Equity securities	7,299,459	7,185,898	(113,561)
Debt securities	5,612,234	5,723,102	110,868
Total	<u>\$ 24,349,150</u>	<u>\$ 24,348,691</u>	<u>\$ (459)</u>

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

**3. Marketable Securities (continued)**

**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	4,458,182	4,236,042	(222,140)
<b>Total</b>	<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 \$776,432 and \$1,236,024 for the years ended June 30, 2010 and 2009, respectively. 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.

**4. Capital Assets**

Capital assets consisted of the following components as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 146,122	\$ 515,795
Buildings and leasehold improvements	3,515,732	5,761,615
Furniture and equipment	1,784,282	1,522,893
<b>Total capital assets</b>	<u>5,446,136</u>	<u>7,800,303</u>
Less accumulated depreciation	<u>1,353,262</u>	<u>1,737,533</u>
<b>Capital assets, net</b>	<u>\$ 4,092,874</u>	<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 June 30, 2009, a purchase agreement was secured with a buyer for the Griswold location. As a result, UWSEM recorded an impairment loss on the Griswold location of approximately \$2.0 million in 2009, reducing the book value of that asset to \$1.75 million, which approximated the selling price, and was included in the 2009 Buildings and leasehold improvements, above.

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

**4. Capital Assets (continued)**

This building was sold on November 25, 2009 for \$1.75 million. The loss recorded on the sale was approximately \$61,000 in addition to the impairment loss recorded during 2009.

**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 19 participating agencies, of which UWSEM is the plan sponsor.

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. Effective December 31, 2009, UWSEM withdrew from the Plan as a participating employer, but maintains the role of Plan Sponsor and Administrator.

During the year ended June 30, 2010, UWSEM acting as the Plan Sponsor, filed for a distress termination of the multiple employer plan with the Pension Benefit Guaranty Corporation (PBGC). As of December 31, 2009, on a plan-wide basis, the net multiple employer plan assets available for benefits approximated \$30.6 million, and the accumulated benefit obligation approximated \$38.3 million. It is unknown what portion of the unfunded benefit obligation will ultimately be allocated to UWSEM as a result of its withdrawal from and termination of the multiple employer plan.

Furthermore, the PBGC has not yet acted on the distress termination filing of the multiple employer plan. As a result of the above, UWSEM cannot reasonably estimate its liability as a result of its withdrawal from and termination of the multiple employer plan. Therefore, no amounts have been accrued in the accompanying financial statements.

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 was to contribute an amount equal to at least the actuarially determined minimum funding requirement for the plan year under the Internal Revenue Code.

United Way for Southeastern Michigan

Notes to Financial Statements (continued)

**5. Pension Plans (continued)**

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<b>Change in benefit obligation:</b>		
Benefit obligation, July 1	\$ 1,001,894	\$ 1,003,863
Service cost	41,429	38,262
Interest cost	59,020	55,572
Change due to assumption change	113,408	(77,135)
Actuarial gain	(33,117)	(14,348)
Expense charges	(11,105)	(4,320)
Benefit obligation, June 30	<u>\$ 1,171,529</u>	<u>\$ 1,001,894</u>
<b>Change in plan assets:</b>		
Fair value of plan assets, July 1	\$ 751,146	\$ 789,392
Actual return on plan assets	59,421	(81,155)
Employer contributions	12,695	47,229
Expense charges	(11,105)	(4,320)
Fair value of plan assets, June 30	<u>\$ 812,157</u>	<u>\$ 751,146</u>
<b>Funded status:</b>		
Benefit obligation in excess of plan assets, recognized in statement of financial position	<u>\$ (359,372)</u>	<u>\$ (250,748)</u>
<b>Components of net periodic benefit cost:</b>		
Service cost	\$ 41,429	\$ 38,262
Interest cost	59,020	55,572
Expected return on plan assets	(55,341)	(60,125)
Net periodic benefit cost	<u>\$ 45,108</u>	<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:

	<u>2010</u>	<u>2009</u>
Discount rate for pension benefit obligation	5.50%	6.25%
Rate of compensation increase	5.00%	5.00%
Long-term rate of return on plan assets	8.00%	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:

	<u>2010</u>		<u>2009</u>	
Equity	\$ 341,109	42%	\$ 292,406	39%
General account	471,048	58	458,740	61
Total	<u>\$ 812,157</u>	<u>100%</u>	<u>\$ 751,146</u>	<u>100%</u>

UWSEM’s contributions to the plan were \$12,695 and \$47,229 for the years ended June 30, 2010 and 2009, respectively. UWSEM expects to contribute the actuarially determined minimum annual contribution to this pension plan for the fiscal year ended June 30, 2011.

Expected pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 501,000
2012	-
2013	186,000
2014	-
2015	18,000
2016-2020	207,000

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, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
<b>Change in benefit obligation:</b>		
Benefit obligation, July 1	\$ 632,943	\$ 958,919
Service cost	-	23,766
Interest cost	36,207	52,429
Amendments (effect of curtailment)	-	(395,010)
Actuarial loss due to census	44,488	12,538
Actuarial gain due to assumptions	-	(13,584)
Benefits paid	(6,496)	(6,115)
Benefit obligation, June 30	<u>\$ 707,142</u>	<u>\$ 632,943</u>
<b>Change in plan assets:</b>		
Fair value of plan assets, July 1	\$ -	\$ -
Employer contributions	6,496	6,115
Benefits paid	(6,496)	(6,115)
Fair value of plan assets, June 30	<u>\$ -</u>	<u>\$ -</u>
<b>Funded status:</b>		
Benefit obligation in excess of plan assets, recognized in statement of financial position	<u>\$ (707,142)</u>	<u>\$ (632,943)</u>
<b>Components of net periodic benefit cost:</b>		
Service cost	\$ -	\$ 23,766
Interest cost	36,207	52,429
Recognition of net actuarial loss	(2,216)	7,162
Net periodic benefit cost	<u>\$ 33,991</u>	<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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Rate of compensation increase for benefit obligation	N/A	N/A
Discount rate for benefit obligation at end of year	4.90%	5.75%

UWSEM contributed \$6,496 and \$6,115 to the postretirement plan for the years ended June 30, 2010 and 2009, respectively. UWSEM expects to contribute approximately \$6,997 to the postretirement plan for the 2011 fiscal year.

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

<u>Year</u>	<u>Amount</u>
2011	\$ 53,069
2012	54,370
2013	55,497
2014	56,336
2015	56,806
2016-2020	276,345

#### 7. United Way Worldwide

UWSEM pays annual dues for use of the trademark, nationwide marketing, and training services to United Way Worldwide, 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, 2010 and 2009, \$381,650 and \$428,968, respectively, was payable to United Way Worldwide based on the 2009 and 2008 campaigns.

#### 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>
2011	\$ 404,541
2012	404,541
2013	404,541
2014	404,541
2015	404,541
2016 - 2019	<u>1,382,180</u>
Total	<u>\$ 3,404,885</u>

Rental expense under this lease was \$404,541 and \$233,762 for the years ended June 30, 2010 and 2009, respectively.

**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 initially 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 as of June 30, 2010:

Office furniture	\$ 566,522
Accumulated amortization	<u>(80,932)</u>
Total	<u>\$ 485,590</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.

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 196,603
2012	177,647
Total	<u>374,250</u>
Less: amount representing interest	<u>(9,949)</u>
Present value of minimum lease payments	<u>\$ 364,301</u>

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 on the lessor's explicit rate of return in the lease agreement.

**11. Commitments**

As of June 30, 2009, United Way for Southeastern Michigan had 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. There were no outstanding commitments at June 30, 2010.

**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 amounted to \$172,920 and \$331,451 for the years ended June 30, 2010 and 2009, respectively.

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 \$33,793 and \$101,401 during the years ended June 30, 2010 and 2009, respectively, 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. See Note 5 for information regarding the multiple employer pension plan.