

UNITED WAY
OF MISSOULA COUNTY

AUDITED FINANCIAL STATEMENTS

December 31, 2011 and 2010



Loren W. Randall, P.C.
Certified Public Accountant

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OF MISSOULA COUNTY

AUDITED FINANCIAL STATEMENTS

December 31, 2011 and 2010

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

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Loren W. Randall, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Missoula County
P.O. Box 7395
Missoula, Montana 59807

We have audited the accompanying Statements of Financial Position of the United Way of Missoula County (Agency) as of December 31, 2011 and 2010, and the related Statements of Activities, Statements of Functional Expenses, and Statements of Cash Flows for the years then ended. These financial statements are the responsibility of the Agency'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. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedule of campaign revenues is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Loren W. Randall, P.C.
Certified Public Accountants
May 17, 2012
Missoula, Montana

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 117,754	\$ 177,544
Investments	150,343	170,547
Accounts Receivable	28,358	21,470
Contributions Receivable, Net of Allowance	622,503	563,332
Prepaid Expenses	4,308	4,996
Endowment Investments	502,223	489,103
Furniture and Equipment	34,760	39,848
Less Accumulated Depreciation	<u>(24,077)</u>	<u>(33,293)</u>
 TOTAL ASSETS	 \$ <u>1,436,172</u>	 \$ <u>1,433,547</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 25	\$ 0
Accrued Payroll and Payroll Taxes	273	1,645
Designations to Agencies	92,863	128,051
Deferred Annuity Payable	<u>1,144</u>	<u>1,144</u>
 TOTAL LIABILITIES	 \$ <u>94,305</u>	 \$ <u>130,840</u>
 NET ASSETS		
Unrestricted	\$ 217,091	\$ 249,021
Temporarily Restricted	622,553	564,583
Permanently Restricted	<u>502,223</u>	<u>489,103</u>
 TOTAL NET ASSETS	 \$ <u>1,341,867</u>	 \$ <u>1,302,707</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>1,436,172</u>	 \$ <u>1,433,547</u>

The accompanying notes are an integral part
of these financial statements.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS:		
REVENUES		
Contributions	\$ 327,936	\$ 400,878
Investment Income	4,541	72,389
Administrative Fee Income	11,216	15,863
Recovery of Prior Year Estimated Uncollectibles	0	36,600
Net Assets Released from Restrictions	<u>564,583</u>	<u>512,050</u>
TOTAL REVENUES	<u>\$ 908,276</u>	<u>\$ 1,037,780</u>
EXPENSES		
Program Services	\$ 712,851	\$ 747,000
Management and General	77,008	75,586
Fundraising	<u>150,347</u>	<u>147,573</u>
TOTAL EXPENSES	<u>\$ 940,206</u>	<u>\$ 970,160</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>\$ (31,930)</u>	<u>\$ 67,620</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	\$ 622,553	\$ 564,583
Net Assets Released from Restrictions	<u>(564,583)</u>	<u>(512,050)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 57,970</u>	<u>\$ 52,533</u>
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	<u>\$ 13,120</u>	<u>\$ 0</u>
CHANGE IN TOTAL NET ASSETS	\$ 39,160	\$ 120,153
NET ASSETS, Beginning of Year		
Unrestricted	249,021	181,401
Temporarily Restricted	564,583	512,050
Permanently Restricted	489,103	489,103
Total Net Assets, Beginning of Year	<u>\$ 1,302,707</u>	<u>\$ 1,182,554</u>
NET ASSETS, End of Year		
Unrestricted	\$ 217,091	\$ 249,021
Temporarily Restricted	622,553	564,583
Permanently Restricted	502,223	489,103
Total Net Assets, End of Year	<u>\$ 1,341,867</u>	<u>\$ 1,302,707</u>

The accompanying notes are an integral part
of these financial statements.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2011

DESCRIPTION	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL
Community Grants	\$ 517,758	\$ 0	\$ 0	\$ 517,758
Allowance for Uncollectible Contributions	55,748	0	0	55,748
Salaries and Wages	79,229	43,784	85,483	208,496
Payroll Taxes and Workers Compensation	8,568	4,735	9,244	22,547
Health Insurance Benefits and HSA Plan	4,262	2,355	4,598	11,215
Marketing	9,059	5,006	9,774	23,839
Occupancy	10,761	5,947	11,610	28,318
Office Costs	5,060	2,799	5,464	13,323
Professional Fees	12,717	7,028	13,721	33,466
Equipment Rental and Maintenance	749	414	808	1,971
United Way Worldwide	4,359	2,409	4,703	11,471
Travel and Training	2,601	1,437	2,807	6,845
Insurance	971	536	1,047	2,554
Depreciation	841	465	907	2,213
Interest	168	93	181	442
TOTAL EXPENSES	\$ 712,851	\$ 77,008	\$ 150,347	\$ 940,206

The accompanying notes are an integral part
of these financial statements.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010

DESCRIPTION	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL
Community Grants	\$ 535,225	\$ 0	\$ 0	\$ 535,225
Allowance for Uncollectible Contributions	75,000	0	0	75,000
Salaries and Wages	76,895	42,495	82,966	202,355
Payroll Taxes and Workers Compensation	8,080	4,465	8,718	21,263
Health Insurance Benefits and HSA Plan	4,696	2,595	5,067	12,358
Marketing	8,661	4,787	9,345	22,793
Occupancy	10,833	5,987	11,689	28,509
Office Costs	5,185	2,866	5,595	13,646
Professional Fees	11,792	6,517	12,723	31,031
Equipment Rental and Maintenance	751	415	810	1,975
United Way Worldwide	6,654	3,677	7,180	17,511
Travel and Training	1,784	986	1,925	4,695
Insurance	822	454	887	2,164
Depreciation	615	340	664	1,619
Interest	6	3	7	16
TOTAL EXPENSES	\$ 747,000	\$ 75,586	\$ 147,573	\$ 970,160

The accompanying notes are an integral part
of these financial statements.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011, and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from/for:		
Contributions	\$ 828,682	\$ 874,255
Interest and Dividends	338	422
Other	11,216	15,863
Cash Paid for/to:		
Employees	(243,630)	(235,469)
Agency Allocations	(552,946)	(556,552)
Marketing	(23,839)	(23,689)
Vendors	(90,316)	(91,696)
Interest	(442)	(16)
Net Cash Used by Operating Activities	\$ <u>(70,937)</u>	\$ <u>(16,882)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds/(Purchase) of Investments	\$ 4,368	\$ (4,302)
Purchase of Capital Assets	(6,341)	0
Net Cash Used by Investing Activities	\$ <u>(1,973)</u>	\$ <u>(4,302)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to Endowment	\$ 13,120	\$ 0
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (59,790)	\$ (21,184)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>177,544</u>	<u>198,728</u>
CASH AND CASH EQUIVALENTS, End of Year	\$ <u><u>117,754</u></u>	\$ <u><u>177,544</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 39,160	\$ 120,153
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities		
Items Not Affecting Cash:		
Allowance for Uncollectible Pledges	\$ 0	\$ (42,000)
Investment Changes/Fees and Deferred Annuity	(10,404)	(65,965)
Depreciation	2,213	1,619
Changes in Operating Assets and Liabilities		
Increase in Pledges Receivable	(59,171)	(10,806)
Increase in Accounts Receivable	(6,888)	(4,268)
Decrease in Prepaid Expenses	688	5,986
Decrease in Accounts Payable	(1,347)	(274)
Decrease in Agency Designations	<u>(35,188)</u>	<u>(21,327)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(70,937)</u></u>	\$ <u><u>(16,882)</u></u>

The accompanying notes are an integral part
of these financial statements.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

United Way of Missoula County (Agency), founded in 1931, is a not-for-profit corporation under Internal Revenue Code 501(c) (3) located in Missoula, Montana. The Agency is committed to building a better community through focus on providing low-income and vulnerable individuals and families with access to education, income, health and human services: the building blocks for a good life.

The Agency strives to identify the community's most pressing health and human service needs and brings together resources and people to address those needs. The Agency accomplishes these goals through collaboration with donors, funded agencies, and diverse partners to improve lives and create lasting changes in community conditions. The Agency serves as the conduit for donors who desire a trusted, one-stop way to invest in high-quality programs that produce measurable results, ensuring that donated dollars are spent wisely in the community.

Recipient organizations of donor funds are screened carefully and must comply with certain requirements in order to ensure that donors' dollars are spent for the intended purpose of the donation such as providing food, shelter, help and hope to needy people in Missoula County. The Agency invests in high-quality programs that produce measurable results such as youth programs, food banks, homeless shelters, parenting training, child abuse and neglect prevention, and referral and information services.

The Agency currently has 19 board members who serve on various committees. Board and committee members are selected based on their expertise.

The Executive Committee is comprised of officers, the immediate past president, and the CEO. It may include committee chairs. It helps the CEO and board president set the agenda for board meetings, and focuses on board development: recruiting, nominating, electing, mentoring, orienting and evaluating board members. It takes the lead in evaluating the CEO and sets his/her compensation. The committee often acts as a confidential sounding board for the CEO, providing an appropriate forum in which to share issues and challenges instead of, or prior to, discussing them with the full board.

The Administrative Committee ensures careful stewardship of the Agency's financial resources. It maintains oversight of the financial well being and integrity through review and approval of financial statements, practices and policies. It manages the emergency and contingency funds and the permanent endowment.

The Development Committee develops and executes year-round marketing and fundraising efforts, with an emphasis on corporate and workplace campaigns, major gifts and planned giving.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, continued

A. Organization, continued

The Community Impact Committee identifies and develops strategies to address Missoula County's most critical health and human service needs; identifies the best role for the Agency to play in implementing those strategies, including formulating funding processes and making funding recommendations to the Agency's Board of Directors; and evaluates the results and impact of supported activities.

The Audit Committee ensures a sound financial oversight by overseeing the annual audit process with an independent auditor and management. Comprising members with financial expertise, the committee selects, reviews, and evaluates the performance of independent auditors and staff members with audit responsibilities; reviews the annual financial statements (audit report, notes, schedules); provides an avenue of communication between independent auditors, management, and the Board of Directors; and oversees the integrity and adequacy of the financial accounting processes and internal controls.

STAND for United Way (Serve, Team up, Advance, Network and Develop) is the Agency's young leaders group. It provides opportunities for learning, career and skills development, networking, recognition, service and civic engagement for business and community leaders ages 25-40.

United Way of Ravalli County was an affiliate of United Way of Missoula County. It was governed by the United Way of Missoula County Board of Directors, but had an advisory board comprising business and community leaders from the Bitterroot. United Way of Ravalli County Advisory Board members raised funds for and awareness of the United Way of Ravalli County, reviewed grant applications and made funding recommendations to the United Way of Missoula County board, and served as informed United Way ambassadors throughout Ravalli County. In 2011, the United Way of Ravalli County was disbanded due to cost and benefit constraints. It was mutually decided that Ravalli County contributions will be serviced by the United Way of Missoula County as an internally designated fund for the Ravalli County area.

In July 2011, the Agency assumed fiscal sponsorship of the Missoula Nonprofit Network project, whose mission is to enhance the quality of life in Missoula by strengthening organizations that make social change possible. The Agency places all gifts, grants, and contributions received and identified with the Missoula Nonprofit Network into a committed fund to be used for the sole benefit of their mission under guidance given by a five-person steering committee.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, continued

B. Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Agency measures financial instruments at fair value. Fair value is defined as 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. The carrying amounts of cash and cash equivalents, current receivables, and current liabilities approximate their fair values because of their short-term nature. Investments are recorded at quoted active market prices at the reporting date for identical assets (Level 1).

C. Categories of Net Assets

The net assets of the Agency are reported in the following categories:

Unrestricted net assets generally have no donor-imposed restrictions. This category includes net amounts that have been earned and expended according to donor and contract conditions and generally unrestricted activities. Unrestricted resources are used to benefit the community at the discretion of the Agency's Board of Directors, and for internal operations and administration. Designated reserves represent resources for special projects through Board of Director resolution.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose is not permanently restricted. The agency had \$622,553 and \$564,583 in temporarily restricted net assets as of December 31, 2011 and 2010, respectively, relating to donations pledged in future periods for unrestricted activities and internally designated programs.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency. At both December 31, 2011 and 2010, the Agency had \$502,223 and \$489,103 in permanently restricted net assets related to its endowment fund.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Categories of Net Assets, continued

Some donors specify certain recipient organizations for cash contributions and promises to give. Because the Agency acts solely as an intermediary, such donations are excluded from the statement of activities and are reflected as custodial funds liability in the statement of financial position until the funds are distributed to the recipient organizations. The Agency assesses a fee on these funds to cover fund-raising costs, management and general costs, and an estimated uncollectible amount based on actual historical costs in accordance with United Way of America Membership Standards as outlined in their publication titled *United Way of America Implementation Requirement for Membership Standard M (Cost Deduction for Designated Funds)*. Such fees are presented as administrative fee income in the statement of activities. The fee for both 2011 and 2010 was 19.06% or \$11,216 and \$15,863, respectively.

D. Contributed Support

The Agency recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as unrestricted, temporarily restricted, or permanently restricted depending upon the existence of donor stipulations. Temporarily restricted contributions whose restrictions have been fulfilled in the current year are reported as unrestricted.

E. Revenue Recognition

Contributed service revenue results when donated services create or enhance non-financial assets or when they require specialized skills provided by people possessing those skills that would typically be purchased if not provided by donation. Contributed goods are valued at their estimated fair value at the date of contribution. For the years ending December 31, 2011 and 2010, no donated services or goods qualified for recognition.

F. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and on hand, and highly liquid debt instruments that are readily convertible to known amounts of cash. Such debt instruments have maturities of three months or less from the date of purchase. Investments consist of debt instruments with original maturities to the Agency in excess of three months. The Agency's primary investment objective is to maximize total return with minimal risk to preserve capital that is intended for the Agency's charitable missions while generating cash flow for operations. Investments consist primarily of marketable debt and equity securities purchased through institutional mutual funds and bond funds. Investments are carried at fair market value, determined by quoted market prices. Increases and decreases in fair value are recognized in the current period as investment income or losses.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. Deferred Gift Annuity

The Agency was the recipient of a deferred gift annuity to their endowment. The annuity amount will be distributed to the donors in annual installments beginning November, 2041. The fair market value of the contributed asset is recorded on the Agency's financial statements. The present value of the future annuity payments is recorded as a liability using a discount rate of 4.6 percent and standard actuarial tables for remaining lives of donors and beneficiaries, with the difference as contribution revenue, and is classified as permanently restricted. The changes in the fair market value of the gift annuity and the present value of the gift annuity liability as of the end of the year are recognized as changes in the value of the annuity agreement.

H. Furniture and Equipment

The Agency capitalizes equipment with a significant purchase price and an expected life of at least three years. Property and equipment are carried at cost. Straight-line depreciation is used to depreciate assets over estimated lives of five to seven years.

I. Concentration of Risks

The Agency has risks regarding its revenue sources and investments. Essentially all revenue comes from individual and business donations and investment returns. Investments represent approximately 45% of the Agency's total assets and approximately 49% of its equity. A substantial change in market values of the investments or changes in the donor contributions may have a significant effect on operations.

J. Cost Allocation and Program Activities

The Agency allocates costs that can be identified specifically with a particular final cost objective directly to the services benefiting. Joint costs are allocated directly to fundraising, management and general, and program services on the basis of estimated time identifiable with such services. The primary activity groups and their related purposes are summarized as follows:

Program Services – Consists of funds utilized for community building and community impact work, specifically those funds that help provide critical community resources in the areas of education, income and health support. Such services include community grants, contingency grants, emergency grants, mentoring, advocacy, volunteers, networking, supply drives, and other efforts.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 1. NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

J. Cost Allocation and Program Activities, continued

Management and General—Consists of funds that are used for administering the Agency and processing donor contributions.

Fundraising—Funds for these activities and events are designed to create public awareness and support for the Agency's programs, principally its grantmaking to education, income and health programs in the community.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions which affect the reported assets, liabilities, revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

L. Subsequent Events

The Agency recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed as of December 31, 2011, including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist as of December 31, 2011 but arose after that date and prior to the financial statements are available to be issued are not recognized in these financial statements. The Agency evaluates subsequent events through the date the financial statements are available to be issued which is the date of the auditor's report.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

As of December 31, 2011 and 2010, cash and cash equivalents consist of two non-interest bearing checking accounts, and three interest bearing bank insured deposit accounts.

The Agency maintains its cash accounts in financial institutions located in Missoula, Montana. The Agency has funds deposited in certain banks, which at times may exceed the Federal Deposit Insurance Corporation (FDIC) Insurance Coverage in these banks. Management does not believe there is any significant risk associated with these accounts.

Investments consist of mutual funds, equities, and a cash surrender value life insurance policy. The fair market value of the investments from quoted market prices in active markets for identical assets or liabilities (level 1) or significant other observable inputs, valued at cash surrender value, (level 2) and cost basis of the investments is as follows:

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

	<u>Fair Value</u>	<u>Cost</u>
Balance as of 12/31/11		
Mutual Funds (Level 1)		
Bond Funds	\$ 121,699	\$ 115,877
Equity Funds	522,991	537,532
Cash Surrender Life Insurance Policy (Level 2)	7,876	7,876
 Balance as of 12/31/10		
Mutual Funds (Level 1)		
Bond Funds	\$ 116,325	\$ 110,425
Equity Funds	535,751	534,726
Cash Surrender Life Insurance Policy (Level 2)	7,574	7,574

For the year ending December 31, 2011, realized interest, dividends, and gains and losses on the investments were \$19,425 reduced by brokerage fees of \$6,919. The unrealized loss from market value changes was \$15,222 in 2011. For the year ending December 31, 2010, realized interest, dividends, and gains on the investments were \$9,111 reduced by brokerage fees of \$6,116. The unrealized gain from market value changes was \$81,191 in 2010. Realized and unrealized gains and losses are reported in the Statement of Activities as investment income.

NOTE 3. RECEIVABLES

Accounts Receivable represent amounts owing to the Agency for amounts due for reimbursements of costs from the Combined Federal Campaign and other Agencies. As of December 31, 2011 and 2010 the agency had \$28,358 and \$21,470 in accounts receivable, respectively. All amounts are considered collectible; therefore, no provision for bad debts has been made.

Contributions Receivable represents unconditional promises to give through a written agreement to contribute cash or other assets to the Agency. These promises to give are reported as contribution revenue and receivables even if the promise is not legally enforceable. Unconditional promises to give, which are expected to be collected within one year, are measured at their net realizable value. An estimated allowance for uncollectible promises to give is based on historical collection percentages and evaluation of contributions receivable as of year end.

The amounts of unconditional promises to give and related allowances for uncollectible promises due in less than one year are as follows:

	<u>2011</u>	<u>2010</u>
Gross Contributions Receivable	\$ 697,503	\$ 638,332
Allowance for Uncollectible Promises	(75,000)	(75,000)
Net Contributions Receivable	<u>\$ 622,503</u>	<u>\$ 563,332</u>

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 4. FURNITURE AND EQUIPMENT

As of December 31, 2011 and 2010, furniture and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Furniture and Equipment, January 1, 2010	\$ 39,848	\$ 31,674	\$ 8,174
Additions	0	1,619	
Disposals	<u>0</u>	<u>0</u>	
Furniture and Equipment, December 31, 2010	39,848	33,293	6,555
Additions	6,341	2,213	
Disposals	<u>(11,429)</u>	<u>(11,429)</u>	
Furniture and Equipment, December 31, 2011	<u>\$ 34,760</u>	<u>\$ 24,077</u>	<u>\$ 10,683</u>

NOTE 5. LINE OF CREDIT

As of December 31, 2011 and 2010, the Agency had a line of credit from a financial institution which can be renewed annually and matures in September annually. The line of credit is for a maximum of \$50,000 with a variable interest rate at the prime rate plus 1.50% and is collateralized by the general assets of the Agency. Interest on the line of credit is payable monthly with all principal and interest due at maturity. There were no outstanding draws on the line of credit as of December 31, 2011 and 2010.

NOTE 6. LEASES

The Agency classifies its leases as either operating or capitalized leases. Currently all leases are operating leases. Office space in Missoula, Montana is leased under a one year lease expiring in May 2011. The lease is for \$1,500 per month increased by up to four percent annually. The monthly lease payment as of December 31, 2011 and 2010 was \$1,500 per month.

NOTE 7. EMPLOYEE BENEFITS

Full time employees who had completed one year of service were eligible to participate in a 401(k) retirement plan. Employees were eligible to make elective deferrals upon meeting eligibility requirements and could contribute up to the maximum amount allowed by law. Through June 2010 the Agency matched the employee contribution up to 6% of the employee's compensation. For the years ending December 31, 2011 and 2010, the Agency did not contribute to employees' retirement and the plan officially terminated in July 2011.

The Agency also provides health insurance for full time employees after thirty days of employment. Family coverage is available at the employee's expense. The Agency paid \$9,385 and \$10,838 for insurance premiums for the years ending December 31, 2011 and 2010, respectively and an additional \$1,830 and \$1,520 in health savings account contributions for employees.

UNITED WAY OF MISSOULA COUNTY
Missoula, Montana

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 7. EMPLOYEE BENEFITS, continued

The Agency provides vacation and sick leave to eligible employees after thirty days probation. Vacation leave earned ranges from 80 to 200 hours per year depending on the years of service. Employees may carryover no more than 80 hours to the following calendar year. Vacation is paid out at the current employee's rate of pay upon termination. Sick leave is accrued at up to 8 hours per month from the date of hire. Sick leave benefits may be carried over from year to year, but are not paid to the employee upon leaving the Agency. The Agency records an expense for vacation leave as it is paid. The unrecorded accrued liability for vacation leave was \$6,147 and \$5,872, including related payroll taxes as of December 31, 2011 and 2010, respectively.

NOTE 8. ENDOWMENT

A. Interpretation of Relevant Law

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment, the original value of the subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets, and those amounts are immediately appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

A. Interpretation of Relevant Law, continued

The organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 8. ENDOWMENT, continued

B. Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Agency to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that occur during the investment of the permanently restricted contribution and continued appropriation for certain programs that are deemed prudent by the Board of Directors. There were no such deficiencies as of December 31, 2011 and 2010. The principal contributions to the endowment were \$502,223 and \$489,103 as of December 31, 2011 and 2010, respectively. The fair market value of the endowment funds were \$664,860 and \$656,396, respectively. There was an additional \$1,940 due to be deposited to the endowment account as of December 31, 2011.

C. Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, endowment assets are invested in a manner that is intended to produce results that exceed the Standard and Poor 500 and the MSCI Europe, Australasia, and Far East Index while assuming a prudent level of investment risk at or below the volatility level of appropriate market and peer benchmarks identified. The Agency targets a diversified asset allocation of equities, international equities, fixed income, and cash equivalents through mutual fund investments.

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NOTE 8. ENDOWMENT, continued

D. Endowment Net Asset Composition and Changes in Endowment Net Assets

DONOR-RESTRICTED ENDOWMENT FUNDS

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, January 1, 2010	\$ 102,152	489,103	591,255
Investment Return			
Investment Income	15,110		15,110
Net Appreciation (realized and unrealized)	<u>56,148</u>		<u>56,148</u>
Total Investment Return	71,258		71,258
Contributions	0	0	0
Appropriations for Expenditures and Fees	<u>(6,117)</u>	<u>0</u>	<u>(6,117)</u>
Endowment Net Assets, December 31, 2010	<u>\$ 167,293</u>	<u>489,103</u>	<u>656,396</u>
Investment Return			
Investment Income	18,228		18,228
Net Appreciation (realized and unrealized)	<u>(14,026)</u>		<u>(14,026)</u>
Total Investment Return	4,202		4,202
Contributions	0	11,180	11,180
Contributions Receivable		1,940	1,940
Appropriations for Expenditures and Fees	<u>(6,919)</u>	<u>0</u>	<u>(6,919)</u>
Endowment Net Assets, December 31, 2011	<u>\$ 164,576</u>	<u>502,223</u>	<u>666,799</u>

NOTE 9. RELATED PARTIES

The Agency is an affiliate of the United Way Worldwide, meeting high standards of accountability in the areas of financial reporting, governance, and ethics and operations. Membership dues attributable to United Way Worldwide were \$11,471 and \$17,511 for the years ending December 31, 2011 and 2010, respectively.

The Agency also acts as a management agent to provide fundraising and administrative services to the Combined Federal Campaign of Western Montana. Reimbursements of costs due to the Agency as of December 31, 2011 and 2010 were \$27,886 and \$20,215, respectively, which are included in accounts receivable on the accompanying statements of financial position.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 10. RISK MANAGEMENT

The Agency faces a number of risks including (1) loss or damage to property, (2) general liability, (3) director and officer liability, and (4) employee medical insurance. Commercial insurance policies are purchased for loss or damage to property, general liability, director and officer liability, and employee medical insurance.

NOTE 11. INCOME TAXES

Provisions for income taxes have not been recorded in these financial statements because the Agency believes it had no income unrelated to its exempt purposes in 2011 or 2010. With few exceptions, the Agency is no longer subject to U.S. federal tax examinations by tax authorities for years before 2008.

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SUPPLEMENTAL SCHEDULE

2011 CAMPAIGN REVENUES

		<u>2/1/2011 to 12/31/2011</u>		<u>1/1/2012 to 1/31/2012</u>		<u>Total</u>
UNDESIGNATED CONTRIBUTIONS	\$	878,503		56,333	\$	934,836
DESIGNATED CONTRIBUTIONS		129,749		227		129,976
ENDOWMENT CONTRIBUTIONS		<u>11,180</u>		<u>1,940</u>		<u>13,120</u>
 GROSS CAMPAIGN REVENUES	 \$	 <u>1,019,432</u>		 <u>58,500</u>	 \$	 <u>1,077,932</u>
 DESIGNATED CONTRIBUTIONS (from above)	 \$	 129,749		 227	 \$	 129,976
DIRECT DISTRIBUTIONS		(42,168)		0		(42,168)
DESIGNATION FEES		<u>(11,144)</u>		<u>(43)</u>		<u>(11,187)</u>
 NET DESIGNATIONS	 \$	 <u>76,437</u>		 <u>184</u>	 \$	 <u>76,621</u>
 NET CAMPAIGN REVENUES	 \$	 <u>966,120</u>		 <u>58,457</u>	 \$	 <u>1,024,577</u>

The accompanying notes are an integral part
of these financial statements.