

UNITED WAY OF DOUGLAS COUNTY, INC.
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

SS Summers, Spencer &
&C Callison, CPAs, Chartered

CERTIFIED PUBLIC ACCOUNTANTS

United Way of Douglas County, Inc.
Financial Statements
Years Ended December 31, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Douglas County, Inc.

We have audited the accompanying statement of financial position of
United Way of Douglas County, Inc.
(a nonprofit organization)

as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of United Way of Douglas County, Inc. as of December 31, 2008, were audited by other auditors whose opinion dated February 5, 2009, expressed an unqualified opinion on those statements. As discussed in Note 15, the Company has restated its 2008 financial statements during the current year to correct certain errors in the presentation of net assets in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the 2008 financial statements before the restatement. The prior year summarized comparative information has been derived from the audited 2008 financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

As discussed in note 15 to the financial statements, certain errors in the application of FASB ASC 958-210 resulted in misclassification of previously reported net asset balances. Accordingly, the December 31, 2008 net asset classifications have been restated to correct the error.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Douglas County, Inc. as of December 31, 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.

Summers, Spencer & Callison, CPAs, Chartered

Summers, Spencer, & Callison, CPAs, Chartered
March 15, 2010

United Way of Douglas County, Inc.

FINANCIAL STATEMENTS

United Way of Douglas County, Inc.

Statements of Financial Position

DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u> <u>(restated)</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,146,220	\$ 1,004,260
Pledges receivables, less allowance for uncollectible accounts	802,788	735,887
<i>Total current assets</i>	<u>1,949,008</u>	<u>1,740,147</u>
Other assets		
Property and equipment, less accumulated depreciation	286,729	291,871
Investments held by Foundation, at fair value	114,388	90,809
<i>Total assets</i>	<u>\$ 2,350,126</u>	<u>\$ 2,122,827</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 7,905	\$ 900
Accrued liabilities	9,785	6,682
Grants payable	21,547	-
Current portion of note payable	15,840	15,840
<i>Total current liabilities</i>	<u>55,077</u>	<u>23,422</u>
Long-term liabilities		
Note payable	26,400	42,240
Less current portion	(15,840)	(15,840)
<i>Total long-term liabilities</i>	<u>10,560</u>	<u>26,400</u>
<i>Total liabilities</i>	<u>65,637</u>	<u>49,822</u>
Net assets		
Unrestricted	881,564	665,030
Temporarily restricted	1,288,540	1,317,166
Permanently restricted	114,385	90,809
<i>Total net assets</i>	<u>2,284,488</u>	<u>2,073,005</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,350,126</u>	<u>\$ 2,122,827</u>

United Way of Douglas County, Inc.

Statement of Activities

YEAR ENDED DECEMBER 31, 2009 WITH SUMMARIZED FINANCIAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2008

	2009			Total	Summarized
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		2008
Support, revenue, gains and losses					
Campaign 2009-2010					
Contributions, net of uncollectible pledges and non system designations	\$ -	\$ 1,279,354	\$ -	\$ 1,279,354	\$ -
Prior campaigns					
Contributions, net of uncollectible pledges and non system designations	526,724	-	-	526,724	1,163,473
Amounts released from restriction - prior year campaign	1,279,419	(1,279,419)	-	-	374,182
Other income					
In-kind contributions	81,616	-	-	81,616	0
Rental income - United Way Center	91,163	-	-	91,163	87,060
Investment income	9,715	662	2,803	13,180	33,582
Realized and unrealized gains (losses), net	-	-	18,218	18,218	(42,917)
Other income and gifts	32,061	13,560	2,555	48,176	40,812
Release of restricted assets	<u>42,783</u>	<u>(42,783)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total support, revenue and reclassifications</i>	2,063,481	(28,626)	23,576	2,058,431	1,656,192
Expenses					
Program expenses	1,619,173	-	-	1,619,173	1,526,550
General and administrative expenses	78,941	-	-	78,941	75,781
Fundraising expenses	134,071	-	-	134,071	127,376
Dues paid to United Way of America (unallocated)	<u>14,762</u>	<u>-</u>	<u>-</u>	<u>14,762</u>	<u>14,991</u>
<i>Total expenses</i>	1,846,947	-	-	1,846,947	1,744,698
Change in net assets	216,534	(28,626)	23,576	211,483	(88,506)
Net assets, beginning of period (restated)	<u>665,030</u>	<u>1,317,166</u>	<u>90,809</u>	<u>2,073,005</u>	<u>2,161,511</u>
Net assets, end of period	<u>\$ 881,564</u>	<u>\$ 1,288,540</u>	<u>\$ 114,385</u>	<u>\$ 2,284,488</u>	<u>\$ 2,073,005</u>

The accompanying notes are an integral part of these statements.

United Way of Douglas County, Inc.

Statement of Functional Expenses

YEAR ENDED DECEMBER 31, 2009 WITH SUMMARIZED FINANCIAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2008

	2009				Summarized 2008	
	Program Expenses	General and Administrative	Fundraising Expenses	United Way of America dues	Total	Total
Allocations/awards	\$ 1,313,585	\$ -	\$ -	\$ -	\$ 1,313,585	\$ 1,289,410
Grants and assistance to individuals	98,587	-	-	-	98,587	11,641
Total allocations and grants	<u>1,412,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,412,172</u>	<u>1,301,051</u>
Salaries	83,351	48,230	76,926	-	208,508	215,066
Payroll taxes	7,272	4,208	6,712	-	18,192	16,541
Benefits and retirement plan	11,014	6,373	10,165	-	27,551	32,969
Subtotal	<u>101,637</u>	<u>58,811</u>	<u>93,803</u>	<u>-</u>	<u>254,251</u>	<u>264,576</u>
Supplies	266	382	1,843	-	2,491	12,286
Telephone	1,834	1,563	-	-	3,397	2,421
Postage and shipping	442	860	-	-	1,302	1,684
Equipment rental and maintenance	6,153	348	-	-	6,501	15,018
Professional fees	1,601	2,972	-	-	4,573	5,090
Insurance	1,107	3,322	-	-	4,429	4,446
Travel	-	4,409	-	-	4,409	599
Printing, publication, advertising	6,148	-	38,426	-	44,573	24,028
Conferences and meetings	2,011	-	-	-	2,011	988
Membership dues	4,733	-	-	-	4,733	1,477
Special events	3,633	1,343	-	-	4,976	5,057
Spirit of Kaw Valley	-	-	-	-	-	3,287
Bank charges	4,802	1,200	-	-	6,002	6,952
Depreciation	8,709	3,732	-	-	12,441	3,730
Miscellaneous	38	-	-	-	38	1,059
United Way Center expenses	25,539	14,778	23,571	-	63,888	75,958
Dues paid to United Way of America (unallocated)	-	-	-	14,762	14,762	14,991
Subtotal	<u>67,015</u>	<u>34,908</u>	<u>63,839</u>	<u>14,762</u>	<u>180,524</u>	<u>179,071</u>
Total expenses	<u>\$ 1,580,825</u>	<u>\$ 93,719</u>	<u>\$ 157,642</u>	<u>\$ 14,762</u>	<u>\$ 1,846,947</u>	<u>\$ 1,744,698</u>

The accompanying notes are an integral part of these statements.

United Way of Douglas County, Inc.

Statements of Cash Flows

YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ 211,483	\$ (88,506)
Adjustments to reconcile change in net assets to net operating cash flows:		
Depreciation	12,441	13,244
Change in fair value of investments	(18,218)	33,335
Decrease (increase) in operating assets:		
Pledges receivables, net	(66,901)	127,808
Increase (decrease) in operating liabilities:		
Accounts payable	7,005	900
Accrued liabilities	3,103	1,140
Grants payable	21,547	-
	<u>170,461</u>	<u>87,921</u>
<i>Net cash flows provided by operating activities</i>		
	<u>170,461</u>	<u>87,921</u>
Cash flows from investing activities		
Purchase of investments	(5,361)	-
Purchase of equipment	(7,300)	-
	<u>(12,661)</u>	<u>-</u>
<i>Net cash flows used in investing activities</i>		
	<u>(12,661)</u>	<u>-</u>
Cash flows from financing activities		
Principal payments on long-term debt	(15,840)	(15,840)
	<u>(15,840)</u>	<u>(15,840)</u>
<i>Net cash flows used in financing activities</i>		
	<u>(15,840)</u>	<u>(15,840)</u>
Net increase in cash and cash equivalents	141,960	72,081
Cash and cash equivalents, beginning of year	<u>1,004,260</u>	<u>932,179</u>
Cash and cash equivalents, end of year	<u>\$ 1,146,220</u>	<u>\$ 1,004,260</u>

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

1. Nature of activities and summary of significant accounting policies

Nature of Organization

United Way of Douglas County, Inc. (the Organization or United Way) is a tax-exempt, nonprofit organization which was incorporated under the laws of the state of Kansas. The Organization is a voluntary health and welfare organization distributing pledges to service organizations.

Use of estimates

The preparation of financial statements in conformity with U.S. 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 periods. Actual results could differ from those estimates.

Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. The Organization follows the generally accepted accounting principles for non-profit organizations and reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Classification of restricted net assets is determined by the nature of any donor imposed restrictions.

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before United Way may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund the donor intentions.

Campaign contributions

Campaign contributions arise from a fund-raising campaign conducted by the Organization and are included in campaign revenue. Contributions for which the Organization has little or no discretion in determining how the funds will be used (e.g. designations and distributions to other United Ways or non member agencies) are excluded from campaign revenues. The fund-raising drive is conducted each fall, and pledges are distributed during the following calendar year. The funds relating to the current fund-raising drive are presented as temporarily restricted net assets until available for allocation in the subsequent year.

All contributions are considered available for unrestricted use in the appropriate time period, unless specifically restricted by the donor. Contributions which have donor imposed or time restrictions are recorded as temporarily restricted net assets until the restrictions have been met or the time has lapsed. Contributions generally include cash contributions, pledges (promises to give) and employer reports of pledges (promises to give) by employees under payroll deduction plans.

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

1. Nature of activities and summary of significant accounting policies, continued

Pledges receivable

Pledges are recorded at their net realizable value. United Way uses the allowance method to determine uncollectible pledges. The allowance is based on the three year historical average, applied to gross campaign revenues which includes amounts designated by the donor.

Cash and cash equivalents

The United Way considers all investments with original maturities of three months or less to be cash equivalents.

Investments

United Way records investments in securities at the fair value on date of purchase or donation and recognizes the unrealized gain or loss resulting from the difference between cost and market value in the statement of activities. Investments with readily determinable fair values are stated at fair market value in the Statement of Financial Position.

Property and equipment

Fixed assets are recorded at cost, if purchased. Donated fixed assets are reported at estimated fair value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. United Way capitalizes property and equipment with a cost over \$500 and an estimated useful life of two years or more. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 - 10 years
Computers and software	2 - 7 years
Leasehold improvements	10 - 39 years

Agency transactions

United Way, acting as an agent, receives cash contributions from individuals, small businesses, large corporations and other local United Ways. These donations are transferred to the designated recipients based on the wishes of the donor.

Donated services and in-kind contributions

Accounting principles for non-profit organizations require donated services which require specific expertise or enhance a non-financial asset be recorded in the financial statements at their fair market value. For the years ended December 31, 2009 and 2008, United Way has recorded in-kind contributions as revenue and expense totaling \$81,203 and \$6,442, respectively. In addition, many individuals have donated significant amounts of their time in organizational governance, program services and resource development efforts. No amounts have been reflected in the statements for these donated hours as they did not meet the accounting principles criteria for recognition.

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

1. Nature of activities and summary of significant accounting policies, continued

Advertising Costs

Advertising costs are charged to operations when incurred.

Income taxes

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3). The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Reclassification

The classification of certain amounts in the 2008 summarized totals have been changed to conform to the 2009 presentation.

Fair Value Measurements - Definition and Hierarchy

The United Way adopted the provisions of FASB ASC 820-10. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the United Way uses various valuation approaches. FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the United Way. Unobservable inputs are inputs that reflect the United Way's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the United Way has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree for judgment exercised by the United Way in determining fair value is greatest for instruments categorized in Level 3.

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

1. Nature of activities and summary of significant accounting policies, continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the United Way's own assumptions are set to reflect those that the United Way believes market participants would use in pricing the asset or liability at the measurement date.

See Note 3 for a description of valuation techniques applied to the major categories of financial instruments measured at fair value.

2. Prior year summarized financial information

The financial statements include prior year summarized comparative information in total and do not include information by the unrestricted, temporarily restricted and permanently restricted net asset classes as required by the U.S generally accepted accounting principles. Accordingly, the information should be read in conjunction with the United Way's financial statement as of June 30, 2008, for which the summarized comparative information was derived.

3. Investments

Investments as of December 31, are summarized as follows:

	<u>2009</u>	<u>2008</u>
Investments held in Douglas County Community Foundation Pooled Investment Account (Level 3)	\$ 114,388	\$ 90,809

Investment returns as of December 31, 2009 are summarized by net asset class as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Interest and dividends	\$ -	\$ 662	\$ 2,803
Realized loss on disposal	-	-	(699)
Unrealized gain on investments	-	-	18,625
	<u>\$ -</u>	<u>\$ 662</u>	<u>\$ 20,729</u>

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

3. Investments, continued

Investment returns as of December 31, 2008 are summarized by net asset class as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Interest and dividends	\$ -	\$ -	\$ 2,183
Realized loss on disposal	-	-	(13,986)
Unrealized loss on investments	-	-	(28,931)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,734)</u>

The following table sets forth a summary of changes in the fair value of the Level 3 investments:

	<u>2009</u>	<u>2008</u>
Balance, January 1	\$ 90,809	\$ 124,144
Purchases, issuances and settlements	5,653	9,582
Total gains	17,926	(42,917)
Balance, December 31	<u>\$ 114,388</u>	<u>\$ 90,809</u>

4. Property and equipment, net

The cost and related accumulated depreciation of property and equipment at December 31 are as follows:

	<u>2009</u>	<u>2008</u>
Cost		
Furniture and equipment	\$ 40,180	\$ 37,194
Software	4,311	-
Leasehold improvements	417,032	417,030
Total cost	461,523	454,224
Less accumulated depreciation	(174,794)	(162,353)
Net property and equipment	<u>\$ 286,729</u>	<u>\$ 291,871</u>

The depreciation expense charged to operations is \$12,441 and \$13,245 for the years ended December 31, 2009 and 2008, respectively.

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

5. Pledges receivable

Pledges receivable consist of campaign pledges. The pledges are substantially collected with 12-18 months of the initial pledge therefore no discount is reflected to adjust the pledges to the present value at the time of the pledge.

	<u>2009</u>	<u>2008</u>
2007-2008 Campaign Year	\$ -	\$ 194,300
2008-2009 Campaign Year	210,711	626,802
2009-2010 Campaign Year	684,187	-
Less allowance	<u>(92,110)</u>	<u>(85,215)</u>
Pledges receivable, net	<u>\$ 802,788</u>	<u>\$ 735,887</u>

6. Temporarily restricted net assets

Temporarily restricted net assets at December 31, are available for the following purposes or periods:

	<u>2009</u>	<u>2008</u> <u>(as restated)</u>
2008-2009 Campaign	\$ -	\$ 1,279,419
2009-2010 Campaign	1,249,117	-
Roger Hill Volunteer Center	26,084	25,422
Fairy Godmother Fund	<u>13,339</u>	<u>12,325</u>
	<u>\$ 1,288,540</u>	<u>\$ 1,317,166</u>

7. Permanently restricted net assets

Permanently restricted net assets consist of the following at December 31,:

	<u>2009</u>	<u>2008</u> <u>(as restated)</u>
Mengel - Pool Passes	\$ 34,515	\$ 34,240
Endowment Fund	<u>79,870</u>	<u>56,569</u>
	<u>\$ 114,385</u>	<u>\$ 90,809</u>

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

8. Endowment

In August 2008 the FASB issued FSP No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act* ("UPMIFA"), and *Enhanced Disclosures for All Endowment Funds* (FSP No. 117-1). FSP No. 117-1 improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether the organization is subject to the Uniform Management of Institutional Funds Act ("UMIFA"), or its replacement legislation, UPMIFA. The Organization has adopted FSP No. 117-1 for the year ended December 31, 2009 in order to provide these improved disclosures.

The United Way's endowment includes donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the United Way has interpreted the law (UPMIFA) 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 United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 temporarily restricted net assets until those amounts are appropriated for expenditures by the United Way in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the United Way 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 purpose 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 United Way
- (7) The investment policies of the United Way

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 applicable state law requires the United Way to retain as a fund of perpetual duration. Total deficiencies in the permanently restricted net assets were \$5,485 and \$5,760 as of December 31, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations during the fiscal years ended December 31, 2009 and 2008, respectively.

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

8. Endowment, continued

Return objectives and risk parameters

The United Way has adopted investment and spending policies for endowment assets that attempt to maximize long-term gains with an acceptable level of risk and to provide funding for special projects or initiatives, to act as an emergency source funding source or to fund capital expenditures. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested by Douglas County Community Foundation in their pooled investment accounts.

Spending policy and how the investment objective relate to spending policy

Distribution of endowment funds are approved by the Board of Directors and are made when deemed appropriate. The current Board of Directors' policy is to promote growth and reinvestment of the endowment funds and they have appropriated no endowed funds for spending and have elected to include all investment earnings in the corpus. This is consistent with the United Way's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. There were no amounts appropriated for expenditures during the years ended December 31, 2009 and 2008.

9. Note payable

The Organization entered into an agreement to renovate and occupy a building owned by Douglas County, Kansas. United Way will not own the property. The County agreed to loan the United Way up to \$264,000. Repayment was to begin 18 months from November 23, 1996, the date of the original agreement. Per subsequent negotiations with the County, another six months was allowed before payment commenced. At that time, January 1999, the final loaned amount was determined and repayment began in equal amounts monthly of \$2,200. In 2003, the County agreed to reduce the monthly payment to \$1,320 beginning in 2005. The maturity date was extended from December 31, 2008 to August 1, 2011. The loan does not bear interest. The following is a schedule of future minimum payments required under the loan:

<u>Year</u>	<u>Amount</u>
2010	\$ 15,840
2011	10,560
	<u>\$ 26,400</u>

10. Operating leases

United Way leases office equipment under operating leases. The Organization leases its copy machines under an operating lease expiring August 2010. Lease rent expense amounts to \$3,459 and \$4,073 for the years ended December 31, 2009 and 2008 respectively.

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

11. Concentrations of credit and market risks

Primarily all of United Way's revenues and receivables are from businesses and individuals located in the Douglas, Shawnee, and Johnson County areas in the state of Kansas.

United Way maintains cash and investments in bank and brokerage accounts which at times may exceed their federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation (FDIC). The accounts are held by banks and brokerage firms that are well established and highly regarded. United Way has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances. Cash and investment balances exceeded federally insured limits by approximately \$324,203 for the year ended December 31, 2009 of which \$311,749 was invested in a sweep account which is not covered under the FDIC insurance but is collateralized by the assets of US Bank through repurchase agreements. The cash and investment balances are in compliance with the investment policy of United Way and are overseen by the finance committee.

12. Related party transactions

Annual dues are paid to United Way of America. These totaled \$14,762 and \$14,991 for the years ended December 31, 2009 and 2008, respectively.

The United Way leases space to a number of member organizations. Total rent received was \$61,827 and \$60,638 for the years ended December 31, 2009 and 2008, respectively.

13. Employee benefit plan

The Organization has implemented a simplified employee pension agreement. Employees become eligible when they have worked in at least two of the preceding five years and are at least 21 years of age. Contributions to the plan are determined as a percentage of each covered employee's salary. Contributions for the years ended December 31, 2009 and 2008 were \$12,250 and \$11,236.

14. Compensated absences

The Organization provides for sick and vacation leave. Sick leave is accrued at 6 2/3 hours per full month worked up to a maximum of 240 hours. Carryover of remaining amounts is allowed up to the maximum hours. Sick leave is not paid upon separation.

Vacation days accrue at 6 2/3 hours per full month during the first three years of employment, 10 hours per full month worked during the fourth through eighth years of employment and 13 1/3 hours per full month worked for years of employment past the eighth year. Total accrued vacation time may not exceed 160 hours. Carryover of remaining amounts is allowed up to the maximum hours. Unused vacation is paid upon separation.

The Organization has not provided for accrued sick and vacation leave due to the immaterial amounts.

United Way of Douglas County, Inc.

Notes to the Financial Statements

DECEMBER 31, 2009 AND 2008

15. Correction of an error in application of an accounting principle

The net asset beginning balance as presented in the statement of activities has been restated in order to correct an error in an application of an accounting principle regarding the classification of net assets. The restatement occurred between net asset classifications in order to comply with FASB ASC 958-210. The restatement as of December 31, 2008 was as follows:

	As previously presented	As restated
Unrestricted	\$ 721,599	\$ 665,030
Temporarily restricted	1,279,419	1,317,166
Permanently restricted	71,987	90,809
<i>Total net assets</i>	<u>\$ 2,073,005</u>	<u>\$ 2,073,005</u>

16. Subsequent events

The United Way has evaluated subsequent events through March 15, 2010, the date which the financial statements were available to be issued.