

UNITED WAY OF SOUTHEAST ALASKA

Financial Statements
(with Independent Auditors' Report Thereon)

Years Ended August 31, 2012 and 2011

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

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Independent Auditors' Report

Members of the Board of Directors
United Way of Southeast Alaska
Juneau, Alaska

Ladies and Gentlemen:

We have audited the accompanying statements of financial position of United Way of Southeast Alaska as of August 31, 2012 and 2011 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of United Way of Southeast Alaska's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 United Way of Southeast Alaska's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided 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 of Southeast Alaska, as of August 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

November 30, 2012
Juneau, Alaska

UNITED WAY OF SOUTHEAST ALASKA

Statements of Financial Position

August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets:		
Current:		
Cash and cash equivalents	\$ 137,357	201,833
Investments	111,055	80,464
Pledges receivable	151,489	124,816
Other receivable	25	-
Prepaid Expenses	6,234	-
Equipment, net of accumulated depreciation of \$5,294 in 2012 and \$9,871 in 2011	<u>2,691</u>	<u>3,755</u>
Total assets	<u><u>408,851</u></u>	<u><u>410,868</u></u>
Liabilities:		
Accounts payable	4,857	4,968
Agency allocation payable	77,418	74,366
Accrued payroll	12,624	8,256
Deferred revenue	<u>5,000</u>	<u>1,822</u>
Total liabilities	<u>99,899</u>	<u>89,412</u>
Net assets:		
Unrestricted:		
Designated for:		
Property and equipment	2,691	3,755
Community impact	26,166	26,488
Undesignated	<u>280,095</u>	<u>291,213</u>
Total net assets	<u>308,952</u>	<u>321,456</u>
Total liabilities and net assets	<u><u>\$ 408,851</u></u>	<u><u>410,868</u></u>

See accompanying notes to financial statements.

UNITED WAY OF SOUTHEAST ALASKA

Statements of Activities

Years ended August 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support:						
SHARE campaign	\$ 14,468	-	14,468	\$ 23,773	-	23,773
Private campaign	190,684	-	190,684	174,421	-	174,421
Combined federal campaign	6,344	-	6,344	5,337	-	5,337
Collections of prior year campaign contributions greater than amount anticipated	1,797	-	1,797	6,292	-	6,292
Grant revenue	-	10,322	10,322	-	25,228	25,228
Miscellaneous income	25,193	-	25,193	19,880	-	19,880
In-kind contributions	40,498	-	40,498	18,926	-	18,926
Program tuition	2,686	-	2,686	1,098	-	1,098
Interest income	796	-	796	551	-	551
Net assets released from restriction	10,322	(10,322)	-	25,228	(25,228)	-
Total revenues and support	292,788	-	292,788	275,506	-	275,506
Expenses:						
Program services:						
Fund distributions	36,566	-	36,566	32,496	-	32,496
Leadership project	-	-	-	1,362	-	1,362
Juneau youth	322	-	322	25,228	-	25,228
Community impact	156,604	-	156,604	97,545	-	97,545
Total program services	193,492	-	193,492	156,631	-	156,631
Supporting services:						
Management and general	75,237	-	75,237	61,341	-	61,341
Fundraising	36,563	-	36,563	24,458	-	24,458
Total supporting services	111,800	-	111,800	85,799	-	85,799
Total expenses	305,292	-	305,292	242,430	-	242,430
Change in net assets	(12,504)	-	(12,504)	33,076	-	33,076
Net assets at beginning of year,	321,456	-	321,456	288,380	-	288,380
Net assets at end of year	\$ 308,952	-	308,952	\$ 321,456	-	321,456

See accompanying notes to financial statements.

UNITED WAY OF SOUTHEAST ALASKA

Statements of Functional Expenses

Years ended August 31, 2012 and 2011

2012

	Program Services			Supporting Services		Total Program and Supporting Services
	Fund Distributions	Juneau Youth	Community Impact	Management and General	Fund Raising	
Expenses:						
Salaries and benefits	\$ 13,479	-	59,160	34,063	13,477	120,179
Payroll taxes	1,077	-	4,728	2,722	1,077	9,604
Grants to agencies	-	-	27,000	-	-	27,000
Day of caring	-	-	786	-	-	786
Professional fees	2,680	-	11,760	6,772	2,680	23,892
Office rent	3,608	-	15,834	9,117	3,608	32,167
Telephone and Internet	407	-	1,784	1,027	407	3,625
Office supplies	475	-	2,083	1,200	474	4,232
Mileage & parking	-	-	-	-	-	-
Printing	3,742	-	-	-	3,742	7,484
Postage	138	-	605	348	138	1,229
Advertising	6,630	-	13,853	7,977	6,630	35,090
Employee recruitment	-	-	-	-	-	-
Dues & subscriptions	362	-	1,589	915	362	3,228
UWA dues	-	-	-	-	-	-
Community relations	214	-	939	541	214	1,908
Fees and licenses	18	-	79	45	18	160
Bank fees	230	-	1,006	579	230	2,045
Insurance	542	-	2,376	1,368	541	4,827
Events & meetings	1,518	-	6,661	3,835	1,517	13,531
Equipment repair and maintenance	154	-	674	388	154	1,370
Training & development	454	-	1,992	1,147	453	4,046
SHARE admin expense	-	-	-	-	-	-
SE travel	78	-	340	196	77	691
Technology plan implementation	-	-	-	-	-	-
Technology operations	765	322	3,355	1,933	764	7,139
Depreciation	-	-	-	1,064	-	1,064
Total expenses	\$ 36,566	322	156,604	75,237	36,563	305,292

(continued)

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Statements of Functional Expenses, Continued

	2011						Total Program and Supporting Services
	Program Services			Supporting Services			
	Fund Distributions	Leadership	Juneau Youth	Community Impact	Management and General	Fund Raising	
Expenses:							
Salaries and benefits	\$ 9,284	-	7,100	18,839	28,100	9,284	37,384
Payroll taxes	810	-	-	2,206	3,074	810	3,884
Grants to agencies	-	-	-	35,000	-	-	35,000
Direct expense	-	112	9,015	-	-	-	9,127
Day of Caring project	-	-	-	1,438	-	-	1,438
Professional fees	3,463	1,250	5,500	21,783	10,540	3,331	45,867
Office rent	4,910	-	-	7,976	9,867	4,910	27,663
Telephone and internet	469	-	819	205	1,138	468	3,099
Office supplies	495	-	668	576	533	496	2,768
Printing	1,016	-	277	-	120	1,016	2,429
Postage	138	-	-	224	378	139	879
Advertising	2,128	-	1,076	4,137	196	2,129	9,666
Dues and subscriptions	259	-	-	1,263	360	259	2,141
UWA dues	-	-	-	-	2,766	-	2,766
Community relations	81	-	-	327	-	81	489
Fees and licenses	237	-	-	72	371	238	918
Insurance	481	-	-	763	667	481	2,392
Events & meetings	267	-	773	932	593	266	2,831
Training & development	245	-	-	1,386	350	244	2,225
SHARE admin expense	7,907	-	-	-	-	-	7,907
Technology plan implementation	-	-	-	-	-	-	-
Technology Operations	306	-	-	418	1,267	306	2,297
Depreciation	-	-	-	-	1,021	-	1,021
Total expenses	\$ 32,496	1,362	25,228	97,545	61,341	24,458	242,430

See accompanying notes to financial statements.

UNITED WAY OF SOUTHEAST ALASKA

Statements of Cash Flows

Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (12,504)	33,076
Adjustments to reconcile change in net assets to net cash flows provided (used) by operating activities:		
Depreciation	1,064	1,021
(Increase) decrease in:		
Pledges receivable	(26,673)	26,378
Other receivables	(25)	2,680
Prepaid expenses	(6,234)	-
(Increase) decrease in:		
Accounts payable	(111)	(4,627)
Agency allocation payable	3,052	(20,105)
Accrued payroll	4,368	(6,235)
Deferred revenue	3,178	(18,778)
Net cash provided (used) by operating activities	<u>(33,885)</u>	<u>13,410</u>
Cash flows from investing activities:		
Additions to fixed assets	-	(653)
Purchase of investment pool	<u>(30,591)</u>	<u>(50,286)</u>
Net cash provided (used) by investing activities	<u>(30,591)</u>	<u>(50,939)</u>
Decrease in cash and cash equivalents	(64,476)	(37,529)
Cash and cash equivalents at beginning of year	<u>201,833</u>	<u>239,362</u>
Cash and cash equivalents at end of year	\$ <u><u>137,357</u></u>	<u><u>201,833</u></u>
Supplemental disclosures		
Noncash transactions		
In-kind contributions	\$ <u><u>40,498</u></u>	<u><u>18,926</u></u>

See accompanying notes to financial statements.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements

Twelve months ended August 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Organization and Purpose

United Way of Southeast Alaska (UWSEAK) was organized for the purpose of assessing on a continuing basis the need for health and social service programs; to seek solutions to human problems; to assist in the development of United Way member agencies; to promote preventive activities; and to foster cooperation among local, state, and national agencies serving the community. In fulfilling these purposes, UWSEAK receives and distributes both private and public pledges in accordance with the donor wishes through three different fundraising campaigns: the private campaign, SHARE (State of Alaska) Campaign, and the Combined Federal Campaign.

The private campaign is administered by United Way of Southeast Alaska who is responsible for managing the fundraising drives, and collecting and disbursing all moneys received from the annual campaigns. The SHARE campaign is administered by United Way of Anchorage but UWSEAK is responsible for disbursing all pledges per the donor's designation.

B. Basis of Accounting

United Way of Southeast Alaska's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its ~~Statements of Financial Accounting Standards (SFAS) No. 117~~. Under SFAS No. 117, UWSEAK is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets represent the portion of net assets of UWSEAK that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

Temporarily restricted net assets represents the portion of net assets of UWSEAK whose use is limited by the donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of UWSEAK. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent the portion of net assets from contributions and grants whose use by UWSEAK is limited by the donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of UWSEAK.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, UWSEAK considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

E. Investments

UWSEAK classifies certificates of deposit with a maturity of greater than three months from year end as investments. Investments are carried at their fair values on the Statement of Financial Position.

F. Pledges Receivable

Pledges receivable consist of pledges made during the fall campaigns, net of amounts received during the campaign. No allowance for uncollectible pledges has been made as it is the opinion of management that uncollectible pledges are minimal. All pledges receivable are unconditional promises to give and are expected to be received within one year. It is the policy of management to take losses on pledges in the year of occurrence.

G. Equipment

Purchased equipment and software are recorded at cost and are depreciated on the straight-line method using useful lives ranging from 3 to 5 years. Acquisitions in excess of \$500 are capitalized.

H. Agency Allocations Payable

Agency allocations are based on designated amounts pledged during each of the annual campaigns. This is in accordance with the Code of Federal Regulations for the Combined Federal Campaign. Distributions to agencies are made on a quarterly basis, and are paid net of each agency's share of allocable campaign expenses. Combined Federal and Private Campaign expenses are allocated to each agency in proportion to their percentage of designated contributions.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

SHARE campaign expenses are deducted by United Way of Anchorage before releasing the pledges to United Way of Southeast Alaska for distribution. Allocations payable consist of current year end amounts due from the Fall 2009 campaign pledges.

I. Advertising

United Way expenses advertising costs as they are incurred. At August 31, 2012 and 2011 advertising costs were \$35,090 and \$9,666, respectively.

J. Income Tax Status

United Way funds qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes has been made. UWSEAK has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Although the Organization is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing U.S. Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Organization's policy is to report interest and penalties associated with income taxes as interest expense and other expense respectively. With few exceptions, the Organization is not subject to audit of its tax returns prior to December 31, 2008.

K. Budgets

Budgets are adopted for operations annually and are revised as necessary throughout the year.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Fair Value of Financial Instruments

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

The organization ~~must~~ disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the balance sheets for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

N. Donated Goods and Services

Donated services are recognized as contributions in accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In-kind contributions for space, supplies, and professional services are recorded in the statement of activities at market value and recognized as revenue and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

II. CASH AND CASH EQUIVALENTS

The cash and cash equivalents at August 31, 2012 and 2011 consist of the following:

	2012		2011	
	Book <u>Balance</u>	Bank <u>Balance</u>	Book <u>Balance</u>	Bank <u>Balance</u>
Petty cash	\$ -	-	300	-
Credit card deposit account	12,895	12,895	36,023	36,023
Money market	119,689	119,689	119,510	119,510
Checking	4,773	64,867	46,000	88,153
	<u>\$ 137,357</u>	<u>197,451</u>	<u>201,833</u>	<u>243,686</u>

The bank accounts are maintained at three financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At August 31, 2012 and 2011 UWSEAK had no uninsured and uncollateralized deposits.

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

III. INVESTMENTS

UWSEAK has classified certificates of deposit as an investment at year end. Fair market value of the CDs at August 31, 2012 and 2011 was \$111,055 and \$80,464, respectively.

Investment earnings for the year ended August 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Interest Income	\$ 592	551

IV. PLEDGES RECEIVABLE

The pledge receivable balance consist of pledges made during the Fall 2011 and 2010 campaigns, less any amounts received from those campaigns prior to August 31, 2012 and 2011, respectively. The amounts due for each campaign are as follows:

	<u>2012</u>	<u>2011</u>
Private Campaign	\$ 85,723	64,005
SHARE Campaign	40,296	36,946
Combined Federal Campaign	<u>25,470</u>	<u>23,865</u>
Total	\$ <u>151,489</u>	<u>124,816</u>

V. DONATED GOODS AND SERVICES

UWSEAK recorded in-kind contributions at August 31, 2012 and 2011, respectively, as follows:

	<u>2012</u>	<u>2011</u>
Events	\$ 9,535	1,223
Office support	-	150
Advertising	28,141	-
Professional Services	<u>2,822</u>	<u>17,553</u>
	\$ <u>40,498</u>	<u>18,926</u>

UNITED WAY OF SOUTHEAST ALASKA

Notes to Financial Statements, Continued

VI. EQUIPMENT

Equipment at August 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Office equipment	\$ 7,985	7,985
Penny machine	<u>-</u>	<u>5,641</u>
	7,985	13,626
Less: accumulated depreciation	<u>(5,294)</u>	<u>(9,871)</u>
Net	\$ <u>2,691</u>	<u>3,755</u>

Depreciation expense for fiscal years 2012 and 2011 was \$1,064 and \$1,021, respectively. In addition, the board has decommissioned the fully depreciated penny machine as it was no longer utilizable and therefore was taken out of the organization's fixed assets.

VII. AGENCY ALLOCATION PAYABLE

The agency allocation payable consists of the pass-through portion of pledges received during the fall campaign along with the last quarterly distribution, of the previous fall pledges received. These previous fall campaign pledges are payable after August 31, 2012 and 2011, respectively. At August 31, 2012 and 2011 the agency allocation payable balances are as follows:

	<u>2012</u>	<u>2011</u>
Private Campaign	\$ 21,769	23,966
SHARE Campaign	33,885	29,771
CFC	<u>21,764</u>	<u>20,629</u>
Total agency	\$ <u>77,418</u>	<u>74,366</u>

VIII. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2012, the date which the financial statements were available for issue. No items were deemed necessary for disclosure.