

**UNITED WAY FOR GREATER
AUSTIN**

**Financial Statements for the
Years Ended June 30, 2012 and 2011
and Independent Auditors' Report**



UNITED WAY FOR GREATER AUSTIN

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way for Greater Austin:

We have audited the accompanying statement of financial position of United Way for Greater Austin ("UWATX") as of June 30, 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 UWATX'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 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 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 UWATX as of June 30, 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.

Maxwell Locke & Ritter LLP

November 15, 2012

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 290,758	\$ 355,306
Investments	1,648,897	3,118,008
Accounts and contracts receivable	336,339	458,960
Pledges receivable, net	2,881,167	2,729,980
Prepaid expenses and other assets	23,093	1,726
Total current assets	<u>5,180,254</u>	<u>6,663,980</u>
Property and equipment, net	964,743	1,019,211
Endowment investments	666,009	603,583
TOTAL ASSETS	<u><u>\$ 6,811,006</u></u>	<u><u>\$ 8,286,774</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 355,478	\$ 618,578
Accrued expenses and other current liabilities	159,553	154,008
Due to affiliated organizations	-	11,300
Note payable, current portion	35,264	82,877
Line of credit	300,310	150,000
Community funds commitment	2,480,595	3,408,769
Support for community programs	-	436
Designations due to others	1,292,596	1,053,631
Total current liabilities	<u>4,623,796</u>	<u>5,479,599</u>
Note payable, long term portion	459,602	413,993
Total liabilities	<u>5,083,398</u>	<u>5,893,592</u>
Net assets:		
Unrestricted	574,324	479,164
Temporarily restricted	656,654	1,417,388
Permanently restricted	496,630	496,630
Total net assets	<u>1,727,608</u>	<u>2,393,182</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,811,006</u></u>	<u><u>\$ 8,286,774</u></u>

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Total amounts raised	\$ 12,593,596	1,098,637		13,692,233
Less amounts designated by contributors for specific organizations	(8,462,630)	-	-	(8,462,630)
Less allowance for uncollectible pledges	(258,497)	-	-	(258,497)
Grants and contracts	1,640,392	-	-	1,640,392
In-kind donations	168,289	-	-	168,289
Total contributions	5,681,150	1,098,637	-	6,779,787
Service fee income	347,762	-	-	347,762
Interest and dividends	(20,233)	35,261	-	15,028
Unrealized and realized (loss) gain on investments, net of expenses	(37,020)	27,165	-	(9,855)
Other income	42,619	-	-	42,619
Net assets released from restrictions	1,921,797	(1,921,797)	-	-
Total revenues, gains and other support	7,936,075	(760,734)	-	7,175,341
ALLOCATIONS AND EXPENSES:				
Allocations to agencies and other United Ways	10,509,273	-	-	10,509,273
Less allocations funded through contributor designations	(8,462,630)	-	-	(8,462,630)
Allocations to partner agencies	2,046,643	-	-	2,046,643
Other program services	3,520,120	-	-	3,520,120
Total allocations and program services	5,566,763	-	-	5,566,763
Supporting services:				
Fundraising	1,619,294	-	-	1,619,294
Management and general	555,608	-	-	555,608
Payments to United Way Worldwide	99,250	-	-	99,250
Total supporting services	2,274,152	-	-	2,274,152
Total allocations and expenses	7,840,915	-	-	7,840,915
CHANGE IN NET ASSETS	95,160	(760,734)	-	(665,574)
NET ASSETS, beginning of year	479,164	1,417,388	496,630	2,393,182
NET ASSETS, end of year	\$ 574,324	656,654	496,630	1,727,608

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Total amounts raised	\$ 13,731,207	1,645,065	-	15,376,272
Less amounts designated by contributors for specific organizations	(8,291,515)	-	-	(8,291,515)
Less allowance for uncollectible pledges	(290,073)			(290,073)
Grants and contracts	1,509,601	-	-	1,509,601
In-kind donations	55,962	-	-	55,962
Total contributions	6,715,182	1,645,065	-	8,360,247
Service fee income	389,188	-	-	389,188
Interest and dividends	54,466	24,884	-	79,350
Unrealized and realized gain on investments, net of expenses	204,163	10,740	-	214,903
Other income	49,274	-	-	49,274
Net assets released from restrictions	520,941	(520,941)	-	-
Total revenues, gains and other support	7,933,214	1,159,748	-	9,092,962
ALLOCATIONS AND EXPENSES:				
Allocations to agencies and other United Ways	11,808,842	-	-	11,808,842
Less allocations funded through contributor designations	(8,291,515)	-	-	(8,291,515)
Allocations to partner agencies	3,517,327	-	-	3,517,327
Other program services	2,662,196	-	-	2,662,196
Total allocations and program services	6,179,523	-	-	6,179,523
Supporting Services:				
Fundraising	1,345,758	-	-	1,345,758
Management and general	485,297	-	-	485,297
Payments to United Way Worldwide	88,941	-	-	88,941
Total supporting services	1,919,996	-	-	1,919,996
Total allocations and expenses	8,099,519	-	-	8,099,519
CHANGE IN NET ASSETS	(166,305)	1,159,748	-	993,443
NET ASSETS, beginning of year	645,469	257,640	496,630	1,399,739
NET ASSETS, end of year	\$ 479,164	1,417,388	496,630	2,393,182

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2012

	Allocations and Program Services	Management and General	Fundraising	Payments to United Way Worldwide	Total
Professional personnel costs	\$ 1,721,197	339,748	855,349	-	2,916,294
Allocations to partner agencies	2,046,643	-	-	-	2,046,643
Professional fees and contracts	496,113	105,727	78,512	-	680,352
Community program grants	347,909	-	-	-	347,909
Employee benefits	194,209	33,436	78,824	-	306,469
Payroll taxes	140,197	25,877	70,028	-	236,102
Office expenses	92,167	10,241	102,407	-	204,815
In-kind expense	75,730	8,414	84,144	-	168,288
Occupancy	77,240	6,833	52,586	-	136,659
Rental and maintenance of equipment	55,821	6,202	62,022	-	124,045
Interest expense	45,432	5,048	50,480	-	100,960
Payments to United Way Worldwide	-	-	-	99,250	99,250
Printing and publications	41,332	1,503	32,314	-	75,149
Marketing	31,530	-	38,631	-	70,161
Training and travel	28,876	3,208	32,084	-	64,168
Food and beverage	30,110	1,204	28,905	-	60,219
Support to community programs	30,000	-	-	-	30,000
Payments to affiliates	3,922	7,844	3,922	-	15,688
Photography and video	6,883	765	7,646	-	15,294
Insurance	6,541	727	7,268	-	14,536
Bad debt recoveries	(46,089)	(5,121)	(51,211)	-	(102,421)
Other expense	108,567	348	49,346	-	158,261
Total expenses before depreciation	5,534,330	552,004	1,583,257	99,250	7,768,841
Depreciation	32,433	3,604	36,037	-	72,074
Total allocations and expenses	<u>\$ 5,566,763</u>	<u>555,608</u>	<u>1,619,294</u>	<u>99,250</u>	<u>7,840,915</u>

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2011

	Allocations and Program Services	Management and General	Fundraising	Payments to United Way Worldwide	Total
Professional personnel costs	\$ 1,571,668	310,233	781,041	-	2,662,942
Allocations to partner agencies	3,517,327	-	-	-	3,517,327
Professional fees and contracts	372,641	79,414	58,973	-	511,028
Community program grants	35,730	-	-	-	35,730
Employee benefits	181,762	31,293	73,772	-	286,827
Payroll taxes	132,240	24,408	66,053	-	222,701
Office expenses	63,668	7,074	70,743	-	141,485
In-kind expense	25,183	2,798	27,981	-	55,962
Occupancy	60,743	5,374	41,355	-	107,472
Rental and maintenance of equipment	49,025	5,447	54,472	-	108,944
Interest expense	20,702	2,300	23,002	-	46,004
Payments to United Way Worldwide	-	-	-	88,941	88,941
Printing and publications	36,781	1,337	28,756	-	66,874
Marketing	25,240	-	30,923	-	56,163
Training and travel	27,235	3,026	30,262	-	60,523
Food and beverage	23,940	958	22,982	-	47,880
Insurance	4,692	521	5,213	-	10,426
Payments to affiliates	4,382	8,765	4,382	-	17,529
Photography and video	576	64	640	-	1,280
Bad debt recoveries	(24,193)	(2,688)	(26,881)	-	(53,762)
Other expense	5,585	18	2,538	-	8,141
Total expenses before depreciation	6,134,927	480,342	1,296,207	88,941	8,000,417
Depreciation	44,596	4,955	49,551	-	99,102
Total allocations and expenses	\$ 6,179,523	485,297	1,345,758	88,941	8,099,519

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (665,574)	\$ 993,443
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	72,074	99,102
Unrealized and realized loss (gain) on investments, net of expenses	(9,855)	(79,350)
Changes in assets and liabilities that provided (used) cash:		
Accounts and contracts receivable	122,621	(97,619)
Pledges receivable	(151,187)	(682,598)
Prepaid expenses and other assets	(21,367)	17,730
Accounts payable	(263,100)	584,061
Accrued expenses and other current liabilities	5,545	(15,981)
Due to affiliated organizations	(11,300)	(49,052)
Community funds commitment	(928,174)	(35,619)
Support for community programs	(436)	-
Deferred revenue	-	(149,590)
Designations due to others	238,965	400,234
Net cash (used in) provided by operating activities	<u>(1,611,788)</u>	<u>984,761</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(17,606)	(28,412)
Net sales (purchases) of investments	1,416,540	(1,271,442)
Net cash provided by (used in) investing activities	<u>1,398,934</u>	<u>(1,299,854)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(512,370)	(72,261)
Borrowings on notes payable	510,366	-
Proceeds from line of credit	150,310	150,000
Net cash provided by financing activities	<u>148,306</u>	<u>77,739</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(64,548)</u>	<u>(237,354)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>355,306</u>	<u>592,660</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 290,758</u></u>	<u><u>\$ 355,306</u></u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid on note payable	<u>\$ 31,647</u>	<u>\$ 44,416</u>
Interest paid on line of credit	<u>\$ 14,516</u>	<u>\$ 1,588</u>

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

1. ORGANIZATION

The United Way for Greater Austin (“UWATX”) was organized to inspire, lead and unite an eclectic community of philanthropists including individuals, nonprofits, business, and government to overcome barriers to economic opportunities and ensure Greater Austin continues to thrive.

2. SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board Accounting Standards Codification. Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the UWATX and changes therein are classified and reported as follows:

Unrestricted net assets - These types of net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - These types of net assets are subject to donor imposed stipulations, which limit their use by UWATX to a specific purpose and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by UWATX. The earnings from permanently restricted net assets are to be used to further UWATX’s mission including carrying out health and human services programs for those persons present or living in Central Texas and are included in temporarily restricted net assets.

Use of Estimates - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 these estimates.

Cash and Cash Equivalents - UWATX considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are carried at fair market value based on quoted market prices. Any changes in market value are reported in the statements of activities as unrealized gains or losses.

Accounts and Contracts Receivable - Accounts and contracts receivable are recorded at the amount UWATX expects to collect on outstanding balances. UWATX has not set up an allowance for uncollectible receivables at June 30, 2012 and 2011, because management estimates that the receivables are collectible.

Pledges Receivable - UWATX conducts its annual campaign in the last quarter of each calendar year to raise support for allocations to participating agencies in the subsequent fiscal year. All contributions are considered to be available for unrestricted use unless specifically restricted by the contributor. Receivables from contributions are recorded as revenue when the pledge is received and an allowance is provided for amounts estimated to be uncollectible based upon prior history. Pledges are primarily from contributors in the central Texas area and all pledges are due within one year. Pledges receivable are measured at net realizable value because that amount results in a reasonable estimate of fair value.

Fair Value Measurements - UWATX measures and discloses fair value measurements in accordance with the authoritative literature. 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 - Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 - Unobservable inputs that reflect UWATX' own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Property and Equipment - Purchases of land, buildings, and furniture and equipment are recorded at cost. Donated assets are recorded at their estimated fair market values at the date of donation. UWATX capitalizes all fixed assets with a cost or donated value greater than or equal to \$2,000 and a useful life greater than one year. Depreciation expense is calculated using the straight-line method and the following estimated useful lives:

Buildings	25 Years
Building improvements	25 Years
Furniture and equipment	3 Years

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

Community Funds Commitment and Allocations to Partner Agencies - UWATX annually determines the amounts to be allocated and subsequently distributed to its partner agencies from the undesignated pledges received during the annual campaign as part of its Community Investment Program. For the years ended June 30, 2012 and 2011, \$2,046,643 and \$3,517,327, respectively, was allocated to partner agencies. The outstanding amounts to be paid to these partner agencies are recorded as a liability. At June 30, 2012 and 2011, the community funds commitment liability was \$2,480,595 and \$3,408,769, respectively.

Designations Due to Others - UWATX, as part of its annual campaign, raises and collects amounts which contributors have designated to be distributed to various partner agencies, non-partner agencies, and other United Ways. These designations do not represent income to UWATX but are recorded net of administrative fees as a liability at year end. In-kind contributions that are designated to be distributed to specific agencies are not recorded as revenue in these financial statements.

Contributions - Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Government Contracts Revenue Recognition - Revenues from contracts received from federal, state, and local governments are earned based on UWATX incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided.

Contributed Services - Contributions of services are recognized at their estimated fair market value if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers contribute significant amounts of time to UWATX in the allocation process, campaign efforts, and community program efforts. The financial statements do not reflect the value of these services as contributions in the financial statements since such services do not meet these criteria.

Functional Expense Allocation - The costs of providing various programs services, fundraising and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program expenses are incurred for the following programs:

- Support allocated to agencies - involves providing funding to UWATX agencies for their continuing community assistance programs.
- Education Focus Area - Success By Six and Youth - involves convening and collaborating with child advocates, parents and caregivers to build early childhood and middle school initiatives.
- Health Focus Area - involves connecting low-income individuals and families, as well as older adults, with preventative care, disease management and mental health services.
- Income Focus Area - involves leading and participating in local initiatives to connect low-income individuals to services such as job training, educational programs and financial coaching.

Expenses incurred on the education, health and income focus areas are presented as other program services on the statements of activities.

Income Taxes - UWATX is a non-profit corporation that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code; except to the extent of unrelated business income, if any. UWATX did not incur any tax liabilities due to unrelated business income for the years ended June 30, 2012 or 2011.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net assets.

3. CONCENTRATIONS

Financial instruments which potentially subject UWATX to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. UWATX places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. UWATX does not maintain collateral for its receivables and does not believe significant risk exists at June 30, 2012 and 2011.

For the year ended June 30, 2012, approximately, \$5,000,000 or 37% of the total amount raised was attributed to five companies and their employees located in Austin, Texas. For the year ended June 30, 2011, approximately \$3,000,000 or 20% of the total amount raised was attributed to two companies and their employees located in Austin, Texas.

4. INVESTMENTS

Investments, including endowment investments, consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Cash and money market	\$ 129,988	\$ 1,359,414
Fixed income - domestic mutual funds	785,021	1,183,154
Fixed income - international mutual funds	281,113	-
Equities - domestic mutual funds	443,894	476,717
Equities - international mutual funds	272,524	284,138
Other complementary strategies funds	178,329	196,108
Real asset and commodity funds	224,037	222,060
Total investments	<u>\$ 2,314,906</u>	<u>\$ 3,721,591</u>

Investments were measured at fair value using the market approach and inputs were considered Level 1 under the fair value hierarchy. Investment earnings consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 15,028	\$ 214,903
Unrealized and realized (loss) gain on investments, net of expenses	<u>(9,855)</u>	<u>79,350</u>
Total investment earnings	<u>\$ 5,173</u>	<u>\$ 294,253</u>

5. PLEDGES RECEIVABLE

The allowance for uncollectible pledges includes \$783,326 and \$985,891 related to pledges receivable made to UWATX at June 30, 2012 and 2011, respectively, and \$689,584 and \$852,594 related to pledges receivable designated for other organizations at June 30, 2012 and 2011, respectively. All pledges receivable at June 30, 2012 and 2011 were due in less than one year. Pledges receivable were measured at fair value using the income approach and inputs were considered level 3 under the fair value hierarchy. Reconciliations of the beginning and ending balances in pledges receivable for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Balance beginning of year	\$ 2,729,980	\$ 2,047,382
New pledges	14,016,580	15,282,358
Payments on receivables	(13,747,113)	(14,490,850)
Net change in allowance and write offs	<u>(118,280)</u>	<u>(108,910)</u>
Balance end of year	<u>\$ 2,881,167</u>	<u>\$ 2,729,980</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 126,240	\$ 126,240
Buildings and improvements	2,470,246	2,447,493
Furniture and equipment	<u>1,177,610</u>	<u>1,173,119</u>
Total	3,774,096	3,746,852
Accumulated depreciation	<u>(2,809,353)</u>	<u>(2,727,641)</u>
Property and equipment, net	<u>\$ 964,743</u>	<u>\$ 1,019,211</u>

Included in property and equipment is a building adjacent to UWATX's headquarters which was leased to a third party under a non-cancelable lease agreement that expired on January 15, 2012. This building had a carrying value of \$66,734 as of June 30, 2012 and is held for sale.

7. ENDOWMENT FUND

UWATX's endowment consists solely of donor-restricted funds, which are restricted for the purpose of furthering UWATX's mission. The Board of Directors of UWATX ("the Board") interprets the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UWATX classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund, and (4) the portion of investment return added to the permanent endowment to maintain its purchasing power. For purposes of determining that portion, each year UWATX adjusts permanently restricted net assets by an amount determined to be reasonable for use in the operations but also provide for the change in the average Consumer Price Index ("CPI"). If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is maintained in temporarily restricted net assets until appropriated for expenditure. In accordance with UPMIFA, UWATX considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- The general economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

UWATX 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. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to result in high yields while assuming a moderate level of investment risk. UWATX expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. The spending policy allows the Board to determine amounts appropriated for expenditure.

Changes in endowment net assets were as follows for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 106,953	\$ 496,630	\$ 603,583
Interest and dividends	-	35,261	-	35,261
Unrealized and realized loss on investments	-	27,165	-	27,165
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 169,379</u>	<u>\$ 496,630</u>	<u>\$ 666,009</u>

Changes in endowment net assets were as follows for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 71,329	\$ 496,630	\$ 567,959
Interest and dividends	-	10,740	-	10,740
Unrealized and realized gain on investments	-	24,884	-	24,884
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 106,953</u>	<u>\$ 496,630</u>	<u>\$ 603,583</u>

Descriptions of the amounts classified as permanently restricted and temporarily restricted net assets (endowment only) were as follows at June 30:

	<u>2012</u>	<u>2011</u>
Permanently restricted net assets-		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 496,630</u>	<u>\$ 496,630</u>
Temporarily restricted net assets-		
The portion of perpetual endowment funds subject to a restriction under UPMIFA- without purpose restrictions	<u>\$ 169,379</u>	<u>\$ 106,953</u>

8. DEBT

UWATX had the following note payable at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Mortgage note payable to a financial institution collateralized by the administration building dated March 2, 2012 to be payable in monthly installments plus interest at a fixed rate of 5%, secured by land, building, improvements, and furniture and equipment. Balance due March 2, 2022.	\$ 494,866	\$ -
Mortgage note payable to a financial institution for the additions to the administration building dated February 2001. Amended effective February 2009 to be payable in monthly installments plus interest at the bank's prime rate (2.65% at June 30, 2011), secured by land, building, improvements, and furniture and equipment. Mortgage was paid off on March 2, 2012.	-	496,870
Less current portion	<u>(35,264)</u>	<u>(82,877)</u>
Long-term portion	<u>\$ 459,602</u>	<u>\$ 413,993</u>

Future maturities of the note payable at June 30, 2012 are as follows:

	<u>Amount</u>
2013	\$ 35,264
2014	42,954
2015	45,152
2016	47,461
2017 and thereafter	<u>324,035</u>
	<u>\$ 494,866</u>

UWATX has available a \$373,102 revolving line of credit with a bank expiring September 25, 2012. The line provides for a variable rate of interest (4% at June 30, 2012 and 2011), and is secured by UWATX's investments. The outstanding balance on this line of credit at June 30, 2012 and 2011 was \$300,310 and \$150,000, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012 and 2011, temporarily restricted net assets consisted of the following:

	<u>2012</u>	<u>2011</u>
Success by Six	\$ 367,265	\$ 1,102,254
Endowment Earnings	169,379	106,953
Financial Stability	64,697	99,303
Education	44,313	67,009
Day of Caring	11,000	-
Young Leaders Society	-	27,055
Women's Giving Network	-	14,814
	<u>\$ 656,654</u>	<u>\$ 1,417,388</u>

10. LEASES

UWATX leases office equipment under operating leases that expire at various dates through July 2017. Rent expense totaled \$48,494 and \$51,607 for the years ended June 30, 2012 and 2011, respectively. Future minimum rental payments due under leases which have initial or remaining terms in excess of one year are as follows at June 30, 2012:

2013	\$ 39,000
2014	39,000
2015	20,610
2016	2,220
2017	<u>1,295</u>
Total	<u>\$ 102,125</u>

11. IN-KIND DONATIONS

Non-cash (in-kind) donations included as revenue in the financial statements consisted of the following for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Advertising	\$ 147,426	\$ 49,699
Donated equipment	17,165	-
Landscaping	-	1,980
Food and beverage	1,680	1,460
Other	2,018	2,823
Total	<u>\$ 168,289</u>	<u>\$ 55,962</u>

12. ALLOCATIONS FUNDED THROUGH CONTRIBUTOR DESIGNATIONS

Allocations funded through contributor designations were as follows for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Designations to partner agencies	\$ 884,400	\$ 882,573
Designations to other United Ways	395,794	401,606
Designations to other 501(c)(3) organizations	7,182,436	7,007,336
Total designations	<u>\$ 8,462,630</u>	<u>\$ 8,291,515</u>

13. CONDITIONAL PROMISES TO GIVE

A private foundation has pledged \$1,000,000 for the Success by Six program to be gifted over four years at \$250,000 each year. Of the annual \$250,000 gift, \$50,000 is unrestricted and the balance of \$200,000 is conditioned on receiving new gifts from other donors of any dollar amount pledged to the Success by Six program, which the private foundation will match dollar for dollar up to \$200,000. Since this pledge represents a conditional promise to give, it is recorded as contribution revenue as the pledge conditions are met. Revenue earned and funds received from the private foundation in relationship to the conditions being met totaled \$133,698 and \$66,302 for the years ended June 30, 2012 and 2011, respectively. The balance remaining that may be earned through matching on this conditional grant in future years is \$600,000.

14. PAYMENTS TO AFFILIATES

During the years ended June 30, 2012 and 2011, UWATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide ("UWW") of \$99,250 and \$88,941, respectively; dues to United Way of Texas of \$15,438 and \$15,854, respectively; and dues to various other affiliates of \$250 and \$1,675, respectively.

15. CAMPAIGN CONTRIBUTIONS

UWATX serves as the designated fiscal agent for the Combined Federal Campaign (“CFC”) and State Employee Charitable Campaign (“SECC”) public sector campaigns.

As fiscal agent, UWATX manages these campaigns and administers their financial activities, including the collection and distribution of funds. Activity from these campaigns is reflected in the accompanying financial statements. Amounts raised are included in total amounts raised, from which are deducted designations to agencies other than UWATX. Amounts collected for others and not yet distributed are recorded as designations due to others.

UWATX participates in the CFC and the SECC local campaigns along with other organizations as a federation. A federation is defined as a group of voluntary charitable human health and welfare organizations created to supply common fundraising, administrative, and management services to its constituent members. A federation must have at least 15 member organizations (other than itself). UWATX’s federation honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member.

16. RETIREMENT PLAN

UWATX offers its employees the opportunity to enroll in a 403(b) plan. This tax deferred annuity plan allows employees, at their option, to make contributions using payroll deductions. There were no employer contributions for the years ended June 30, 2012 and 2011.

17. SUBSEQUENT EVENTS

UWATX has evaluated subsequent events through November 15, 2012 (the date the financial statements were available to be issued).

As of July 9, 2012, UWATX had drawn an additional \$70,000 from the line of credit.