UNITED WAY CAPITAL AREA

Financial Statements for the Years Ended June 30, 2011 and 2010 and Independent Auditors' Report

MAXWELL & LOCKE & RITTER

UNITED WAY CAPITAL AREA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way Capital Area:

We have audited the accompanying statement of financial position of United Way Capital Area ("United Way") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of United Way's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of United Way Capital Area as of and for the year ended June 30, 2010, were audited by other auditors whose report dated October 21, 2010, expressed an unqualified opinion on those 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way as of June 30, 2011, 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.

Maxwell Locke + Ritter LLP

October 3, 2011

UNITED WAY CAPITAL AREA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 355,306	$ 592,660
Investments	3,224,961	1,874,167
Accounts and grants receivable	458,960	361,341
Pledges receivable, net	2,729,980	2,047,382
Prepaid expenses and other assets	1,726	19,456
Total current assets	6,770,933	4,895,006
Property and equipment, net	1,019,211	1,089,903
Endowment investments	496,630	496,630
TOTAL ASSETS	$ 8,286,774	$ 6,481,539
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 618,578	$ 34,517
Accrued expenses and other current liabilities	154,008	169,989
Due to affiliated organizations	11,300	60,352
Note payable, current portion	82,877	72,261
Line of credit	150,000	-
Community funds commitment	3,408,769	3,444,388
Support for community programs	436	436
Deferred revenue	-	149,590
Designations due to others	1,053,631	653,397
Total current liabilities	5,479,599	4,584,930
Note payable, long term portion	413,993	496,870
Total liabilities	5,893,592	5,081,800
Net assets:		
Unrestricted	479,164	645,469
Temporarily restricted	1,417,388	257,640
Permanently restricted	496,630	496,630
Total net assets	2,393,182	1,399,739
TOTAL LIABILITIES AND NET ASSETS	$ 8,286,774	$ 6,481,539

See notes to financial statements.

UNITED WAY CAPITAL AREA

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	204,163	10,740	-	214,903
Unrealized and realized gain on investments, net of expenses	54,466	24,884	-	79,350
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 CAPITAL AREA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Total amounts raised	$ 13,375,209	417,214	-	13,792,423
Less amounts designated by contributors for specific organizations	(8,339,381)	-	-	(8,339,381)
Less allowance for uncollectible pledges	(246,924)			(246,924)
Grants and contracts	1,202,613	-	-	1,202,613
In-kind donations	142,146	-	-	142,146
Total contributions	6,133,663	417,214	-	6,550,877
Service fee income	422,432	-	-	422,432
Unrealized and realized gain on investments, net of expenses	33,166	21,608	-	54,774
Interest and dividends	22,411	15,541	-	37,952
Other income	20,791	-	-	20,791
Net assets released from restrictions	638,864	(638,864)	-	-
Total revenues, gains and other support	7,271,327	(184,501)	-	7,086,826
ALLOCATIONS AND EXPENSES:				
Allocations to agencies and other United Ways	11,722,310	-	-	11,722,310
Less allocations funded through contributor designations	(8,339,381)	-	-	(8,339,381)
Allocations to partner agencies	3,382,929	-	-	3,382,929
Other program services	2,243,647	-	-	2,243,647
Total allocations and program services	5,626,576	-	-	5,626,576
Supporting Services:				
Fundraising	1,070,509	-	-	1,070,509
Management and general	418,911	-	-	418,911
Payments to United Way Worldwide	109,498	-	-	109,498
Total supporting services	1,598,918	-	-	1,598,918
Total allocations and expenses	7,225,494	-	-	7,225,494
CHANGE IN NET ASSETS	45,833	(184,501)	-	(138,668)
NET ASSETS, beginning of year	599,636	442,141	496,630	1,538,407
NET ASSETS, end of year	$ 645,469	257,640	496,630	1,399,739

See notes to financial statements.

UNITED WAY CAPITAL AREA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Allocations and Program Services	Management and General	Fundraising	Payments to United Way Worldwide	Total
Allocations to partner agencies	$ 3,517,327	-	-	-	3,517,327
Professional personnel costs	1,571,668	310,233	781,041	-	2,662,942
Professional fees and contracts	372,641	79,414	58,973	-	511,028
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
Occupancy	60,743	5,374	41,355	-	107,472
Rental and maintenance of equipment	49,025	5,447	54,472	-	108,944
Payments to United Way Worldwide	-	-	-	88,941	88,941
Printing and publications	36,781	1,337	28,756	-	66,874
Training and travel	27,235	3,026	30,262	-	60,523
Marketing	25,240	-	30,923	-	56,163
In-kind expense	25,183	2,798	27,981	-	55,962
Food and beverage	23,940	958	22,982	-	47,880
Interest expense	20,702	2,300	23,002	-	46,004
Program administration expense	35,730	-	-	-	35,730
Payments to affiliates	4,382	8,765	4,382	-	17,529
Insurance	4,692	521	5,213	-	10,426
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 CAPITAL AREA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	Allocations and Program Services	Management and General	Fundraising	Payments to United Way Worldwide	Total
Allocations to partner agencies	$ 3,382,929	-	-	-	3,382,929
Professional personnel costs	1,296,808	255,978	644,449	-	2,197,235
Professional fees and contracts	410,212	87,420	64,918	-	562,550
Employee benefits	143,471	24,701	58,231	-	226,403
Payroll taxes	107,740	19,886	53,815	-	181,441
In-kind expense	63,966	7,107	71,073	-	142,146
Rental and maintenance of equipment	50,136	5,571	55,706	-	111,413
Payments to United Way Worldwide	-	-	-	109,498	109,498
Occupancy	44,087	3,900	30,015	-	78,002
Marketing	34,005	-	41,663	-	75,668
Office expenses	30,142	3,349	33,491	-	66,982
Printing and publications	35,234	1,281	27,547	-	64,062
Food and beverage	28,345	1,134	27,211	-	56,690
Training and travel	22,878	2,542	25,420	-	50,840
Interest expense	22,572	2,508	25,080	-	50,160
Program administration expense	28,746	-	-	-	28,746
Payments to affiliates	6,646	13,290	6,646	-	26,582
Insurance	5,323	592	5,914	-	11,829
Photography and video	3,434	382	3,814	-	7,630
Bad debt recoveries	(155,517)	(17,280)	(172,796)	-	(345,593)
Other expense	14,339	874	11,556	-	26,769
Total expenses before depreciation	5,575,496	413,235	1,013,753	109,498	7,111,982
Depreciation	51,080	5,676	56,756	-	113,512
Total allocations and expenses	$ 5,626,576	418,911	1,070,509	109,498	7,225,494

See notes to financial statements.

UNITED WAY CAPITAL AREA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

		2011		2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$	993,443	$	(138,668)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation		99,102		113,512
Unrealized and realized gain on investments, net of expenses		(79,350)		(54,774)
Changes in assets and liabilities that provided (used) cash:				
Accounts and grants receivable		(97,619)		(67,441)
Pledges receivable		(682,598)		864,465
Prepaid expenses and other assets		17,730		(7,283)
Accounts payable		584,061		32,177
Accrued expenses and other current liabilities		(15,981)		5,282
Due to affiliated organizations		(49,052)		60,352
Community funds commitment		(35,619)		(399,312)
Deferred revenue		(149,590)		136,650
Designations due to others		400,234		(598,942)
Net cash provided by (used in) operating activities		984,761		(53,982)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment		(28,412)		(75,218)
Net purchases of investments		(1,271,442)		(345,744)
Net cash (used in) provided by investing activities		(1,299,854)		(420,962)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on notes payable		(72,261)		(66,774)
Proceeds from line of credit		150,000		-
Net cash provided by (used in) financing activities		77,739		(66,774)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(237,354)		(541,718)
CASH AND CASH EQUIVALENTS, beginning of year		592,660		1,134,378
CASH AND CASH EQUIVALENTS, end of year	$	355,306	$	592,660

SUPPLEMENTAL DISCLOSURES:				
Interest paid on note payable	$	44,416	$	50,160
Interest paid on line of credit	$	1,588	$	-

See notes to financial statements.

1. ORGANIZATION

The United Way Capital Area ("United Way") was organized for the following purposes:

Support benevolent, charitable, educational, character-building, and health and public welfare organizations and agencies that meet standards determined by the United Way;

Unite charitable campaigns of qualified organizations, whether local or national in scope, into one annual cooperative fundraising appeal;

Distribute the net funds obtained to qualified organizations based on the needs of this community for such organizations' services in the manner and amounts directed by the Board of Directors or as directed by the contributor;

Plan with other public and private bodies for the rational development of public and voluntary resources;

Promote volunteerism in community services; and

Enhance cooperation between the public and voluntary sectors of the delivery of efficient and effective services to meet human needs.

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 ("FASB") Accounting Standards Codification ("ASC"). 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 United Way 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 United Way 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 United Way. The earnings from permanently restricted net assets are to be used to further United Way'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 - United Way 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 Grants Receivable - Accounts receivable are recorded at the amount United Way expects to collect on outstanding balances. United Way has not set up an allowance for uncollectible receivables at June 30, 2011 and 2010, because management estimates that the receivables are collectible.

Pledges Receivable - United Way 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 generally due within one year.

Fair Value Measurements - United Way measures and discloses fair value measurements in accordance with 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. There are three general valuation techniques that may be used to measure fair value, as described below:

A) Market approach **-** Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

B) Cost approach **-** Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

C) Income approach **-** Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Within the three valuation techniques, the authoritative literature requires characterization of the inputs used to determine fair value into a three-level fair value hierarchy as follows:

Level 1 **-** These inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market United Way has the ability to access. 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 **-** These inputs relate to adjusting information from similar items that are traded in active markets or from identical or similar items in markets that are not active.

Level 3 **-** These inputs reflect United Way's own assumptions about the assumptions market participants would use in pricing the asset or liability.

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. United Way 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 - United Way 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, 2011 and 2010, $3,517,327 and $3,382,929, respectively, was allocated to partner agencies. The outstanding amounts to be paid to these partner agencies are recorded as a liability. At June 30, 2011 and 2010, the community funds commitment liability was $3,408,769 and $3,444,388, respectively.

Designations Due to Others - United Way, 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 United Way 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 Grant Revenue Recognition - Revenues from grants received from federal, state, and local governments are earned based on United Way 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 United Way 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 United Way agencies for their continuing community assistance programs.

- Education Focus Area **-** Success By 6 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.

Income Taxes - United Way 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. United Way did not incur any tax liabilities due to unrelated business income for the years ended June 30, 2011 or 2010.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year.

3. CONCENTRATIONS

Financial instruments which potentially subject United Way to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. United Way 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. United Way does not maintain collateral for its receivables and does not believe significant risk exists at June 30, 2011 and 2010.

Approximately, $3,000,000, or 20% and $2,000,000, or 14% of the June 30, 2011 and 2010 campaign revenues, respectively, 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:

	2011	2010
Cash and money market	$ 1,359,414	$ 426,040
Fixed income - domestic mutual funds	1,183,154	1,041,214
Equities - domestic mutual funds	476,717	519,528
Equities - international mutual funds	284,138	40,231
Other complementary strategies funds	196,108	171,071
Real asset and commodity funds	222,060	172,713
Total investments	$ 3,721,591	$ 2,370,797

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:

	2011	2010
Interest and dividends	$ 214,903	$ 37,952
Unrealized and realized gain on investments, net of expenses	79,350	54,774
Total investment earnings	$ 294,253	$ 92,726

5. PLEDGES RECEIVABLE

The allowance for uncollectible pledges includes $985,891 and $910,225 related to pledges receivable made to United Way at June 30, 2011 and 2010, respectively, and $852,594 and $1,359,533 related to pledges receivable designated for other organizations at June 30, 2011 and 2010, respectively. All pledges receivable at June 30, 2011 and 2010 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, 2011 and 2010 are as follows:

	2011	2010
Balance, July 1	$ 2,047,382	$ 2,911,847
New pledges	15,282,358	13,996,341
Payments on receivables	(14,490,850)	(14,339,219)
Net change in allowance and write offs	(108,910)	(521,587)
Balance, June 30	$ 2,729,980	$ 2,047,382

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2011	2010
Land	$ 126,240	$ 126,240
Buildings and improvements	2,447,493	2,442,765
Furniture and equipment	1,173,119	1,159,077
Total	3,746,852	3,728,082
Accumulated depreciation	(2,727,641)	(2,638,179)
Property and equipment, net	$ 1,019,211	$ 1,089,903

7. ENDOWMENT FUND

United Way's endowment consists solely of donor-restricted funds, which are restricted for the purpose of furthering United Way's mission. The Board of Directors of United Way 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, United Way 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 United Way 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, United Way 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.

United Way 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 of Directors, the endowment assets are invested in a manner that is intended to result in high yields while assuming a moderate level of investment risk. United Way 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 of Directors to determine amounts appropriated for expenditure.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	$ -	$ 106,953	$ 496,630	$ 603,583

Changes in endowment net assets were as follows for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 34,180	$ 496,630	$ 530,810
Interest and dividends	-	15,541	-	15,541
Unrealized and realized gain on investments	-	21,608	-	21,608
Appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	$ -	$ 71,329	$ 496,630	$ 567,959

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

	2011	2010
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	$ 496,630	$ 496,630
Temporarily restricted net assets-		
The portion of perpetual endowment funds subject to a restriction under UPMIFA-		
Without purpose restrictions	$ 106,953	$ 71,329

8. DEBT

United Way had the following note payable at June 30, 2011 and 2010:

	2011	2010
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 (2.49% and 2.65% at June 30, 2011 and 2010, respectively), secured by land, building, improvements, and furniture and equipment. Balance due September 2016.	$ 496,870	$ 569,491
Less current portion	(82,877)	(72,621)
Long-term portion	$ 413,993	$ 496,870

The bank loan has covenants requiring United Way to maintain unrestricted net assets of not less than $500,000 and provide the financial institution with financial information within a certain period after year end.

In connection with the variable rate note on the administration building, United Way entered into an interest rate swap agreement. The purpose of the swap is to fix the interest rate on the debt and to reduce the exposure to interest rate fluctuations. Management does not believe that the swap has a significant effect on the financial position, the change in net assets or cash flows of the United Way. Therefore, the fair value of the swap was not recorded.

Future maturities of the note payable at June 30, 2011 are as follows:

	Amount
2012	$ 82,877
2013	86,962
2014	94,328
2015	102,321
2016	130,382
	$ 496,870

United Way 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, 2011), and is secured by United Way's investments. The outstanding balance on this line of credit at June 30, 2011 was $150,000.

9. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2011 and 2010, temporarily restricted net assets consisted of the following:

	2011	2010
Success By Six (SB6)	$ 1,102,254	$ 28,209
Endowment earnings	106,953	71,329
Bank on Central Texas	95,753	33,213
YPQ	67,009	2,172
Young Leaders Society	27,055	25,256
Women's Giving Network	14,814	11,343
Family Financial Stability	2,944	23,202
Financial Stability	606	-
Information Services	-	10,000
SB6 - Social Emotional	-	33,716
Texas 2-1-1	-	19,200
	$ 1,417,388	$ 257,640

10. LEASES

United Way owns an office building that serves as its headquarters. United Way occupies more than 98% of the building and leases a portion of the remainder of the building to a third party under a non-cancelable lease agreement expiring on January 1, 2012. Minimum future rental revenue under this lease agreement as of June 30, 2011 is $3,000. United Way also owns a building adjacent to its headquarters which is leased to a third party under a non-cancelable lease agreement expiring on January 15, 2012. Minimum future rental revenue under this lease agreement as of June 30, 2011 is $28,000.

United Way leases office equipment under operating leases that expire at various dates through July 2013. Rent expense totaled $51,607 and $44,461 for the years ended June 30, 2011 and 2010, 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, 2011:

2012	$ 40,384
2013	22,750
Total	$ 63,134

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, 2011 and 2010:

	2011	2010
Advertising	$ 49,699	$ 97,253
Landscaping	1,980	-
Food and beverage	1,460	3,470
Donated small equipment	-	3,848
Professional services	-	37,575
Other	2,823	-
Total	$ 55,962	$ 142,146

12. ALLOCATIONS FUNDED THROUGH CONTRIBUTOR DESIGNATIONS

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

	2011	2010
Designations to partner agencies	$ 882,573	$ 823,636
Designations to other United Ways	401,606	193,680
Designations to other 501(c)(3) organizations	7,007,336	7,322,065
Total designations	$ 8,291,515	$ 8,339,381

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 $66,302 for the year ended June 30, 2011.

14. PAYMENTS TO AFFILIATES

During the years ended June 30, 2011 and 2010, United Way recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide ("UWW") of $88,941 and $109,498, respectively; dues to United Way of Texas of $15,854 and $24,807, respectively; and dues to various other affiliates of $1,675 and $1,775, respectively.

15. CAMPAIGN CONTRIBUTIONS

United Way serves as the designated fiscal agent for the Combined Federal Campaign ("CFC") and State Employee Charitable Campaign ("SECC") public sector campaigns.

As fiscal agent, United Way 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 United Way. Amounts collected for others and not yet distributed are recorded as designations due to others.

16. RETIREMENT PLAN

United Way 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, 2011 and 2010.

17. SUBSEQUENT EVENTS

United Way has evaluated subsequent events through October 3, 2011 (the date the financial statements were available to be issued).

As of October 3, 2011, United Way had drawn an additional $175,000 from the line of credit.