

**United Way
of Kern County**



United Way of Kern County, Inc.

**FINANCIAL REPORT
JUNE 30, 2011**

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Private Companies Practice Section

PATRICK W. PAGGI

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Directors
United Way of Kern County, Inc.
Bakersfield, California

We have audited the accompanying statements of financial position of **United Way of Kern County, Inc.** as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United Way of Kern County, Inc.** as of June 30, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Daniells Phillips Vaughan & Bock

Bakersfield, California
October 6, 2011

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 626,623	\$ 642,175
Unconditional promises to give (Note 2)	636,401	751,465
Other receivable	14,792	1,284
Investments (Notes 3 and 4)	623,659	553,343
Prepaid expenses	15,813	14,835
Total current assets	1,917,288	1,963,102
Property and Equipment		
Building and improvements	4,931	4,931
Equipment	183,002	147,475
	187,933	152,406
Less accumulated depreciation	143,516	133,000
	44,417	19,406
Other		
Supplies inventory	16,446	24,667
Total assets	\$ 1,978,151	\$ 2,007,175
LIABILITIES AND NET ASSETS		
Current Liabilities		
Grants payable	\$ 198,650	\$ 285,000
Designations payable	98,462	85,284
Accounts payable	4,726	9,269
Accrued expenses	48,733	40,682
Deferred revenue	256,573	280,198
Total current liabilities	607,144	700,433
Commitments (Note 5)		
Net Assets		
Unrestricted	1,371,007	1,306,742
Total liabilities and net assets	\$ 1,978,151	\$ 2,007,175

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2011 and 2010

	2011	2010
Unrestricted revenues and public support:		
Gross campaign results	\$ 1,743,573	\$ 1,996,081
(Less donor designations)	(322,926)	(276,197)
(Less provision for uncollectible)	(135,936)	(151,379)
Net campaign revenue	<u>1,284,711</u>	<u>1,568,505</u>
Grants, endowments and awards	157,108	71,336
Special events	45,227	47,477
Miscellaneous income	44,155	38,535
Realized and unrealized gain (loss) on investments (Note 3)	43,901	(6,481)
Service fees	10,679	15,962
Investment income	8,068	23,176
Loss on disposal of assets	-	(4,446)
Total unrestricted revenues and public support	<u>1,593,849</u>	<u>1,754,064</u>
Expenses:		
Program services		
Gross funds awarded / distributed	797,839	661,410
(Less donor designations)	(322,926)	(276,197)
Net funds awarded / distributed	<u>474,913</u>	<u>385,213</u>
Other program services	643,351	547,921
Total program services	<u>1,118,264</u>	<u>933,134</u>
Supporting services		
Management and general	185,566	152,496
Fundraising	225,753	180,734
Total supporting services	<u>411,319</u>	<u>333,230</u>
Total expenses	<u>1,529,583</u>	<u>1,266,364</u>
Change in net assets	64,265	487,700
Unrestricted net assets, beginning	<u>1,306,742</u>	819,042
Unrestricted net assets, ending	<u><u>\$ 1,371,007</u></u>	<u><u>\$ 1,306,742</u></u>

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2011

	Program Services		
	Allocation services	All other programs	Total
Contract personnel services	\$ 47,651	\$ 214,314	\$ 261,965
Other contract services	21,578	157,943	179,521
Equipment and building rent	12,730	37,212	49,942
Special events	-	36,027	36,027
Supplies	730	19,409	20,139
Advertising and public relations	1,800	14,169	15,969
United Way of America dues	2,948	8,617	11,565
Professional fees	2,192	6,409	8,601
Repairs and maintenance	2,138	6,250	8,388
Specific assistance to individuals	-	16,029	16,029
Telephone	965	5,790	6,755
Miscellaneous	781	3,128	3,909
Conferences, training and travel	1,170	3,860	5,030
Printing and publications	612	4,147	4,759
Transportation	515	3,405	3,920
Insurance	648	1,895	2,543
Postage and shipping	342	1,213	1,555
Dues and subscriptions	109	1,262	1,371
Bank fees	-	-	-
Subtotal	96,909	541,079	637,988
Depreciation	1,367	3,996	5,363
Total operations	98,276	545,075	643,351
Allocations/awards	797,839	-	797,839
(Less donor designations)	(322,926)	-	(322,926)
Total expenses	\$ 573,189	\$ 545,075	\$ 1,118,264

See Notes to Financial Statements.

Supporting Services

Management and general	Fundraising	Total	Total
\$ 76,133	\$ 123,712	\$ 199,845	\$ 461,810
46,476	43,424	89,900	269,421
27,419	20,564	47,983	97,925
-	-	-	36,027
1,572	7,711	9,283	29,422
3,876	2,907	6,783	22,752
6,349	4,762	11,111	22,676
4,722	3,542	8,264	16,865
4,605	3,454	8,059	16,447
-	-	-	16,029
2,078	1,558	3,636	10,391
1,388	4,565	5,953	9,862
2,519	2,048	4,567	9,597
1,317	988	2,305	7,064
691	2,119	2,810	6,730
1,396	1,047	2,443	4,986
736	969	1,705	3,260
234	175	409	1,780
1,111	-	1,111	1,111
182,622	223,545	406,167	1,044,155
2,944	2,208	5,152	10,515
185,566	225,753	411,319	1,054,670
-	-	-	797,839
-	-	-	(322,926)
\$ 185,566	\$ 225,753	\$ 411,319	\$ 1,529,583

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

	Program Services		
	Allocation services	All other programs	Total
Contract personnel services	\$ 50,508	\$ 193,809	\$ 244,317
Other contract services	27,335	117,712	145,047
Equipment and building rent	14,734	37,756	52,490
Special events	-	28,085	28,085
United Way of America dues	3,363	9,831	13,194
Professional fees	2,366	6,062	8,428
Supplies	1,070	7,659	8,729
Repairs and maintenance	2,165	5,548	7,713
Transportation	657	6,308	6,965
Advertising and public relations	741	5,094	5,835
Miscellaneous	1,095	3,722	4,817
Telephone	1,046	2,830	3,876
Conferences, training and travel	628	3,687	4,315
Insurance	808	2,069	2,877
Printing and publications	668	2,182	2,850
Dues and subscriptions	690	1,769	2,459
Postage and shipping	403	1,128	1,531
Bank fees	-	-	-
Subtotal	108,277	435,251	543,528
Depreciation	1,233	3,160	4,393
Total operations	109,510	438,411	547,921
Allocations/awards	661,410	-	661,410
(Less donor designations)	(276,197)	-	(276,197)
Total expenses	\$ 494,723	\$ 438,411	\$ 933,134

See Notes to Financial Statements.

Supporting Services

Management and general	Fundraising	Total	Total
\$ 57,542	\$ 97,959	\$ 155,501	\$ 399,818
42,710	40,439	83,149	228,196
23,022	16,576	39,598	92,088
-	-	-	28,085
7,244	5,432	12,676	25,870
3,696	2,661	6,357	14,785
1,672	4,003	5,675	14,404
3,383	2,435	5,818	13,531
968	2,322	3,290	10,255
1,159	834	1,993	7,828
1,413	1,389	2,802	7,619
1,633	1,178	2,811	6,687
981	963	1,944	6,259
1,262	908	2,170	5,047
1,045	752	1,797	4,647
1,079	777	1,856	4,315
629	719	1,348	2,879
1,131	-	1,131	1,131
150,569	179,347	329,916	873,444
1,927	1,387	3,314	7,707
152,496	180,734	333,230	881,151
-	-	-	661,410
-	-	-	(276,197)
\$ 152,496	\$ 180,734	\$ 333,230	\$ 1,266,364

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ 64,265	\$ 487,700
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,516	7,707
Net realized and unrealized (gain) loss on investments	(43,901)	6,481
Allowance for uncollectible promises to give	(69,078)	(72,602)
Loss on disposal of asset	-	4,446
Changes in assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses	(977)	2,802
Grant receivable	(2,783)	1,596
Unconditional promises to give	184,142	95,118
Supplies inventory	8,222	-
Increase (decrease) in:		
Accounts payable and accrued expenses	3,506	2,507
Deferred income	(34,351)	108,735
Allocations and designations payable	(73,172)	(406,954)
Net cash provided by operating activities	46,389	237,536
Cash Flows From Investing Activities		
Purchase of investments	(349,854)	(389,801)
Purchase of property and equipment	(35,526)	(6,931)
Proceeds from sale of investments	323,439	277,623
Net cash (used in) investing activities	(61,941)	(119,109)
Net increase (decrease) in cash and cash equivalents	(15,552)	118,427
Cash and cash equivalents:		
Beginning	642,175	523,748
Ending	\$ 626,623	\$ 642,175

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of activities: The United Way of Kern County, Inc. (The Organization) was incorporated May 6, 1949 under the laws of the State of California as a not-for-profit corporation. The Organization's mission is to mobilize donors, advocates and volunteers to improve lives in Kern County. The Organization is supported primarily through contributions from individuals and companies within Kern County.

The Organization is governed by a local Board of Directors made up of volunteer Kern County residents.

The Organization's program activities consist of the following:

- **Community Investment:** With the assistance of volunteers, the Organization conducts yearly community investment and grant-making activities focused on reinvesting donor dollars to programs addressing priority needs within Kern County. Grant-making is targeted to programs that promote school readiness; third grade reading achievement; independence for emancipating foster youth; and basic needs such as food and shelter.
- **Financial Stability Initiatives:** The Organization acts as the lead organization for collaborative initiatives focused on improving the financial stability of community residents. The Organization leads efforts to seek and administer grants and other resources on behalf of its partners. Services provided to the community include free income tax assistance through the VITA (Volunteer Income Tax Assistance) program; financial literacy training; credit counseling; incentivized savings programs; and personal asset-building.
- **Day of Caring:** This program pairs volunteers from local companies and service organizations with health and human service agencies to complete much needed projects in our community.
- **HealthyKern.Org website:** To provide Kern County residents with reliable, current information about community health and human services conditions, the Organization partnered with others to develop and launch HealthyKern.org. The website provides data comparing Kern County needs to state, regional and national conditions to help inform local decisions about services.
- **Professional Development Conference for Nonprofits:** This is a yearly conference for not-for-profit organizations targeted toward development and capacity building with the goal of helping not-for-profit organizations run effectively. Workshops provide training around such business functions as fund development, board and staff development, media relations, strategic planning, and managing risk.
- **Raising A Reader:** This program provides books to preschools and child care centers for circulation among families with a goal of promoting family reading, which helps develop early literacy skills and prepares children for kindergarten.
- **Teddy Bear Toss:** An annual event with the local hockey team focused on providing toys for children impacted by abuse, illness, etc.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

The Organization acts as a federation representing a select group of agencies that are eligible to receive monies from the Combined Federal Campaign. Their responsibilities involve distributing designated donations to those eligible agencies as indicated by federal employees.

The Organization also acts as the administrative arm for the California State Employee Charitable Campaign (CSECC) in Kern County. Responsibilities include distribution of campaign materials and communication with donors both in writing and in person. A portion of the CSECC funds are received as unrestricted gifts to the Organization. Disbursement of designated payments to eligible not-for-profit organizations is accomplished through a contract with United Way of the California Capital Region.

A summary of significant accounting policies follows:

Basis of Accounting: The financial statements of the Organization are prepared under the accrual method of accounting.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly sensitive to significant change relate to the pledge losses on unconditional promises to give. This estimate is based on historical averages. It is reasonably possible that the pledge losses related to unconditional promises to give may change materially in the near term.

Support and expenses: Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Donated Services, Goods and Facilities: A substantial number of volunteers have donated significant hours to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash at June 30, 2011 included approximately \$97,500 held by financial institutions which exceeded the insurance limit of the Federal Deposit Insurance Corporation.

Provision for Uncollectible Accounts: The provision for uncollectible accounts is computed based on a three year historical average, applied to gross campaign, including donor designations. The provision for uncollectible accounts is reviewed and approved by the organization's Finance Committee and Governing Board as part of the annual budgeting process.

Investments Valuation and Income Recognition: Financial statement presentation follows the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification Not-for-Profit Entities section which states investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. 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. See Note 4 for discussion of fair value measurements.

Property and Equipment: Property and equipment is stated at cost. Depreciation of property and equipment is computed on the straight-line method over their estimated useful lives.

Deferred Revenue: Cash received for grant projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received for specific projects and programs exceeds qualified expenditures.

Allocations Process: During the year ended June 30, 2010, the Organization's Governing Board approved a change in its funding year from a June fiscal year to the calendar year. To accommodate a phase-in of the change, the organization approved interim grants for the period July 1 – Dec. 31, 2010. Allocations for 2011 calendar year were determined in November 2010.

Cost Allocations: Indirect and payroll costs are charged to functional expenses based upon time studies. Direct costs are charged to the appropriate functional area.

Cost Deductions: The Organization conforms to the United Way of America Cost Deduction Standards. The Organization charges only actual expenses against a donor's pledge and does not deduct fundraising or processing fees from designated gifts originated by or from another United Way organization.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Income Taxes: The Organization is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Board codes. As a non-profit organization, the Organization is subject to unrelated business income tax (UBIT), if applicable. For the tax years ended June 30, 2011 and 2010, the Organization did not owe any UBIT.

The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Advertising: The Organization expenses advertising costs as they are incurred. Advertising expense totaled \$22,752 and \$7,828 for the years ended June 30, 2011 and 2010, respectively.

Subsequent Events: The Organization has evaluated subsequent events through October 6, 2011, the date on which the financial statements were available to be issued. No events were identified by management which would require disclosure in the financial statements.

Reclassifications: Certain items in the 2010 financial statements have been reclassified to conform to the 2011 presentation, with no effect on the change in net assets.

Note 2. Unconditional Promises to Give

Unconditional promises to give are as follows as of June 30, 2011 and 2010:

	2011	2010
Due in less than one year	\$ 973,845	\$ 1,157,987
Less: Allowance for uncollectible promises to give	(337,444)	(406,522)
	<u>\$ 636,401</u>	<u>\$ 751,465</u>

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments

Investments consist of the following as of June 30, 2011 and 2010:

	2011	2010
Mutual funds - equity portfolio	\$ 42,886	\$ 25,308
Exchange traded funds - index portfolio	182,941	148,855
Certificates of deposit	397,832	202,896
Government agency securities	-	176,284
	<u>\$ 623,659</u>	<u>\$ 553,343</u>

Realized and unrealized gain (loss) on investments for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Realized gain	\$ 1,511	\$ 4,400
Unrealized gain (loss)	42,390	(10,881)
	<u>\$ 43,901</u>	<u>\$ (6,481)</u>

Note 4. Fair Value Measurements

The Fair Value Measurements topic of the Financial Accounting Standards Board Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and exchange traded funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Certificates of deposit: Valued based on amortized cost or original cost plus accrued interest.

Government agency securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investments held by the Organization at June 30, 2011 and 2010 are considered to be level 1 assets.

Note 5. Commitments

The Organization leases its office under a noncancelable agreement which expires in December 2015, and requires monthly lease payments of approximately \$8,000 with annual increases.

The total minimum rental commitment as of June 30, 2011 is due in future years as follows:

Years ending June 30,	
2012	\$ 105,776
2013	109,479
2014	112,165
2015	112,968
	<u>\$ 440,388</u>

Lease expense for the years ended June 30, 2011 and 2010 was \$96,979 and \$91,174, respectively.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Major Contributors

For the year ended June 30, 2011 and 2010, the Organization received approximately 18% and 16%, respectively, of its total revenues and support from one company and its employees.

Note 7. Employee Contract Services

The Organization has outsourced all of its personnel services to a professional employer organization. Under the contract, all former employees of the Organization became employees of the outsourced company which provides personnel services for a fee and covers wages and related costs as well as employee benefits. For the years ended June 30, 2011 and 2010, all personnel services were contracted and reported in the accompanying financial statement under contract services.

Note 8. Overhead Ratio

The overhead ratio is calculated as fund-raising, management and general expenses divided by total campaign support and all other revenue sources. The ratio is calculated below using the Gross Method recommended in *Functional Expenses and Overhead Reporting Guidelines for United Ways*, United Way of America, 1998.

	2011	2010
Supporting services and general	\$ 411,319	\$ 333,230
Total support and other revenue	\$ 1,593,849	\$ 1,754,064
Add: amounts designated for specific agencies (not included in support and revenue)	322,926	276,197
Less: the portion of designations retained as fee revenue	(10,679)	(15,962)
Amounts raised and other revenue	\$ 1,906,096	\$ 2,014,299
Overhead ratio	21.58%	16.54%
Management and general	9.74%	7.57%
Fundraising	11.84%	8.97%
	21.58%	16.54%