

**Financial Statements
And Other Financial Information**

United Way of Portage County, Inc.

June 30, 2011 and 2010

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Portage County, Inc.
Ravenna, Ohio

We have audited the accompanying statements of financial position of United Way of Portage County, Inc. (a not-for-profit organization) 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 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 United Way of Portage County, Inc. as of June 30, 2011 and 2010, 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.

Schlabig + Associates, Ltd
November 9, 2011
Akron, Ohio

STATEMENTS OF FINANCIAL POSITION

UNITED WAY OF PORTAGE COUNTY, INC.

| | June 30, 2011 | | |
|--|-------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total |
| <u>ASSETS</u> | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 446,887 | \$ 20,911 | \$ 467,798 |
| Investments | 63,294 | 101,559 | 164,853 |
| Pledges receivable - less allowance for uncollectible pledges of \$95,475 | 407,316 | 0 | 407,316 |
| Accounts receivable, other | 48,854 | 0 | 48,854 |
| Prepaid expenses and other assets | 953 | 0 | 953 |
| TOTAL CURRENT ASSETS | <u>967,304</u> | <u>122,470</u> | <u>1,089,774</u> |
| PROPERTY AND EQUIPMENT | | | |
| Furniture and fixtures | 12,526 | 0 | 12,526 |
| Equipment | 63,736 | 0 | 63,736 |
| | <u>76,262</u> | <u>0</u> | <u>76,262</u> |
| Less accumulated depreciation | (74,345) | 0 | (74,345) |
| | <u>1,917</u> | <u>0</u> | <u>1,917</u> |
| BENEFICIAL INTEREST IN TRUST | 0 | 428,999 | 428,999 |
| TOTAL ASSETS | <u>\$ 969,221</u> | <u>\$ 551,469</u> | <u>\$ 1,520,690</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and other accrued liabilities | \$ 50,008 | \$ 0 | \$ 50,008 |
| Designations payable | 74,969 | 0 | 74,969 |
| Allocations payable | 539,662 | 0 | 539,662 |
| TOTAL CURRENT LIABILITIES | <u>664,639</u> | <u>0</u> | <u>664,639</u> |
| NET ASSETS | <u>304,582</u> | <u>551,469</u> | <u>856,051</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 969,221</u> | <u>\$ 551,469</u> | <u>\$ 1,520,690</u> |

| | June 30, 2010 | | |
|--|-------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total |
| <u>ASSETS</u> | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 438,708 | \$ 27,141 | \$ 465,849 |
| Investments | 50,785 | 78,416 | 129,201 |
| Pledges receivable - less allowance for uncollectible pledges of \$98,417 | 399,989 | 0 | 399,989 |
| Accounts receivable, other | 7,926 | 0 | 7,926 |
| Prepaid expenses and other assets | 953 | 0 | 953 |
| TOTAL CURRENT ASSETS | <u>898,361</u> | <u>105,557</u> | <u>1,003,918</u> |
| PROPERTY AND EQUIPMENT | | | |
| Furniture and fixtures | 12,526 | 0 | 12,526 |
| Equipment | 63,736 | 0 | 63,736 |
| | <u>76,262</u> | <u>0</u> | <u>76,262</u> |
| Less accumulated depreciation | (72,435) | 0 | (72,435) |
| | <u>3,827</u> | <u>0</u> | <u>3,827</u> |
| BENEFICIAL INTEREST IN TRUST | | | |
| | 0 | 397,122 | 397,122 |
| TOTAL ASSETS | <u>\$ 902,188</u> | <u>\$ 502,679</u> | <u>\$ 1,404,867</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and other accrued liabilities | \$ 39,139 | \$ 0 | \$ 39,139 |
| Designations payable | 73,665 | 0 | 73,665 |
| Allocations payable | 539,966 | 0 | 539,966 |
| TOTAL CURRENT LIABILITIES | <u>652,770</u> | <u>0</u> | <u>652,770</u> |
| NET ASSETS | <u>249,418</u> | <u>502,679</u> | <u>752,097</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 902,188</u> | <u>\$ 502,679</u> | <u>\$ 1,404,867</u> |

The notes to the financial statements are an integral part of these statements.

STATEMENTS OF ACTIVITIES

UNITED WAY OF PORTAGE COUNTY, INC.

| | Year ended June 30, 2011 | | |
|---|--------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total |
| PUBLIC SUPPORT | | | |
| Annual campaign | \$ 910,580 | \$ 0 | \$ 910,580 |
| Designation income | 97,696 | 0 | 97,696 |
| Designation administration fee | 14,834 | 0 | 14,834 |
| Designation expense | (97,696) | 0 | (97,696) |
| Change in value of beneficial interest in trust | 0 | 51,579 | 51,579 |
| Special events, net of direct expenses | 7,965 | 0 | 7,965 |
| Grants, gifts and foundations | 26,292 | 0 | 26,292 |
| Area Agency on Aging Grant | 7,073 | 0 | 7,073 |
| DJ&FS Social Services Grant | 188,848 | 0 | 188,848 |
| Release from Restriction | 25,937 | (25,937) | 0 |
| TOTAL PUBLIC SUPPORT | 1,181,529 | 25,642 | 1,207,171 |
| OTHER REVENUE AND (EXPENSE) | | | |
| Interest income | 1,979 | 1,061 | 3,040 |
| Loss on disposal of assets | 0 | 0 | 0 |
| Unrealized gain on investments | 12,045 | 22,087 | 34,132 |
| TOTAL OTHER REVENUE AND (EXPENSE) | 14,024 | 23,148 | 37,172 |
| TOTAL PUBLIC SUPPORT AND REVENUE | 1,195,553 | 48,790 | 1,244,343 |
| EXPENSES | | | |
| Program | 955,912 | 0 | 955,912 |
| Fundraising | 104,237 | 0 | 104,237 |
| Management and general | 80,240 | 0 | 80,240 |
| TOTAL EXPENSES | 1,140,389 | 0 | 1,140,389 |
| Change in net assets | 55,164 | 48,790 | 103,954 |
| Net assets at beginning of year | 249,418 | 502,679 | 752,097 |
| NET ASSETS AT END OF YEAR | \$ 304,582 | \$ 551,469 | \$ 856,051 |

| | Year ended June 30, 2010 | | |
|---|--------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total |
| PUBLIC SUPPORT | | | |
| Annual campaign | \$ 875,557 | \$ 0 | \$ 875,557 |
| Designation income | 93,128 | 0 | 93,128 |
| Designation administration fee | 14,147 | 0 | 14,147 |
| Designation expense | (93,128) | 0 | (93,128) |
| Change in value of beneficial interest in trust | 0 | 30,256 | 30,256 |
| Special events, net of direct expenses | 21,086 | 0 | 21,086 |
| Grants, gifts and foundations | 25,839 | 0 | 25,839 |
| Area Agency on Aging Grant | 10,205 | 0 | 10,205 |
| DJ&FS Social Services Grant | 128,909 | 0 | 128,909 |
| Release from Restriction | 27,156 | (27,156) | 0 |
| TOTAL PUBLIC SUPPORT | 1,102,899 | 3,100 | 1,105,999 |
| OTHER REVENUE AND (EXPENSE) | | | |
| Interest income | 2,051 | 770 | 2,821 |
| Loss on disposal of assets | (228) | 0 | (228) |
| Unrealized gain on investments | 3,269 | 5,124 | 8,393 |
| TOTAL OTHER REVENUE AND (EXPENSE) | 5,092 | 5,894 | 10,986 |
| TOTAL PUBLIC SUPPORT AND REVENUE | 1,107,991 | 8,994 | 1,116,985 |
| EXPENSES | | | |
| Program | 922,729 | 0 | 922,729 |
| Fundraising | 116,480 | 0 | 116,480 |
| Management and general | 85,534 | 0 | 85,534 |
| TOTAL EXPENSES | 1,124,743 | 0 | 1,124,743 |
| Change in net assets | (16,752) | 8,994 | (7,758) |
| Net assets at beginning of year | 266,170 | 493,685 | 759,855 |
| NET ASSETS AT END OF YEAR | \$ 249,418 | \$ 502,679 | \$ 752,097 |

The notes to the financial statements are an integral part of these statements.

STATEMENTS OF FUNCTIONAL EXPENSES

UNITED WAY OF PORTAGE COUNTY, INC.

| | Year ended June 30, 2011 | | | Year ended June 30, 2010 | | | | |
|--|--------------------------|-------------------|------------------|--------------------------|-------------------|-------------------|------------------|---------------------|
| | Program | Fundraising | Man. & Gen. | Total | Program | Fundraising | Man. & Gen. | Total |
| Salaries | \$ 182,398 | \$ 55,962 | \$ 44,213 | \$ 282,573 | \$ 180,815 | \$ 61,607 | \$ 42,812 | \$ 285,234 |
| Employee benefits | 48,916 | 12,109 | 11,481 | 72,506 | 38,650 | 16,146 | 12,545 | 67,341 |
| Payroll taxes | 18,386 | 5,466 | 4,142 | 27,994 | 17,788 | 5,782 | 4,006 | 27,576 |
| TOTAL SALARIES AND RELATED EXPENSES | 249,700 | 73,537 | 59,836 | 383,073 | 237,253 | 83,535 | 59,363 | 380,151 |
| Allocations to agencies | 539,662 | 0 | 0 | 539,662 | 539,966 | 0 | 0 | 539,966 |
| 2-1-1 Program | 14,282 | 0 | 0 | 14,282 | 18,863 | 0 | 0 | 18,863 |
| Professional fees | 10,614 | 5,162 | 10,475 | 26,251 | 9,638 | 5,317 | 12,220 | 27,175 |
| Office supplies and miscellaneous | 3,959 | 2,430 | 239 | 6,628 | 6,130 | 3,726 | 913 | 10,769 |
| Telephone | 4,599 | 1,230 | 914 | 6,743 | 4,588 | 1,146 | 889 | 6,623 |
| Postage | 978 | 1,219 | 369 | 2,566 | 910 | 1,000 | (43) | 1,867 |
| Occupancy costs | 24,182 | 6,830 | 4,904 | 35,916 | 23,615 | 7,453 | 5,908 | 36,976 |
| Rental and equipment maintenance | 8,698 | 6,254 | 694 | 15,646 | 6,291 | 5,586 | 2,477 | 14,354 |
| Printing and publications | 32,671 | 1,869 | 3 | 34,543 | 1,439 | 1,024 | 0 | 2,463 |
| Conferences, conventions and meetings | 1,683 | 172 | 479 | 2,334 | 1,494 | 1,015 | 634 | 3,143 |
| Awards and recognition | 95 | 59 | 5 | 159 | 207 | 114 | 78 | 399 |
| Insurance | 1,464 | 598 | 274 | 2,336 | 1,162 | 601 | 584 | 2,347 |
| Travel | 1,970 | 1,078 | 968 | 4,016 | 2,290 | 1,419 | 778 | 4,487 |
| Dues and subscriptions | 11,967 | 3,355 | 690 | 16,012 | 8,474 | 3,915 | 1,158 | 13,547 |
| Advertising | 69 | 198 | 162 | 429 | 1,560 | 91 | 75 | 1,726 |
| Provision for uncollectible pledges | 47,882 | 0 | 0 | 47,882 | 55,903 | 0 | 0 | 55,903 |
| TOTAL EXPENSES BEFORE DEPRECIATION | 704,775 | 30,454 | 20,176 | 755,405 | 682,530 | 32,407 | 25,671 | 740,608 |
| | 954,475 | 103,991 | 80,012 | 1,138,478 | 919,783 | 115,942 | 85,034 | 1,120,759 |
| Depreciation | 1,437 | 246 | 228 | 1,911 | 2,946 | 538 | 500 | 3,984 |
| TOTAL EXPENSES | \$ 955,912 | \$ 104,237 | \$ 80,240 | \$ 1,140,389 | \$ 922,729 | \$ 116,480 | \$ 85,534 | \$ 1,124,743 |

The notes to the financial statements are an integral part of these statements.

STATEMENTS OF CASH FLOWS

UNITED WAY OF PORTAGE COUNTY, INC.

| | Years ended June 30, | |
|--|----------------------|-------------------|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ 103,954 | \$ (7,758) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,911 | 3,984 |
| Unrealized gain on investments | (34,132) | (8,393) |
| Loss on disposal of assets | 0 | 228 |
| Pledges receivable, net of uncollectible pledges | (7,327) | 54,562 |
| Accounts receivable, other | (40,928) | 3,622 |
| Beneficial interest in trust | (51,579) | (30,256) |
| Accounts payable and other accrued liabilities | 10,868 | (18,312) |
| Designations payable | 1,304 | 496 |
| Allocations payable | (304) | 4,093 |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>(16,233)</u> | <u>2,266</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (1,520) | (1,315) |
| Purchases of property and equipment | 0 | (2,940) |
| Distributions received from trust | 19,702 | 22,156 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>18,182</u> | <u>17,901</u> |
| Increase in cash and cash equivalents | 1,949 | 20,167 |
| Cash and cash equivalents at beginning of year | <u>465,849</u> | <u>445,682</u> |
| Cash and cash equivalents at end of year | <u>\$ 467,798</u> | <u>\$ 465,849</u> |

The notes to the financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of United Way of Portage County, Inc. (the "Organization") is presented to assist in understanding the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America.

Nature of Activities: The Organization is a not-for-profit corporation established to raise funds to support programs of participating agencies in Portage County, Ohio. Effective July 1, 1986, Portage Information and Referral Service, Inc. was merged with United Way of Portage County, transferring all assets and liabilities to United Way. The name of the Service changed to Community Services. Community Services is shown in the other financial information as a separate division. The Organization's purpose is:

- To help people who really need help.
- To identify needs in the community and to target various funding methods to help meet those needs.
- To unite leaders and volunteers from all walks of life in order to more effectively lead the fight for positive change in Portage County.
- To increase effective use of contributed dollars through a cost-efficient annual United Way campaign.
- To provide free-of-charge information and referral services to all Portage County residents. United Way's 211 Portage information and referral service, connects families and individuals in Portage County with community resources and volunteer opportunities.

Revenues are generated from campaigns, grants, and special events. Campaigns consist of donations pledged from March through August of 2010 and 2011 by companies and their employees for collection in 2010 and 2011 and distribution in 2011 and 2012.

Financial Statement Presentation: United Way of Portage County, Inc. adopted authoritative guidance issued by the Financial Accounting Standards Board (FASB) which establishes the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America. United Way of Portage County, Inc. has modified its disclosures in this report to comply with the requirements. Accordingly, references to authoritative accounting principles after the effective date will reference the codification and not the previous accounting guidance. The adoption of the guidance did not have a material effect on the Organization's financial position, changes in net assets, or cash flows.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Organization prepares its financial statements in accordance with requirements of the Presentation of Financial Statements for Not-for-Profit entities topic of the FASB Accounting Standards Codification. Under this topic, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed restrictions are considered unrestricted.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time are considered temporarily restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization, are considered permanently restricted. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Method of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States of America generally accepted accounting principles.

Allocation of Expenses: The expenses of the Organization have been reported on a functional basis, thus requiring the allocation of certain costs among the various programs and supporting services based on estimates made by management.

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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Concentration of Credit Risk: The Organization maintains its cash accounts in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of June 30, 2011 and 2010. Effective December 31, 2010, non-interest bearing accounts have unlimited FDIC coverage. The Organization occasionally will have balances in excess of the insured amount. The Organization had uninsured cash deposits of \$86,381 and \$176,186 at June 30, 2011 and 2010, respectively.

Investments: The Organization records its investments in accordance with the requirements of the Investments in Debt and Equity Securities for Not-for-Profit entities topic of the FASB Accounting Standards Codification. This topic requires that investments be reported in the statement of financial position at fair value with any realized or unrealized gains and losses reported in the statement of activities. Fair values are based upon quoted prices in active markets for identical assets/liabilities (Level 1). Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Pledges Receivable: The amount in pledges receivable consists of the balance due for the respective Campaign (See Note C). Pledges receivable are stated at the amount of unpaid principal. An allowance for uncollectible pledges is maintained at an amount that represents management's estimate of potential uncollectible pledges. Amounts are charged against the allowance for uncollectible pledges when management believes that collectibility of principal is unlikely. Recoveries on pledges previously charged off are credited to the allowance for uncollectible pledges. All pledges receivable are due in less than one year.

Accounts Receivable, Other: The community services division of the organization receives funding from reimbursement grants which are billed to the grantors on a periodic basis. The account receivable, other includes funds owed by these grants in the amount of \$48,854 and \$7,926 as of June 30, 2011 and 2010, respectively. The division also is owed allocations from the United Way division, which are eliminated on the Statements of Financial Position for reporting purposes.

Property and Equipment: Expenditures for property and equipment and for renewals and betterments, which extend the original estimated economic life of assets, are capitalized at cost or approximated fair market value. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Depreciation expense for the years ended June 30, 2011 and 2010 was \$1,911 and \$3,984, respectively.

| | <u>Estimated Useful Lives in Years</u> |
|------------------------|--|
| Equipment | 3-5 |
| Furniture and fixtures | 5-10 |

NOTES TO FINANCIAL STATEMENTS – CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Designations Payable: The amount in designations payable is an estimate based on the total designated pledge income for campaign years 2010 and 2009. Donors have the ability to designate their pledge to a specific organization and therefore the Organization is required to remit the amount of the pledges collected less a 15% administration fee to the designated agency. The designations payable is further reduced by a 5% allowance for potentially uncollectible designated pledges based on management's estimates.

Contributions: The Organization records contribution activity in accordance with requirements of the Revenue Recognition topic of the FASB Accounting Standards Codification. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization adopted standards in accordance with the Revenue Recognition topic regarding Transfers of Assets to a Not-for-Profit Entity and relevant sub-topics. The Organization allows a donor to designate their donation to a specific agency. If the donor does not grant variance power, the Organization retains approximately 15% for administrative fees.

Allocations to Agencies: Annual campaigns are conducted each fall to raise support for allocations to participating agencies in the subsequent fiscal year. The allocation period for the participating agencies is on a fiscal period ending June 30.

Advertising Costs: Advertising costs are expensed as incurred. The Organization incurred advertising costs amounting to \$429 and \$1,726 in 2011 and 2010, respectively.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provisions for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for years ended June 30, 2011 and 2010. The Organization believes that it has appropriate support for the tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Return of Organization Exempt From Income Tax (Form 990) for 2007, 2008, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributed Services: The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a number of volunteers who give significant amounts of their time to the Organization’s programs and fund raising campaigns but which do not meet the criteria for financial statement recognition.

NOTE B – INVESTMENTS

The cost and quoted market value of investments consist of the following:

| | June 30, 2011 | | |
|----------------------------------|---------------|------------|---------------------------------|
| | Cost | Fair Value | Total Unrealized (Loss) Gain |
| Unrestricted net assets: | | | |
| Certificate of deposit | \$ 8,000 | \$ 8,000 | \$ 0 |
| Equities | 15,033 | 9,993 | (5,040) |
| Mutual funds | 55,130 | 45,301 | (9,829) |
| Total investments - unrestricted | 78,163 | 63,294 | (14,869) |
| Restricted net assets: | | | |
| Mutual funds | 105,564 | 101,559 | (4,005) |
| Total investments | \$ 183,727 | \$ 164,853 | \$ (18,874) |
| | | | |
| | June 30, 2010 | | |
| | Cost | Fair Value | Total Unrealized (Loss) Gain |
| Unrestricted net assets: | | | |
| Certificate of deposit | \$ 8,000 | \$ 8,000 | \$ 0 |
| Equities | 15,033 | 7,741 | (7,292) |
| Mutual funds | 54,665 | 35,044 | (19,621) |
| Total investments - unrestricted | 77,698 | 50,785 | (26,913) |
| Restricted net assets: | | | |
| Mutual funds | 104,508 | 78,416 | (26,092) |
| Total investments | \$ 182,206 | \$ 129,201 | \$ (53,005) |

The following schedule summarizes the investment return, including interest income generated from cash and cash equivalents for the years ended June 30:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE B – INVESTMENTS - CONTINUED

| | <u>2011</u> | <u>2010</u> |
|--------------------------------|------------------|------------------|
| Unrestricted net assets: | | |
| Interest and dividends | \$ 1,979 | \$ 2,051 |
| Unrealized gain on investments | 12,045 | 3,269 |
| | <u>14,024</u> | <u>5,320</u> |
| Restricted net assets: | | |
| Interest and dividends | 1,061 | 770 |
| Unrealized gain on investments | 22,087 | 5,124 |
| | <u>23,148</u> | <u>5,894</u> |
| | <u>\$ 37,172</u> | <u>\$ 11,214</u> |

NOTE C – PLEDGES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

The composition of pledges receivable that are due in less than one year and allowance for uncollectible pledges is as follows:

| | <u>June 30, 2011</u> | | |
|---------------|----------------------|----------------------|--------------------|
| | <u>Pledges</u> | <u>Allowance for</u> | |
| | <u>Outstanding</u> | <u>Uncollectible</u> | <u>Net Balance</u> |
| | | <u>Pledges</u> | |
| 2010 Campaign | \$ 463,951 | \$ (56,635) | \$ 407,316 |
| 2009 Campaign | 38,840 | (38,840) | 0 |
| | <u>\$ 502,791</u> | <u>\$ (95,475)</u> | <u>\$ 407,316</u> |
| | | | |
| | <u>June 30, 2010</u> | | |
| | <u>Pledges</u> | <u>Allowance for</u> | |
| | <u>Outstanding</u> | <u>Uncollectible</u> | <u>Net Balance</u> |
| | | <u>Pledges</u> | |
| 2009 Campaign | \$ 458,221 | \$ (58,232) | \$ 399,989 |
| 2008 Campaign | 40,185 | (40,185) | 0 |
| | <u>\$ 498,406</u> | <u>\$ (98,417)</u> | <u>\$ 399,989</u> |

NOTES TO FINANCIAL STATEMENTS—CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE D—BENEFICIAL INTEREST IN TRUST

The Organization is named as an income and remainder beneficiary of a split interest agreement, which was created in 1971 upon the death of the trust settler. The Organization through a court settlement is to receive 25% of the annual income from the trust and 25% of the principal upon termination of the trust in 2021.

NOTE E—LEASE OBLIGATIONS

Operating Leases: On August 11, 2006, the Organization entered into a nine-year operating lease agreement for a new facility located at 218 West Main Street, Ravenna, Ohio. Through December 31, 2007, rent for this facility was \$2,575 per month. Beginning January 1, 2008, rent was adjusted in accordance with the inflation Consumer Price Index to \$2,614 per month and subsequent annual rent adjustments of not more than 3% in any one year may commence on January 1. The Organization is responsible for maintaining general liability insurance as well as content, fire, and extended coverage insurance. Rent expense was \$32,191 and \$32,193 for the years ended June 30, 2011 and 2010, respectively.

The Organization also has operating leases for copiers and a postage machine. Total expense for these leases was \$16,958 and \$14,730 for the years ended June 30, 2011 and 2010, respectively.

Future minimum lease payments, by year and in aggregate at June 30, 2011, are as follows:

| | |
|------|-------------------|
| 2012 | \$ 42,326 |
| 2013 | 42,513 |
| 2014 | 43,588 |
| 2015 | 18,725 |
| | <u>\$ 147,152</u> |

NOTE F—TEMPORARILY RESTRICTED NET ASSETS

A portion of temporarily restricted net assets consists of the GAR Endowment Fund, which stipulates that the Organization may spend annually up to 5% of the fund's three-year average value at the Organization's year end. The Organization spent \$6,234 and \$0 of the GAR Endowment Fund assets during the years ended June 30, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS—CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE F—TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

The Organization has a beneficiary interest in a split interest trust agreement that terminates in 2021. The Organization records the interest at fair value and distributions from the trust are recorded as releases from restriction. The Organization received \$19,702 and \$22,156 in distributions from the trust during the years ended June 30, 2011 and 2010, respectively.

In June 2009, the Organization received a \$5,000 contribution to be used to purchase computer equipment in FY 2010. This was expended in its entirety during FY 2010.

Temporarily restricted net assets consisted of the following:

| | June 30 | |
|-------------------------------|-------------------|-------------------|
| | 2011 | 2010 |
| GAR Endowment Fund | \$ 122,470 | \$ 105,557 |
| Beneficiary interest in trust | 428,999 | 397,122 |
| | <u>\$ 551,469</u> | <u>\$ 502,679</u> |

NOTE G—COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacations depending on length of service and other factors. Amounts earned but not used totaled \$21,024 and \$19,596 as of June 30, 2011 and 2010, respectively.

NOTE H—PENSION PLAN

The Organization has a defined contribution pension plan covering all eligible employees with over one year of service. The total contribution by the Organization is 6% of wages. Total pension expense for the years ended June 30, 2011 and 2010 was \$15,885 and \$16,423, respectively.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE I – FAIR VALUE MEASUREMENTS

| <u>Fair Value Measurements at Reporting Date Using</u> | | | | |
|--|-------------------|---|---|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>June 30, 2011</u> | <u>Fair Value</u> | | | |
| Certificate of deposit | \$ 8,000 | \$ 8,000 | \$ 0 | \$ 0 |
| Equities | 9,993 | 9,993 | 0 | 0 |
| Mutual funds | 146,860 | 146,860 | 0 | 0 |
| Beneficial interest in trust | 428,999 | 428,999 | 0 | 0 |
| Total | \$ 593,852 | \$ 593,852 | \$ 0 | \$ 0 |
| | | | | |
| <u>June 30, 2010</u> | | | | |
| Certificate of deposit | \$ 8,000 | \$ 8,000 | \$ 0 | \$ 0 |
| Equities | 7,741 | 7,741 | 0 | 0 |
| Mutual funds | 113,460 | 113,460 | 0 | 0 |
| Beneficial interest in trust | 397,122 | 397,122 | 0 | 0 |
| Total | \$ 526,323 | \$ 526,323 | \$ 0 | \$ 0 |

The Fair Value Measurements and Disclosures topic of FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or 2 inputs are not available.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

UNITED WAY OF PORTAGE COUNTY, INC.

June 30, 2011 and 2010

NOTE I – FAIR VALUE MEASUREMENTS - CONTINUED

Level 1 Fair Value Measurements

The fair values of common stock, preferred stock, corporate bonds and debentures, and U.S. government securities are based on quoted market prices.

Certificates of deposit: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of the instruments.

Investments: 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 based upon closing price on the active market on which the individual securities are traded. Mutual funds are valued at the net asset value of shares held at the end of the year.

Beneficial interest in trust: The contribution receivable from a beneficial interest in trust was valued based upon level one inputs using the same methodology as investments.

Level 2 Fair Value Measurements

Valuations based on quoted prices for similar assets and liabilities traded in the active markets; quoted prices for identical or similar instruments in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 Fair Value Measurements

Valuations based on unobservable inputs which are significant to the fair value measurement.

There have not been any changes in the methodologies used as of June 30, 2011 and 2010.

NOTE J – RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2010 financial statements to conform to the June 30, 2011 financial statement presentation. These reclassifications had no effect on the total change in net assets.

NOTE K – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 9, 2011, which is the date of the financial statements were available to be issued.