

UNITED WAY OF NORTHERN ARIZONA, INC.

**Financial Statements
and
Supplementary Information
June 30, 2011
(with comparative totals for 2010)**

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Independent Auditors' Report

To the Board of Directors of
United Way of Northern Arizona, Inc.
Flagstaff, Arizona

We have audited the accompanying statements of financial position of United Way of Northern Arizona, Inc. (the Organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated October 11, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 of Northern Arizona, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Fester & Chapman P.C.

October 11, 2011

UNITED WAY OF NORTHERN ARIZONA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue				
Total campaign results		\$ 1,974,964	\$ 1,974,964	\$ 1,957,248
Less: amounts designated by donors		(564,455)	(564,455)	(516,112)
Net contributions		1,410,509	1,410,509	1,441,136
Uncollectible pledges		(169,638)	(169,638)	(145,258)
Local government funds		346,500	346,500	383,385
In-kind donations	\$ 31,463		31,463	48,468
Grant revenues	262,590		262,590	247,264
Administrative fees - designated by donors	46,776		46,776	30,595
Administrative fees - local funds	54,000		54,000	45,155
Activities and events	39,810		39,810	46,858
Total revenue	434,639	1,587,371	2,022,010	2,097,603
Net assets released from restrictions:				
Satisfaction of restrictions - building fund	14,375	(14,375)		
Satisfaction of pledge restrictions	1,518,208	(1,518,208)		
Total revenues and net assets released	1,967,222	54,788	2,022,010	2,097,603
Expenses:				
Program services	1,579,409		1,579,409	1,668,310
Management and general	207,594		207,594	175,368
Fundraising	242,776		242,776	240,704
Total expense	2,029,779		2,029,779	2,084,382
Other income and expenses:				
Rental revenue	4,800		4,800	4,800
Other expenses				(523)
Net investment income	34,052		34,052	21,701
Net other income and expenses	38,852		38,852	25,978
Change in net assets	(23,705)	54,788	31,083	39,199
Net assets, beginning of year	959,693	814,495	1,774,188	1,734,989
Net assets, end of year	\$ 935,988	\$ 869,283	\$ 1,805,271	\$ 1,774,188

UNITED WAY OF NORTHERN ARIZONA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011
(with comparative financial information for the year June 30, 2010)

	2011			Total	2010
	Program Services	Management and General	Fundraising		
Allocation to agencies	\$1,295,883			\$1,295,883	\$1,511,306
Less: Allocations funded by donor designations	(418,586)			(418,586)	(636,983)
Net allocations	877,297			877,297	874,323
Salaries	254,293	\$ 125,788	\$ 110,984	491,065	537,826
Consulting fees	22,139		5,230	27,369	40,621
Special projects	220,397			220,397	181,794
Employee benefits	36,789	15,265	10,957	63,011	68,752
Payroll taxes	19,756	8,468	10,172	38,396	41,492
Printing, publishing and postage	3,508	621	8,154	12,283	13,469
Professional fees	16,062	14,678	6,321	37,061	30,043
Campaign supplies		297	23,064	23,361	13,254
Travel	12,667	4,027	6,838	23,532	26,845
Advertising and promotion			4,272	4,272	26,502
Rent expense	29,400			29,400	23,100
United Way Worldwide fee	4,516	2,835	1,931	9,282	17,240
Information technology	10,227	5,704	4,152	20,083	26,028
Repair and maintenance	11,903	2,406	4,857	19,166	16,378
Awards and luncheons			22,766	22,766	27,401
Telephone	5,568	2,528	1,817	9,913	10,665
Conferences, committees, and community education	7,468	3,243	2,118	12,829	8,995
Utilities	5,713	2,339	2,341	10,393	10,187
Office expenses	12,228	3,734	5,622	21,583	17,419
Insurance	3,376	1,387	1,385	6,148	6,062
Equipment rental and maintenance	833	3,470	906	5,209	5,848
Dues and subscriptions	2,752	713	1,104	4,569	5,993
Interest expense	266	9	103	378	2,266
Training	3,010	3,668	1,268	7,946	8,361
Total expenses before depreciation	1,560,168	201,180	236,362	1,997,709	2,040,864
Depreciation	19,241	6,414	6,414	32,069	43,518
Total expenses, year ended June 2011	<u>\$1,579,409</u>	<u>\$ 207,594</u>	<u>\$ 242,776</u>	<u>\$2,029,778</u>	<u>\$2,084,382</u>
Total expenses, year ended June 2010	<u>\$1,668,310</u>	<u>\$ 175,368</u>	<u>\$ 240,704</u>	<u>\$2,084,382</u>	

UNITED WAY OF NORTHERN ARIZONA, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 31,083	\$ 39,199
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	32,069	43,518
Loss on disposal of furniture and equipment		523
Gain on investments	(17,221)	(4,634)
Change in:		
Grant receivable	19,705	(39,198)
Pledges receivable	(137,880)	142,407
Building fund pledges receivable	14,375	14,158
Accounts payable	(46,821)	(3,269)
Payroll and related liabilities	5,325	(13,564)
Accrued expenses	(9,095)	2,097
Refundable advances	111,437	6,503
Amounts designated for specific organizations	<u>99,094</u>	<u>(151,466)</u>
Net cash flows from operating activities	102,071	36,274
Cash flows from investing activities:		
Purchases of furniture and equipment	(2,450)	(5,087)
Net proceeds (purchases) of investments	<u>222,293</u>	<u>(33,423)</u>
Net cash flows from investment activities	219,843	(38,510)
Cash flows from financing activities:		
Payments on mortgage payable	<u>(21,738)</u>	<u>(34,926)</u>
Net cash flows from financing activities	<u>(21,738)</u>	<u>(34,926)</u>
Net change in cash and cash equivalents	300,176	(37,162)
Cash and cash equivalents, beginning of year	<u>383,991</u>	<u>421,153</u>
Cash and cash equivalents, end of year	<u>\$ 684,167</u>	<u>\$ 383,991</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest expense	<u>\$ 378</u>	<u>\$ 2,171</u>

UNITED WAY OF NORTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

United Way of Northern Arizona, Inc. (the Organization) is a non-profit fundraising organization formed in 1967 in Arizona under Section 501(c)(3) of the Internal Revenue Code. The Organization's purpose is to raise and distribute funds for human care services in Northern Arizona.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of Not-for-Profit Entities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See note 12 for details regarding restrictions on net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair market value. Unrealized gains and losses are accounted for as investment income.

Revenue Recognition

The annual campaign is conducted in the fall of each year to obtain funds for member agencies and operating expenses for the coming year. Campaign pledges are recognized in the accompanying statement of financial position at the time of the pledge as temporarily restricted revenue. As pledges are collected and expended for operations and allocations, in accordance with donor stipulations, the restrictions on net assets are released.

Campaign Receivables

Campaign receivables consist of amounts due from companies and individuals for charitable giving campaigns. The allowance for doubtful accounts is estimated based upon collection rates in previous years and current circumstances. Once a campaign has been completed, remaining balances in campaign receivables and donor designated payables, net of allowances for doubtful accounts and estimated future collections or distributions, are written off through campaign results revenue.

UNITED WAY OF NORTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Grants and Contracts Receivable

Grants and contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts, as necessary. The Organization provides for losses on grants and contracts receivable using the allowance method. The allowance is based on experience, third-party contracts, knowledge of the grantors and the industry and other circumstances, which may affect the ability of the grantors to meet their obligations. It is the Organization's policy to charge off grants and contracts receivable against the allowance when management determines the receivable will not be collected. Management considers the grants and contracts receivable at June 30, 2011 and 2010 to be fully collectible and, accordingly, no allowance for doubtful accounts is provided.

Net Assets

Unrestricted net assets – unrestricted net assets are available for use in general operations. Board designated net assets is a component of unrestricted net assets, and is a quasi-endowment, set up by the Board of Directors for the purpose of securing the Organization's long-term financial viability.

Temporarily restricted net assets – temporarily restricted net assets consist of amounts that are subject to donor or time restrictions. The Organization is permitted to use or expend the donated assets in accordance with donor or time restrictions. 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. 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 activities as net assets released from restriction.

Functional Expenses

The costs of providing various program and supporting activities have been presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of employee hours and other factors devoted to each activity.

Fair Value of Financial Instruments

Financial instruments include cash, investments, receivables, and note payable. The Company believes the carrying value of the financial instruments approximate their fair values.

UNITED WAY OF NORTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Land, Building and Equipment

Land, building and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets, which range from 5 to 10 years for furniture and equipment, and 40 years for the building. Expenditures for maintenance and repair are charged against operations. Capital additions with an original cost of \$500 or less are expensed as incurred. Renewals and betterments that materially extend the life of the assets are capitalized.

Refundable Advances

The Organization records funds received from grant awards classified as exchange transactions as refundable advances until the related funds are expended and/or the services related to the awards are performed, at which time funds are recognized as revenue.

In-kind Contributions/Expenses

Donated goods and services are recorded at fair value at the date of contribution, and shown as revenues and expenses in the financial statements. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

- i) The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
- ii) The services enhance or create an asset.

Advertising

Advertising costs are expensed in the period incurred. Advertising and promotion expenses for the years ended June 30, 2011 and 2010 were \$4,272 and \$26,502, respectively.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNITED WAY OF NORTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

NOTE 2 - INVESTMENTS

At June 30, 2011 and 2010, investments consisted of mutual funds, which are carried at fair value.

Components of net investment income for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Interest and dividend income	\$ 8,624	\$ 17,602
Unrealized gain on investments	<u>25,428</u>	<u>4,099</u>
Net investment income	<u>\$ 34,052</u>	<u>\$ 21,701</u>

NOTE 3 - INVESTMENTS WITH THE ARIZONA COMMUNITY FOUNDATION

The Board of Directors has designated assets, which are invested in a fund managed by the Arizona Community Foundation, for the purpose of securing the Organization's long-term financial viability. The Arizona Community Foundation invests funds on behalf of the Organization, in return for which the Organization pays a management fee. The fair value of \$90,505 and \$68,717 is included in the investments balance on the statement of financial position as of June 30, 2011 and 2010, respectively.

Components of income from the Arizona Community Foundation investment for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Interest and dividend income	\$ 7,272	\$ 8,799
Unrealized gain on investments	8,618	
Less management fees	<u>(411)</u>	<u>(535)</u>
Net investment income	<u>\$ 15,479</u>	<u>\$ 8,264</u>

NOTE 4 - PLEDGES RECEIVABLE

Pledges made during the 2010-2011 campaign were \$1,974,964, of which \$1,016,372 had been received as of June 30, 2011. The balance is reflected as pledges receivable of \$862,733, net of an allowance for uncollectible pledges of \$95,859. These funds were reserved for 2011-2012 operations and allocations, and are reflected as temporarily restricted net assets until the pledges are received.

Pledges made during the 2009-2010 campaign were \$1,957,248, of which \$1,075,504 had been received as of June 30, 2010. The balance is reflected as pledges receivable of \$793,570, net of an allowance for uncollectible pledges of \$88,174. These funds were reserved for 2010-2011 operations and allocations, and are reflected as temporarily restricted net assets until the pledges are received.

UNITED WAY OF NORTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

NOTE 5 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment at June 30, 2011 and 2010 is as follows:

	2011	2010
Land	\$ 55,090	\$ 55,090
Building	445,724	445,724
Building improvements	163,191	163,191
Office equipment	114,664	112,214
Furniture	163,191	163,191
Less: accumulated depreciation	<u>(284,881)</u>	<u>(252,812)</u>
Net land, building and equipment	<u>\$ 493,788</u>	<u>\$ 523,407</u>

NOTE 6 - BUILDING FUND

The Organization undertook a building fundraising campaign during the year ended June 30, 2004. Pledges and donations to the building fund are temporarily restricted for purposes of the building acquisition. As of June 30, 2011 and 2010, building fund donations receivable were \$6,550 and \$20,925, respectively. Purpose restrictions of these funds have been accomplished, however the balance outstanding is temporarily restricted until collected.

NOTE 7 - AMOUNTS DESIGNATED BY DONORS FOR SPECIFIC ORGANIZATIONS

Donor specified pledges are recorded as a receivable and as a liability to the designated beneficiary until paid. Donor designated pledge revenue was \$564,455 and \$516,112, for the year ended June 30, 2011 and 2010, respectively. Administrative fees retained on donor designated pledges are recognized as revenue and a contra-liability. Administrative fees retained for the years ended June 30, 2011 and 2010 were \$46,776 and \$30,595, respectively.

NOTE 8 - MORTGAGE PAYABLE

	2011	2010
Mortgage payable in 83 monthly installments of \$1,695.38, including principal and interest at 5.25% per annum, final balloon payment due February 1, 2011, collateralized by land and building.	\$	\$ 21,738
Current portion		<u>(21,738)</u>
	<u>\$</u>	<u>\$</u>

Interest expense for the years ended June 30, 2011 and 2010 was \$378 and \$2,266, respectively.

UNITED WAY OF NORTHERN ARIZONA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(with comparative financial information for the year ended June 30, 2010)

NOTE 9 - IN-KIND DONATIONS

The Organization received in-kind donations in the form of professional services and facilities. Details of in-kind donations for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Contributed services	\$ 2,063	\$ 25,368
Facilities	<u>29,400</u>	<u>23,100</u>
Total donations in-kind	<u>\$ 31,463</u>	<u>\$ 48,468</u>

NOTE 10 - PENSION PLAN

The Organization sponsors a tax-sheltered annuity salary deferral plan for its employees. As of the July 1, 2010, the Organization changed its plan from a 403(b) plan to a 401(k) plan. The Organization's obligations for contributions did not change. Under the plan agreement, the Organization matches employee contributions up to 4% of their salaries. Matching expense for the years ended June 30, 2011 and 2010 was \$11,655 and \$15,338, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010 were restricted for the following purposes:

	2011	2010
Campaign pledges	\$ 862,733	\$ 793,570
Building fund pledges	<u>6,550</u>	<u>20,925</u>
Temporarily restricted net assets	<u>\$ 869,283</u>	<u>\$ 814,495</u>

NOTE 12 - SUBSEQUENT EVENTS

The Organization evaluated all events or transactions that occurred after June 30, 2011 through October 11, 2011, the date the Organization issued these financial statements.

Independent Auditors' Report
On Supplementary Information

To the Board of Directors of
United Way of Northern Arizona, Inc.
Flagstaff, Arizona

We have audited the financial statements of United Way of Northern Arizona, Inc. as of and for the years ended June 30, 2011 and 2010, and issued unqualified opinions on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules, overhead ratio and agency allocations, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fester & Chapman P.C.

October 11, 2011

UNITED WAY OF NORTHERN ARIZONA, INC.
OVERHEAD RATIO
For the Year Ended June 30, 2011

		<u>2011</u>
Numerator:	Management and general	\$ 207,594
	Fundraising	<u>242,776</u>
	Total overhead	450,370
Denominator:	Public support and revenue	2,022,010
	Add amounts designated by donors	564,455
	Less designated for specific organizations	<u>(46,776)</u>
	Amounts raised and other revenue	\$ 2,539,689
	Overhead ratio expressed as a percentage	17.73%

UNITED WAY OF NORTHERN ARIZONA, INC.
 AGENCY ALLOCATIONS
 Years Ended June 30, 2011 and 2010

	2011	2010
American Red Cross	\$ 21,731	\$ 29,195
Arizona Girl Scouts	21,180	22,365
Association for Supporting Child Care	10,096	6,500
Big Brothers/Big Sisters of Flagstaff	68,498	71,218
Big Brothers/Big Sisters of Northeastern Arizona	10,355	10,724
BOTHANDS, Inc.	26,167	26,500
St. Mary's Food Bank Alliance	61,953	58,949
Catholic Charities	82,809	83,767
Citizens Against Substance Abuse	15,276	19,655
Community Behavioral Health Community Counseling	14,093	18,342
Community Counseling Centers	8,939	11,171
CUDDLE Outreach Ministry	2,620	3,128
DNA People's Legal Services	11,797	14,567
Flagstaff Family Food Center	62,633	58,382
Guidance Center	17,761	20,054
Habitat for Humanity of Flagstaff	5,257	4,518
Holbrook Emergency Food	616	6,032
Holbrook Senior Center	8,154	16,969
Lake Powell Senior Association	3,000	
The Literacy Center	17,142	19,992
Little Colorado Behavioral Health Centers	204	614
Meals on Wheels	12,926	14,977
Native Americans for Community Action	17,140	22,450
NAU Gerontology	5,232	5,662
NEA American Red Cross	4,018	6,641
New Hope Ranch	16,035	16,256
North Country Healthcare, Inc.	32,172	40,572
Northern Arizona Senior Corps Gerontology	21,639	26,833
Northland Cares	210	764
Northland Family Help Center	102,298	93,163
Northland Hospice	36,332	50,164
Old Concho Community Assistance	3,715	4,663
Open Inn: Alternatives Center	16	20,136
Page Regional Domestic Violence Services	18,520	20,931
Parenting Arizona	26,707	28,573
Plaza Vieja Neighborhood Association	6,729	5,211
Round Valley Seniors	29,593	34,160
Salvation Army	39,578	48,683
Silver Creek Senior Citizens	8,430	10,846
Sunnyside Neighborhood Association	43,752	44,037
Teen Wellness Clinics	9,107	10,121
Victim/Witness Services for Coconino County	21,757	22,124
White Mountain S.A.F.E. House	26,543	32,221

UNITED WAY OF NORTHERN ARIZONA, INC.
AGENCY ALLOCATIONS
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Winslow Council on Aging	5,545	7,609
Winslow Guidance Association	328	590
Yellow Jacket Youth Center	5,400	7,815
YMCA	18,034	17,170
Non-member allocations	<u>313,846</u>	<u>416,292</u>
Total allocations	<u>\$ 1,295,883</u>	<u>\$ 1,511,306</u>