

**United Way
of Kern County**



United Way of Kern County, Inc.

**FINANCIAL REPORT
JUNE 30, 2009**

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
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FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4 - 5
Statements of cash flows	6
Notes to financial statements	7 - 12



Certified Public Accountants
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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, 2009 and 2008, 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, 2009 and 2008, 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 13, 2009

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 523,748	\$ 153,894
Unconditional promises to give (Note 2)	773,980	927,290
Grant receivable	2,880	4,696
Investments (Notes 3 and 4)	447,645	702,135
Prepaid expenses	17,638	19,248
Deposits	-	8,500
Total current assets	<u>1,765,891</u>	<u>1,815,763</u>
Property and Equipment		
Building and improvements	5,255	5,255
Equipment	150,901	148,833
	<u>156,156</u>	<u>154,088</u>
Less accumulated depreciation	131,527	122,907
	<u>24,629</u>	<u>31,181</u>
Other Assets		
Supplies inventory	24,667	24,667
Total assets	<u>\$ 1,815,187</u>	<u>\$ 1,871,611</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Allocations payable	\$ 599,654	\$ 865,100
Designations payable	177,584	171,797
Accounts payable	2,599	14,214
Accrued expenses	44,845	26,567
Deferred income	171,463	39,296
Total current liabilities	<u>996,145</u>	<u>1,116,974</u>
Commitments (Note 5)		
Net Assets		
Unrestricted	819,042	754,637
Total liabilities and net assets	<u>\$ 1,815,187</u>	<u>\$ 1,871,611</u>

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2009 and 2008

	2009	2008
Unrestricted revenues and public support:		
Gross campaign results	\$ 2,116,152	\$ 2,174,537
(Less donor designations)	(391,798)	(413,469)
(Less provision for uncollectible)	(231,300)	(169,783)
Net campaign revenue	<u>1,493,054</u>	<u>1,591,285</u>
Grants, endowments and awards	104,007	55,446
Special events	57,272	48,769
Miscellaneous income	33,556	23,579
Service fees	22,391	21,508
Investment income	23,368	33,216
Realized and unrealized loss on investments (Note 3)	(100,794)	(15,775)
Total unrestricted revenues and public support	<u><u>1,632,854</u></u>	<u><u>1,758,028</u></u>
Expenses:		
Program services		
Gross funds awarded / distributed	1,070,575	1,381,675
(Less donor designations)	(391,798)	(413,469)
Net funds awarded / distributed	<u>678,777</u>	<u>968,206</u>
Other program services	536,364	458,284
Total program services	<u><u>1,215,141</u></u>	<u><u>1,426,490</u></u>
Supporting services		
Management and general	165,244	190,873
Fundraising	166,964	237,417
United Way of America dues	21,100	19,846
Total supporting services	<u>353,308</u>	<u>448,136</u>
Total expenses	<u><u>1,568,449</u></u>	<u><u>1,874,626</u></u>
Change in net assets	64,405	(116,598)
Unrestricted net assets, beginning	754,637	871,235
Unrestricted net assets, ending	<u><u>\$ 819,042</u></u>	<u><u>\$ 754,637</u></u>

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009

	Program Services		
	Allocation services	All other programs	Total
Salaries	\$ 32,853	\$ 133,695	\$ 166,548
Payroll taxes and worker's compensation	7,759	12,697	20,456
Employee benefits	10,602	17,349	27,951
Subtotal	<u>51,214</u>	<u>163,741</u>	<u>214,955</u>
Contract services	49,576	82,575	132,151
Equipment and building rent	21,131	34,577	55,708
Special events	-	38,662	38,662
Professional fees	3,356	16,492	19,848
Repairs and maintenance	3,723	6,547	10,270
Supplies	1,158	4,755	5,913
Transportation	1,005	8,682	9,687
Printing and publications	2,447	5,296	7,743
Advertising and public relations	1,612	4,888	6,500
Miscellaneous	1,490	4,416	5,906
Conferences, training and travel	1,444	4,426	5,870
Dues and subscriptions	1,505	2,463	3,968
Program matches	-	6,000	6,000
Telephone	1,294	2,218	3,512
Insurance	1,196	1,957	3,153
Postage and shipping	533	985	1,518
Bank fees	-	-	-
Subtotal	<u>142,684</u>	<u>388,680</u>	<u>531,364</u>
Depreciation	1,897	3,103	5,000
Total operations	<u>144,581</u>	<u>391,783</u>	<u>536,364</u>
Allocations/awards	1,070,575	-	1,070,575
(Less donor designations)	(391,798)	-	(391,798)
Total expenses	<u>\$ 823,358</u>	<u>\$ 391,783</u>	<u>\$ 1,215,141</u>

See Notes to Financial Statements.

Supporting Services

Management and general	Fundraising	Total	Total
\$ 26,306	\$ 65,183	\$ 91,489	\$ 258,037
9,523	5,291	14,814	35,270
13,012	7,230	20,242	48,193
48,841	77,704	126,545	341,500
60,844	50,500	111,344	243,495
25,933	14,407	40,340	96,048
-	62	62	38,724
4,119	2,288	6,407	26,255
4,569	2,538	7,107	17,377
1,421	6,506	7,927	13,840
854	2,139	2,993	12,680
3,003	1,667	4,670	12,413
1,978	1,099	3,077	9,577
1,332	2,123	3,455	9,361
1,772	1,238	3,010	8,880
1,847	1,025	2,872	6,840
-	-	-	6,000
1,589	882	2,471	5,983
1,468	815	2,283	5,436
654	678	1,332	2,850
2,692	-	2,692	2,692
162,916	165,671	328,587	859,951
2,328	1,293	3,621	8,621
165,244	166,964	332,208	868,572
-	-	-	1,070,575
-	-	-	(391,798)
\$ 165,244	\$ 166,964	\$ 332,208	\$ 1,547,349

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2008

	Program Services		
	Allocation services	All other programs	Total
Salaries	\$ 95,876	\$ 141,728	\$ 237,604
Payroll taxes and worker's compensation	8,182	11,151	19,333
Employee benefits	11,239	16,447	27,686
Subtotal	115,297	169,326	284,623
Contract services	11,923	12,828	24,751
Equipment and building rent	15,992	18,630	34,622
Special events	-	34,234	34,234
Repairs and maintenance	5,229	5,457	10,686
Supplies	2,291	9,351	11,642
Miscellaneous	3,215	5,414	8,629
Transportation	3,560	4,019	7,579
Printing and publications	3,067	4,397	7,464
Conferences, training and travel	2,515	4,182	6,697
Professional fees	2,798	2,920	5,718
Bank fees	-	-	-
Telephone	1,409	2,592	4,001
Dues and subscriptions	757	3,590	4,347
Advertising and public relations	914	2,799	3,713
Insurance	1,112	1,350	2,462
Postage and shipping	764	798	1,562
Subtotal	170,843	281,887	452,730
Depreciation	2,718	2,836	5,554
Total operations	173,561	284,723	458,284
Allocations/awards	1,381,675	-	1,381,675
(Less donor designations)	(413,469)	-	(413,469)
Total expenses	\$ 1,141,767	\$ 284,723	\$ 1,426,490

See Notes to Financial Statements.

Supporting Services

Management and general	Fundraising	Total	Total
\$ 85,525	\$ 116,728	\$ 202,253	\$ 439,857
10,672	8,182	18,854	38,187
14,659	11,239	25,898	53,584
110,856	136,149	247,005	531,628
15,553	39,200	54,753	79,504
20,858	15,992	36,850	71,472
-	2,175	2,175	36,409
6,821	5,229	12,050	22,736
2,988	6,717	9,705	21,347
3,472	6,638	10,110	18,739
1,714	7,679	9,393	16,972
4,000	4,357	8,357	15,821
3,280	2,515	5,795	12,492
3,650	2,798	6,448	12,166
7,672	-	7,672	7,672
1,838	1,409	3,247	7,248
987	757	1,744	6,091
1,192	914	2,106	5,819
1,450	1,112	2,562	5,024
997	1,058	2,055	3,617
187,328	234,699	422,027	874,757
3,545	2,718	6,263	11,817
190,873	237,417	428,290	886,574
-	-	-	1,381,675
-	-	-	(413,469)
\$ 190,873	\$ 237,417	\$ 428,290	\$ 1,854,780

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ 64,405	\$ (116,598)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,621	11,817
Net realized and unrealized loss on investments	100,794	15,775
Allowance for uncollectible promises to give	69,805	(13,301)
Changes in assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses	1,610	(2,716)
Deposits	8,500	(1,403)
Grant receivable	1,816	537
Unconditional promises to give	83,506	(99,025)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,662	(928)
Deferred income	132,167	20,476
Allocations and designations payable	(259,659)	137,317
Net cash provided by (used in) operating activities	218,227	(48,049)
Cash Flows From Investing Activities		
Purchase of investments	(444,705)	(58,244)
Purchase of supplies inventory	-	(24,667)
Purchase of property and equipment	(2,069)	(12,966)
Proceeds from sale of investments	598,401	-
Net cash provided by (used in) investing activities	151,627	(95,877)
Net increase (decrease) in cash and cash equivalents	369,854	(143,926)
Cash and cash equivalents:		
Beginning	153,894	297,820
Ending	\$ 523,748	\$ 153,894

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 unite the people of Kern County to build strong, healthy communities. 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 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.

The Organization's program activities consist of the following:

Community Investment: With the assistance of volunteers, the Organization conducts yearly community investment and fund distribution activities focused on reinvesting donor dollars to programs addressing priority needs within Kern County.

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.

Needs Assessment: In partnership with multiple community partners, the Organization conducts a tri-annual assessment evaluating and addressing the state of health and human services in the community.

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.

Special Programs: The Organization provides various community programs throughout the year.

One such program is the Teddy Bear Toss – focused on providing toys for children impacted by abuse, illness, etc.

Grant Services: The Organization acts as the lead organization related to seeking and administering grants geared toward pertinent community issues.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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.

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 and adjusted for other factors as deemed necessary by management.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Investments Valuation and Income Recognition: Financial statement presentation follows the guidance of Financial Accounting Standards Board (FASB), "Investments-Debt and Equity Securities." Under FASB Statement No. 117, 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. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

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.

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.

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.

Advertising: The Organization expenses advertising costs as they are incurred. Advertising expense totaled \$9,577 and \$5,819 for the years ended June 30, 2009 and 2008, respectively.

Note 2. Unconditional Promises to Give

Unconditional promises to give are as follows as of June 30, 2009 and 2008:

	2009	2008
Due in less than one year	\$ 1,253,105	\$ 1,336,609
Less: Allowance for uncollectible promises to give	(479,125)	(409,319)
	<u>\$ 773,980</u>	<u>\$ 927,290</u>

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments

Investments consist of the following as of June 30, 2009 and 2008:

	2009		2008	
	Cost	Market Value	Cost	Market Value
Mutual funds - equity portfolio	\$ 142,059	\$ 136,264	\$ 285,949	\$ 255,731
Mutual funds - taxable bond portfolio	-	-	442,893	446,404
Certificates of deposit	269,939	270,631	-	-
Government agency securities	40,718	40,750	-	-
	<u>\$ 452,716</u>	<u>\$ 447,645</u>	<u>\$ 728,842</u>	<u>\$ 702,135</u>

Realized and unrealized gain (loss) on investments for the years ended June 30, 2009 and 2008 are as follows:

	2009	2008
Realized gain	\$ 116,341	\$ 180
Unrealized (loss)	(217,135)	(15,955)
	<u>\$ (100,794)</u>	<u>\$ (15,775)</u>

Note 4. Fair value Measurements

Financial Accounting Standards Board (FASB) Statement No. 157, "Fair Value Measurements", 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 under FASB Statement No. 157 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.

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.

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

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, 2009 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, 2009 is due in future years as follows:

Years ending June 30,	
2010	\$ 91,174
2011	96,978
2012	105,774
2013	109,476
2014	112,164
Later years	169,452
	<u>\$ 685,018</u>

Lease expense for the years ended June 30, 2009 and 2008 was \$96,048 and \$71,472, respectively.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Defined Contribution Retirement Plan

The Organization has a defined contribution retirement plan covering employees with over one year of service. The Organization matches half of the employee's contribution, up to 2½% of the employee's total salary. The Organization's contributions to the plan for the fiscal years ended June 30, 2009 and 2008 were \$2,647 and \$3,888, respectively.

Note 7. Major Contributors

There were no major contributors defined as contributions greater than 10% of the total revenue and support for the year ended June 30, 2009. The Organization received approximately 16% of its total revenues and support from one company during the year ended June 30 2008.

Note 8. Employee Contract Services

The Organization entered into a contract to outsource all of its personnel services, commencing March 1, 2009. Under the contract, all former employees of the Organization became employees of the outsourced company which provides the personnel services for a fee which covers wages and related costs as well as employee benefits. The Organization reported salaries and wages in the accompanying financial statements until February 28, 2009 and contract services for the remaining four months of its fiscal year ended June 30, 2009.

Note 9. Overhead Ratio

The overhead ratio is equal to 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.

	2009	2008
Supporting services and general	\$ 353,308	\$ 448,136
Total support and other revenue	\$ 1,632,854	\$ 1,758,028
Add: amounts designated for specific agencies (not included in support and revenue)	391,798	413,469
Less: the portion of designations retained as fee revenue	(22,391)	(21,508)
Amounts raised and other revenue	\$ 2,002,261	\$ 2,149,989
Overhead ratio	17.65%	20.84%
Management and general	9.31%	9.80%
Fundraising	8.34%	11.04%
	17.65%	20.84%